Smaller Government: Shrinking the Quango State

Fifth Report of Session 2010–11
House of Commons
Public Administration Select Committee

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Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/pasc

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The Public Administration Select Committee

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

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Smaller Government: Shrinking the Quango State

Summary

The Coalition’s Programme for Government stated that it would “reduce the number and cost of quangos.” To achieve this the Government conducted a review of all public bodies to identify those which it felt were no longer necessary. The review focused on whether a body’s functions were necessary, and if it thought they were, whether it had to be delivered at arm’s length from Government.

This review was poorly managed. There was no meaningful consultation, the tests the review used were not clearly defined and the Cabinet Office failed to establish a proper procedure for departments to follow. It is important that the Government learn lessons from these mistakes as it has indicated that future reviews are likely to be run in broadly the same way. To ensure their effectiveness future reviews should not be conducted in a similar way.

The Bill giving the Government the power to bring about these changes was equally badly drafted. It is being significantly re-written by the House of Lords and we intend to issue a further detailed report on the Bill once the Lords have finished their scrutiny.

Now decisions have been taken as to which bodies to abolish or reform, the Government faces the much larger challenge of successfully implementing these reforms; any organisation would struggle with changes on this scale. The Cabinet Office needs to prepare and issue clear guidance on how to manage this transition. We have developed, with the National Audit Office, our own guidance which draws on lessons from past reorganisations. We encourage departments to use this to assist them in managing the transition process.

The Government’s stated intention for the review was to increase accountability by bringing functions previously discharged by public bodies back in to central departments, thus making ministers directly responsible for the decisions taken. We sympathise with ministers’ desire to be able to influence decisions they will ultimately be held responsible for; but the Government has failed to recognise the realities of the modern world. Stakeholders and civil society play an important role providing challenge and criticism to public bodies on a day to day basis and it is easiest for them to perform this role when they have a clearly identified body to engage with, not a homogenous central department. There is a way to meet both demands: set these bodies up as executive agencies - this provides a clearly identifiable organisation for stakeholders to engage with, while leaving ultimate responsibility with the Minister.

Departments are not clear about how they should interact with the bodies they sponsor; failing to strike the right balance between oversight and independence. The Cabinet Office should issue clear information on the proper relationship between departments and public bodies.

One reason for this lack of clarity is the complexity of the public bodies’ structures; non-departmental public bodies, arm’s length bodies, quangos, public bodies, executive agencies, non-ministerial departments, and independent statutory bodies all clutter the landscape. We recommend that the Government gradually implement a simplified system
so that it is clear to everyone who is responsible for what, and how much input it is right for the Government to have.

Finally, we think that this review represents a missed opportunity. The Government should have reassessed what function public bodies are needed to perform and transferred many more of these activities to charities and mutuals. Doing so would have helped explain more clearly its vision for a Big Society, giving these organisations the ability to provide more government services. It should also have used the review to get control of some activities of public bodies that provide questionable benefit to the taxpayer, most notably the use of public funds for lobbying and public relations campaigns.
1 Introduction

1. There are currently over 900 public bodies in the United Kingdom. They perform a range of tasks from regulating industry to providing guidance and protection to consumers. Some advise on senior appointments while others act as stewards of national assets, promote changes in public behaviour or provide expert scientific advice to Government. A number are responsible for the distribution of large amounts of taxpayers’ money in the form of grants to business, universities and research bodies. As the Institute for Government’s (IfG) recent report notes “they [public bodies] are fundamental to the effective running of the British state”.¹

2. Nevertheless, there are a number of long standing concerns about public bodies – or “quangos” (quasi-autonomous non-governmental organisations) as they are often less affectionately known. Such concerns normally focus on a combination of three complaints: the cost and perceived “wasteful” spending by these bodies; a sense that they are unaccountable for decisions that they take; and the regulatory and bureaucratic constraints that they impose on the rest of society.

3. The Coalition’s Programme for Government stated that it would “reduce the number and cost of quangos.”² The emergency budget announced significant reductions in the number of public bodies and savings of £500 million.³ Since then the Government has conducted a review of all public bodies to identify further reductions. It has also introduced the Public Bodies Reform Bill [Lords] to give it the powers required to implement its reforms.

4. These are not new promises for an incoming Government to make; in 1979, Margaret Thatcher was elected on a promise of a ‘bonfire of quangos’ and in 1997 Tony Blair came to office with similar pledges. Whilst both abolished some organisations and merged others, neither achieved reform on the scale that was initially pledged.⁴

Definitions

5. Discussion about public bodies is made all the more confusing by the language involved. Non-departmental public bodies (NDPB), arm’s length bodies (ALBs), quangos, public bodies, executive agencies, non-ministerial departments, and independent statutory bodies all clutter the lexicon, with the differences between them not always being apparent.

6. In the interests of clarity this Report uses the following terms in the following way:

i. Arm’s length bodies (ALBs) describes the totality of public sector organisations that are separate from a central department; and

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¹ Institute for Government, Read Before Burning: Arms’ length government for a new administration, July 2010, p10
³ Institute for Government, Read Before Burning, p10
⁴ Ibid
ii. **Executive agencies** refers to departmental business units for which ministers are directly accountable but which are separate from the central department for administrative reasons;

iii. **Public bodies** describes any public sector organisation that a minister is not directly accountable for;

iv. **Quangos** - where witnesses have used this term we have assumed it to be equivalent to our use of the term arm’s length bodies, unless they specified otherwise.

**Our inquiry**

7. We examined the Government’s review of public bodies and a range of related topics that emerged from this process. Over the course of this inquiry, we received written submissions from 15 organisations. We held a total of three oral evidence sessions where were heard from: public bodies, unions, academics, think-tanks, lobby groups and Rt Hon Francis Maude MP, Minister for the Cabinet Office, who was responsible for the review. We also commissioned the National Audit Office to provide guidance on how the Government should manage the reorganisation of public bodies. We would like to thank all those who contributed to our inquiry.
2 The Government’s review

8. Shortly after its election, the Coalition Government undertook a review of all public bodies sponsored by departments, excluding executive agencies. The stated aim of this review was “primarily” to increase the accountability of government. To achieve this the review attempted to identify functions that could be transferred from public bodies to central departments. The Government argued that ministers would then be directly responsible for these activities, and could be held to account by Parliament for the discharge of these functions. We evaluate the merits of this position in Chapter 6. A total of 901 public bodies were considered as part of the review. Table 1 (below) provides a summary of the review’s outcomes.

Table 1: Outcome of Public Bodies Review

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Number</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Abolished</td>
<td>192</td>
<td>21%</td>
</tr>
<tr>
<td>Merged</td>
<td>118</td>
<td>13%</td>
</tr>
<tr>
<td>Retained</td>
<td>380</td>
<td>42%</td>
</tr>
<tr>
<td>Retained and Reformed</td>
<td>171</td>
<td>19%</td>
</tr>
<tr>
<td>Under Review</td>
<td>40</td>
<td>4%</td>
</tr>
</tbody>
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9. Francis Maude, Minister for the Cabinet Office, described how the review was to be conducted when he reported to the House on its outcome:

I have led an intensive review into public bodies, subjecting each to four tests. The first test was existential and asked, does the body need to exist and do its functions need to be carried out at all? The answer to that question in some cases was no. [...] If, as in most cases, the body’s functions were deemed necessary, we then sought to establish whether those functions should properly be carried out at arm’s length to government. If the body carries out a highly technical activity, is required to be politically impartial or needs to act independently to establish facts, then it is right for it to remain outside direct ministerial accountability.7

10. Before this, and the accompanying written statement, the only explanation of the tests we can find is in David Cameron’s speech of July 2009 on public bodies reform where he described the second set of tests:

there are three particular areas where the public would want reassurance that actions, decisions, or the provision of services are insulated from political influence.

5 With value for money being a secondary consideration.
6 See para 73 ff
7 HC Deb 14 October 2010, col 505 (our emphasis)
The first is when a precise technical operation needs to be performed to fulfill a ministerial mandate. In these circumstances the public needs to know that people with the right training, professional knowledge and specialist skills are carrying out the work.

The second area where it may be right to delegate power to an independent body is when there is a need for politically impartial decisions to be made about the distribution of taxpayers’ money. In areas like the arts and science, the public expects funding on merit, not favouritism.

The third area where there is likely to be a need for independent action is when facts need to be transparently determined. We have seen how information, once in a politician’s hands, can be distorted to score a political point. A freeze becomes a zero percent rise. Cuts in capital expenditure become increases. Of course this has not been the preserve of any particular government, at any particular time.8

11. From these comments we deduce that there was a two stage process: first, whether a body was performing a function that it was necessary for the State to perform – the “existential test”. If a body passed this stage then the Government used three further tests to determine whether the function needed to be delivered outside a central department – the “technical” test, the “impartiality” test and the “facts” test.

12. We asked the public bodies that gave evidence to us whether the second stage tests had been explained to them. Ms Done, Chair of the Youth Justice Board (YJB) replied that “I don’t think there was anyone able to explain what they all individually meant.”9 Mr Sinclair, Director of the Taxpayers’ Alliance also expressed concern about the lack of clarity in the tests, commenting that the Government had come up with a series of criteria that were “very easy to fudge.”10

13. We asked the Minister how the tests had been defined, focusing specifically on the “technical” test. He responded that:

Well, if it’s doing something that does not require—where the decisions being made are purely technical, I think that’s the consideration: where you’re not making policy judgments.11

... for example, the Child Maintenance and Enforcement Commission will become an executive agency, because actually that is fulfilling an important public function—not a technical one in that sense—which should be accountable to Parliament. Sometimes, there are technical functions that the public will expect to be clearly not capable of being interfered with by ministers.12

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9  Q 20
10 Q 302
11 Q 57
12 Q 59
This seems an odd basis on which to make a decision as it implies that a technical function cannot be an important public function. Regulating pollution, the example the Minister later gave of a technical function, is surely an important public function.\(^{13}\)

14. Francis Maude also said that the application of the test was not “\textit{absolutely precise}” and that:

\begin{quote}
at the end of it, we’re making judgments about whether we think public functions—state functions—have to be delivered in a way that is unaccountable. These are tests that help us to reach those judgments; this is not a precise science.\(^{14}\)
\end{quote}

These comments caused us to doubt whether the tests had been properly thought through or whether they were capable of clear definition. We wrote to the Cabinet Office to ask whether it had issued guidance or clarification to departments explaining the tests. The Cabinet Office wrote to all departments in June with an “\textit{initial view on how the four tests could apply to each department’s public bodies}”. The Cabinet Office also said that a series of meetings on how to apply the tests had taken place, at both official and ministerial level. However, no written guidance had been issued.\(^{15}\)

15. It is also unclear whether all three of the tests the Government set were necessary in determining whether a function should remain at arm’s length from Government. The IfG, during its research for its report \textit{Read Before Burning}, conducted its own evaluation of public bodies and the level of independence they need to discharge their functions properly. Their evidence states that:

\begin{quote}
The key issue for deciding to put a function at arm’s length is the degree of independence from day-to-day ministerial intervention needed to enable the body to command public confidence that it can perform its function in the public interest.\(^{16}\)
\end{quote}

The IfG said that its analysis “\textit{put less emphasis on technical expertise and more on the need to give independence to bodies which need to command public confidence in their ability to scrutinise government and to develop regulatory or standards regimes}” and concluded that there was “\textit{no necessary reason why technical functions should be put at arm’s length from government, unless that is necessary to command public confidence}.”\(^{17}\)

16. The Minister acknowledged that some technical functions were already exercised by executive agencies.\(^{18}\) He went on to argue that technical functions should remain outside the department when this was necessary to ensure public confidence that the function was being discharged impartially.

\begin{quote}
What I think we mean is that this is a function that the public would not expect to be carried out—it overlaps into the criterion about political impartiality—a function
\end{quote}
that requires political impartiality—where you would not expect the decisions on technical issues to be able to be overset by ministers or councillors.19

17. This argument is premised on ensuring that technical functions which needed to be beyond ministerial influence were discharged in a way that was demonstrably politically impartial. When pressed as to whether technical function itself was a relevant criterion, he responded that it was necessary “because it overlaps, but there are plenty of these bodies that will continue to exist because they in some way meet more than one of these tests.”20 Based on these comments we can see no reason why the “technical” test should be one of the tests at all.

18. We have similar doubts about the third test: the “facts” test. This appears to be a subsection of the wider political impartiality test. Only five bodies have been retained on these grounds,21 although there are more than five bodies that independently establish facts. Francis Maude explained that for a body to pass this test it needed to “measure facts in a way that requires it to be seen to be independent of government”.22 The common denominator for all three tests is independence from government. In addition to the existential test, “impartiality” is the only other criterion public bodies should be asked to meet, regardless of their functions.

19. The three second stage “tests” may have seemed superficially plausible at the outset, but they are hopelessly unclear. “Impartiality” is the test that is relevant and this appears to be the motivating factor behind the other two tests. In fact, the “technical” test and the “facts” test serve only to confuse.

Additional test?

20. The Government’s four tests focus on two issues, whether or not the body performs a necessary function (“existential” test); and whether this function needs to be, and appears to be, independent of political influence (“impartiality test”). They are silent on a range of other issues, such as the implication of changes on the wider public policy framework, value for money, or current performance of organisations. We asked our witnesses whether these or any other considerations should have been included in the review. We were told by Sir Ian Magee, IfG that value for money should have been incorporated into these tests.23 Similarly, Karamjit Singh, the Social Fund Commissioner, argued that the criteria were too limited because they failed to take account of the current performance of, and value for money being achieved by, existing bodies.24

21. The Government has repeatedly said that these reforms are “primarily” about improving accountability. While cost savings would be achieved, they were not the main force motivating the review. However, the Government has introduced considerations that
seem to be about value for money in the Public Bodies Reform Bill [Lords]. Clause 8 of the Bill says that when exercising the powers given to them by the Bill Ministers must have regard to:

i. achieving increased efficiency, effectiveness and economy in the exercise of public functions; and

ii. securing appropriate accountability to Ministers in the exercise of such functions.\textsuperscript{25}

While this does not explicitly say that value for money is an issue that Ministers should consider, increasing efficiency and effectiveness and economy in the exercise of public functions would appear to be similar to increasing value for money in the delivery of these functions. Achieving value for money is a perfectly legitimate aim for the Government, and one that we are keen for it to pursue, but it should be transparent about its motivation.

22. We are also concerned that difference between the original government tests and the provisions of Clause 8 of the Bill (above) will lead to confusion. Currently, there are the “existential” and “impartiality” tests which were used in the Government review; while tests concerned with accountability and efficiency are written into the Public Bodies Reform Bill.

23. The tests used in the review should be the tests contained in the Bill. Confusion about the three second stage tests might explain why the tests the Government used in the review are not those outlined in Clause 8 of the Public Bodies Reform Bill [Lords]. The inclusion of a “value for money” test in the Bill but not the review is a further inconsistency. There should be a single set of tests that covers: whether a function needs to be performed (existential), whether it is appropriate for it to be performed independently by a public body (impartiality); and how it can be delivered most cost-effectively (value for money). The present incoherence and inconsistencies cannot have helped the conduct of the review or the drafting of the Bill.

**Review process**

**Consultation**

24. The Government’s most recent guidance on consultation, issued in July 2008, states that “effective consultation brings to light valuable information which the Government can use to design effective solutions. Put simply, effective consultation allows the Government to make informed decisions on matters of policy [...].”\textsuperscript{26} However, the Government does not seem to have followed its own advice when deciding how to proceed with public bodies reform. Many witnesses told us that they felt the Government had failed to conduct a proper consultation exercise when performing this review.

25. The Public and Commercial Services (PCS) Union’s written evidence stated that they had “major concerns” about the lack of consultation with those that use and provide public

\textsuperscript{25} Public Bodies Reform Bill [Lords], Clause 8, [HL Bill 25 (2010-2011)]

\textsuperscript{26} HM Government, *Code of Practice on Consultation*, Foreword, July 2008
bodies’ services.\textsuperscript{27} This was a theme that the unions expanded upon during their oral evidence. Charles Cochrane, Secretary of the Council of Civil Service Unions told us that:

> Whilst we initiated some discussions with the Cabinet Office to ask both about the general process of reviews and abolition of public bodies and of the Bill, we certainly weren’t subject to any formal consultation.\textsuperscript{28}

Jonathan Baume, Secretary-General of the FDA said that:

> We were not consulted beforehand. On one or two cases we might have had about an hour’s advance notice of announcements being made, but certainly no advance consultation.\textsuperscript{29}

Commenting on the decision to abolish the regional development agencies, Geoff Lewtas of PCS, complained that:

> There has been no debate at all about the real reasons for that decision and no possibility since of any proper consultation that means you can have a dialogue about the reasoning behind it and the justification for it and start to examine those arguments and discuss them in a proper manner.\textsuperscript{30}

26. Public bodies themselves were not consulted in any consistent way. For example, Christopher Banks, Chair of the Public Chairs Forum\textsuperscript{31} said that there is a “\textit{sense of tokenism}” in the Government’s engagement with bodies under review. He quotes one Chair who said that:

> The Government’s version of involving an ALB [Arm’s Length Body] in the decision about its future appears to be telling it that it is being reviewed and that they will be told the outcome at the end of the process.\textsuperscript{32}

Frances Done, Chair of the Youth Justice Board (YJB), also reported that the Board had not been directly consulted about the decision to abolish it.\textsuperscript{33}

27. The Minister was asked what consultation the Government had undertaken in advance of taking these decisions. He responded that the level of consultation would have been “\textit{very varied [... in some cases, will have been quite extensive; in other cases, will have been very little.}”\textsuperscript{34} He explained that this was because the reviews were conducted by individual departments and each of them will have followed their own procedures. He also said that:
These are essentially decisions in principle; these are decisions made where departments will know, or should know and I’m sure do, in a great deal of detail what those bodies do, what their functions are and how they are carried out.\textsuperscript{35}

This can only mean that he believes that the nature of the decisions the Government was taking meant that consultation was unnecessary; that these were academic questions which could be answered solely by thinking about the type of function that a body performs. This is not the case. \textbf{As a minimum the bodies affected by these reforms should have been consulted to see how they thought the Government’s tests applied to them.}

28. We are not alone in expressing concerns about the lack of consultation. The Lords Constitution Committee recommended that all orders made using the Public Bodies Reform Bill should use the “super affirmative procedure” which would involve publishing the order in draft for consultation.\textsuperscript{36} The Government has itself acknowledged that there is a need for greater consultation as it has brought forward its amendments to the Bill that would require it to consult before bringing forward an order to implement a change to a public body.\textsuperscript{37}

29. \textbf{The Government did not consult properly on these proposals. When undertaking such a fundamental review of the machinery of government it is desirable and sensible to do so. We welcome that fact the Government is now taking steps to rectify this, but question how useful consultation can be, given that decisions on the future of many bodies have already been taken. Having agreed to amend the Bill to allow for more consultation we expect these consultations to have real effect on the outcome of the review; even if this means reversing decisions that have already been made. We expect the Government to give us such an assurance in its response to this Report.}

\textbf{Applying the tests}

30. We also have concerns that the Governments did not apply its tests consistently.

\textbf{Lack of explanation}

31. In several cases, the Government has declined to provide an explanation for why it intends to retain a body. This has happened in cases where:

\begin{itemize}
  \item[i.] The body is being retained and subject to radical reforms e.g. Environment Agency, Equalities and Human Rights Commission, Financial Reporting Council, Forestry Commission, Homes and Communities Agency and Natural England;
  \item[ii.] Two or more bodies are being merged e.g.: Certification Office and Central Arbitration Committee; Competition Commission and Office of Fair Trading; Postcomm and Ofcom; Gambling Commission and National Lottery Commission; UK Sport and Sport England; Pensions Ombudsman and Pensions Protection Fund Ombudsman; Serious Organised Crime Agency into the new National Crime
\end{itemize}

\begin{flushright}
\textsuperscript{35} Q 43
\textsuperscript{36} Lords Constitution Committee, Public Bodies Reform Bill [HL], Sixth Report of the Session 2010-11, HL Paper 51
\textsuperscript{37} http://www.publications.parliament.uk/pa/ld201011/ldbills/025/amend/ml025-i.htm Amendment 114
\end{flushright}
Agency; and Crown Prosecution Service and Revenue and Customs Prosecutions Office; and

iii. The body is simply being retained e.g. Competitions Appeals Tribunal, Equality 2025, Health and Safety Executive, Monitor, OFWAT, and Royal Mail Holdings Plc.38

This suggests that some decisions may have been taken without reference to the tests.

**Transparency: a further test?**

32. The Ministry of Justice has retained bodies on the grounds of “transparency” despite the fact that this is not one of the tests that the Government laid down.39 Since it has retained other quangos on the grounds of technical function and impartiality, we can presume that it has used the term transparency in place of the “facts” test. However, the use of an additional term to justify a decision suggests that the tests were not applied consistently.

**Similar bodies treated differently**

33. Finally there is evidence of similar bodies being treated differently. For example, Sir Ian Magee, IfG, said that it was not immediately clear “[...] why arts and sport funding needs to be independent, but film funding doesn’t need to be independent”.40 Professor Flinders, Sheffield University, gave further examples:

> There are many examples where you can’t find any explanation for why one body is going and another one is being kept. Why get rid of the Security Industry Authority and keep the Gangmasters Licensing Authority? Why keep seven Research Councils? Why get rid of the HFEA and keep NICE? [...] The process for assessing the future births, deaths and marriages of public bodies has simply not been transparent; nobody understands it.41

34. There was also a general agreement amongst the academics that this inconsistency had been at least partially caused by the speed at which the review had been conducted. Professor Talbot commented that he could not imagine that the process had been conducted with the necessary care due to the “extraordinary pace” at which the Government had proceeded.42

35. Mr Burkard, Centre for Policy Studies made a similar point, noting that the speed at which the review had been conducted had led to some bodies not receiving the level of detailed scrutiny that was required.
The fact that the thing was rushed has a lot to do with political necessity to show that something has been done, but the fact that it was rushed also meant that an awful lot of bodies that probably need a lot more scrutiny haven’t received that kind of scrutiny.\(^{43}\)

36. When challenged about whether the tests had been applied consistently, the Minister insisted “that the results of the review are reasonably consistent.”\(^{44}\) He also said that his ministerial responsibilities included overseeing the review “to ensure that it was carried out in a way that was reasonably consistent.” We suggested the possibility of an analysis being produced on how the tests had been applied. He replied that:

> I’d recommend you looking in detail at what each department has said and see whether you think they’re meeting that—what you would like to see. I think you’ll find that quite a lot of them have done that.\(^{45}\)

In the first instance it is the responsibility of the Minister of the Cabinet Office to ascertain whether each department has applied the tests consistently.

37. We are not convinced that the Government has applied its tests consistently. Neither can we find any evidence to suggest that it took any steps to ensure a uniform approach was taken. We recommend that the Cabinet Office publish details on how the tests have been applied to all public bodies that are still under review, so we can ensure that in future these tests are applied consistently.

38. The lack of consultation and inconsistent application of the tests, which are themselves confusing, have led us to conclude that there was no coherent and consistent process for reviewing public bodies. The Minister’s own comments seem to confirm this. He said, “What process each one went through, I suspect, will have varied enormously”.\(^{46}\) When asked directly whether the Cabinet Office had issued any guidance as to how departments should conduct this review, he replied:

> No, we simply said, “These are the tests which you must apply,” and we then have oversight of the results of the review, and we test the conclusions that the departments have reached and, as I made clear in the statement whenever it was—two weeks ago—some of the reviews are not yet complete and some of the bodies are still being considered.\(^{47}\)

The Cabinet Office’s submission also states that no written guidance was given to departments on how to apply the tests, but that consistency was ensured through discussion between officials in the Cabinet Office and other departments.\(^{48}\)

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43 Q 296 [Mr Burkard]
44 Q 66
45 Q 80
46 Q 43
47 Q 48
48 Ev 62
39. The Cabinet Office should have offered guidance to departments on how to conduct these reviews of public bodies; including provision for a meaningful consultation exercise and details on how the tests should be applied. While this might have taken longer, we see no reason that justifies rushing the review process. This extra time would have allowed the Government to conduct a measured and balanced review, and also have given it the opportunity to consider in more detail which functions it was necessary to retain.
3 Future Reviews

40. In his statement to the House the Minister made clear that he did not regard the current review of public bodies as a one-off exercise. He told the House that this would be a recurring process, with all bodies being subject to a “rigorous triennial review to ensure that the previous pattern of public bodies outliving the purpose for which they were established will not be repeated”.

41. Many organisations have supported the need for there to be regular reviews of public bodies to ensure that they still served a useful purpose and to guard against “function creep”. John O’Connell, Research-Director, Taxpayers’ Alliance warned that unless a more rigorous and robust approach was taken to reviewing public bodies they were likely to steadily increase their budget and responsibilities.

42. The IfG’s Read before Burning report recommended that the Government introduce Governance and Performance (GAP) reviews for all public bodies, every three to five years. These reviews would:

Ensure that both ALBs and their sponsor departments are delivering against their responsibilities and that these responsibilities are clearly defined. Reviews should be conducted by individuals who are sufficiently independent of government and the review methodology should include a ‘peer review’.

43. This Government is not the first to introduce a system of reviews for public bodies. Until eight years ago, each government department was obliged to conduct five-yearly reviews of the public bodies for which they were responsible. These “Quinquennial Reviews” were scrapped after the 2002 Alexander Report found that ‘an estimated £5 million per annum is spent on Quinquennial Reviews, yet there are few examples of the […] process itself producing significant business change’. This report concluded that this was largely due to the fact that the reviews were conducted by departments themselves. This led to them failing to provide challenge to ministers on decisions to set up and retain specific bodies. In addition, they did not assess how departmental practices might be inhibiting public bodies’ effectiveness.

44. Quinquennial Reviews were replaced in 2003 by ‘end-to-end’ or landscape reviews linked to Public Service Agreement targets set for each government department. The intention was to examine the entire process from policy to delivery. These were entirely optional for departments. As a result, several large public bodies have not been subject to review for 10 years or more, while others have never been subjected to independent review.

49 HC Deb 14 October 2010, col 505
50 Q 301
51 Institute for Government, Read Before Burning, p13
53 Institute for Government, Read Before Burning, pp 37-38
45. Professor Talbot emphasised the need for a new process to avoid the mistakes made by previous reviews.

The agencification of executive non-departmental public bodies in the 1990s, and most of the triennial or quinquennial reviews that took place then led to no change at all to those bodies. In most cases, they were fairly routine processes [...] they were conducted entirely within the ministries and there was no external input into those processes.54

To avoid this he suggested that the new arrangements include “external input, some peer review element to it and some parliamentary input.”55

46. We asked the Minister how this new review process would operate. He explained that he foresaw it operating in a very similar way to the review that the Government had just conducted. However, he also said that transparency, effectiveness and value for money could also be included:

what I envisage is that the triennial reviews will go through the same sort of process that we’ve done [...] but also subsequently to look at efficiency, transparency and value for money, so that those factors can be fed into the decision-taking.56

47. We welcome the Minister’s comments which indicate that future reviews will include considerations about efficiency and value for money. This seems a sensible way to proceed. However, we would ask him to clarify how it will avoid some of the flaws of previous review processes, particularly the lack of external input and challenge.

48. The cost and burdens involved in the previous Quinquennial review process was one of the main reasons it was discontinued. We asked the Minister how he would ensure that the current system would be more cost-efficient. He seemed confident that devising a less expensive arrangement would not be difficult: “I don’t know how on earth they managed to spend £5 million doing that.”57

49. We are pleased that the Minister was confident that he would be able to devise a more cost-effective review system than previous efforts. We invite him to provide us with his most recent estimate of the cost of the future review process.

Reviews and the Public Bodies Reform Bill

50. When asked whether the process for conducting future reviews should be written into legislation Professor Flinders replied that “some acknowledgment that a regular review of some kind would be a matter of common good governance [...] would be very helpful.” The other academics who gave evidence to us agreed with this sentiment.58
51. When this suggestion was put to the Minister he admitted that the thought had not occurred to him. He indicated that he would be willing to consider an amendment to put the review system on a statutory footing.59

52. We welcome the Government’s intention to introduce a regular review of public bodies. We recommend that the process for conducting these reviews, including the criteria that they will be evaluated against, should be included in the Public Bodies Reform Bill.
4 Managing the transition

53. The Government has decided which bodies to reform, and how it wishes to see them reformed, but arguably the largest challenge still lies ahead – managing these reforms. With 192 bodies earmarked for abolition, 118 due to be merged and a further 171 which will be retained but undergo “significant reform”, these changes represent a major restructuring of the machinery of government.

54. It is not only the Government that finds managing these kinds of reform difficult, as the NAO note in their report Reorganising central government “Achieving successful change to organisational structures is challenging whether in the public or private sector.”60 Mr Banks, Chair of the Public Chair Forum, notes that the majority of mergers – including those in the private sector – “fail to deliver the benefits envisaged when they are planned.”61 Nevertheless, BDO, the UK’s 6th largest accountancy and audit firm, raise particular concerns about the public sector’s ability to manage change on this scale arguing that reform of public bodies has the potential to be “an unsupported government agenda”, due to a lack of expertise in public sector organisations.62 BDO argued that:

Ministers and sponsoring departments [should] draw upon private sector experience with organisational restructuring to ensure any operational wind-down is done efficiently, while maximising value and technical efficiency from organisations which remain in operation.63

55. A number of organisations used their evidence to highlight the scale of the challenge and recommended ways the Government can best manage the associated risks. The PCS Union’s evidence states that transitional arrangements will involve:

i. harmonisation of highly varied terms and conditions;

ii. legal and other obligations to carry out collective and individual consultations;

iii. negotiating complex transfer rights; and

iv. individual job assessments to determine full or part transfer of functions.64

56. The IfG believes that the “process of closure and reorganisation will need to be tightly managed in order to deliver savings and realise potential benefits”. It highlights the potential for considerable legacy costs in organisations which might require substantial upfront expenditure, and recommends that the Government should learn lessons from past rationalisations.65

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60 NAO, Reorganising central Government, HC 452, Session 2009-10, 18 March 2010, para 3.1
61 Ev w1
62 Ev w8
63 Ev w11
64 Ev 58
65 Ev 49
57. Mr Banks, Chair of the Public Chair Forum, emphasised the importance of transition management in minimising the disruption caused by changes to the structure and remit of bodies. This was particularly important in the case of the legacy body, which were often neglected, but continue to be responsible for delivery until the day of the handover. He recommended that, as far as possible, there should be continuity in the management and non-executive directors during this period.66

58. Rona Chester, Sport England, told the Committee that she felt that some form of “consistent framework” would be helpful to provide bodies with guidance as to how they should manage the transition. She noted that although many organisations had gone through these kinds of reorganisations before there was “a real danger” that a lack of guidance would lead to each body reinventing the wheel.67

59. Some work has already been done to draw together lessons from previous restructurings. The Hearing Aid Council has recently published a document on the lessons to be learnt from its own abolition.68 The National Audit Office has previously conducted a study of the reorganisation of central government departments and formulated a number of principles that should be followed in any future reorganisations, and how they should be applied in practice. These principles include:

i. Ensuring the implementation team has detailed plans in place and the necessary skills in project and change management;
ii. Communicating openly, honestly and regularly with staff and stakeholders, and seek to deliver early benefits to maintain/build their support;
iii. Being clear about the outcomes sought and track benefits and key performance measures regularly;
iv. Recruiting and appointing key senior executives early;
v. Implementing decisively and swiftly to limit uncertainty;
vi. Phasing in implementation of major changes – which can often be more effective than a ‘big bang’ approach; and
vii. Ensuring the ‘nuts and bolts’ work during transition and that normal business is maintained.69

60. Many of these principles are equally relevant to successfully managing changes to public bodies. Therefore we have been working with the NAO to develop guidelines for the reorganisation of public bodies that builds on there original work. We are publishing these guidelines as Appendix A to this Report. While inevitably they do not cover all the possible issues that might come up during a transition process, we believe that they set out

66 Ev w2
67 Q 39 [Ms Chester]
68 http://thehearingaidcouncil.org.uk/ The Hearing Aid Council’s functions were transferred to the Health Professions Council. The decision to do this was taken on 2005 and the transition was completed in 2010.
69 National Audit Office, Reorganising Central Government, HC 452, Session 2009-10, 18 March 2010,
expectations that every transition plan should meet. The Cabinet Office is also intending to issue its own guidance in the New Year.\textsuperscript{70}

61. \textbf{It is important that clear guidance is issued to departments to help them manage what will inevitably be a complicated reorganisation process. Failure to do this will result in duplication of effort and unnecessary costs. We recommend that the Cabinet Office incorporate the guidance we have developed with the NAO into the guidance it is developing for departments.}

\textbf{Role of the Cabinet Office}

62. When we questioned the Minister about what role the Cabinet Office would play in the transition he said that it would, \textit{“be available to help and there will be common experience and toolkits that can be made available more widely, which we can facilitate.”}\textsuperscript{71} However, he stressed that responsibility for the transition would primarily lie with the sponsoring departments:

\begin{quote}
They are responsible for the implementation of this. They have the spending constraints, they have the budget, and they have to manage it in their way.\textsuperscript{72}
\end{quote}

63. The Minister seemed unclear as to whether the Cabinet Office would need to approve each department’s transition plans:

\begin{quote}
I can’t remember, to be honest. I’ve generally required most things to be approved by me, and I can’t remember whether we’ve specifically required that, but we are getting departments to submit their implementation plans.\textsuperscript{73}
\end{quote}

\textbf{We asked the Government to clarify, in its response to this Report, what role the Cabinet Office will have in scrutinising departments’ implementation plans, and whether the Minister for the Cabinet Office will personally approve each plan.}

\textbf{Business Plans}

64. The Cabinet Office’s Business Plan states that the one of its actions is to \textit{“support departments in developing a robust implementation plan”}\textsuperscript{74} for managing changes to public bodies. When this plan was published at the start of November this action was listed as “completed”. We wrote to the Cabinet Office and queried how this was possible, given that some bodies were still under review. Its response contained much information on the Cabinet Office’s role in support of departments; including a future plan to issue a “checklist” to help departments evaluate their own transition plans. However, it did not

\textsuperscript{70} Ev 63
\textsuperscript{71} Q 118
\textsuperscript{72} Q 120
\textsuperscript{73} Q 122
\textsuperscript{74} http://transparency.number10.gov.uk/transparency/srp/view-srp/1 objective 1.16.ii
address how its business plan can claim to have completed this task when work was still ongoing.75

65. We are concerned that an ongoing task is listed as a “completed” in the Cabinet Office’s business plan. We welcome the intention behind the publication of departmental business plans, but they will only be useful tools to help the public hold the Government to account if the information contained in them is accurate. We request the Cabinet Office update its business plan to reflect the reality of the situation.
5 Sponsoring Public Bodies

66. During our inquiry we encountered wider concerns about departments’ abilities to sponsor the public bodies that fall within their remit. One of the key findings of the IfG’s report on arm’s length bodies, Read Before Burning, was that:

The role of sponsorship is often undervalued in Whitehall, meaning that sponsors receive relatively little specialised professional development, and sharing of best practice is limited. Good performance management is essential for effective arm’s length government, yet Whitehall’s capability in this area is particularly weak. Many departments do not make clear their expectations in terms of performance, nor the sanctions for different levels of overspending.76

Sir Ian Magee, IfG, gave some examples to illustrate the problem when he appeared before us to give evidence.

The evidence that we collected suggested that their interventions ranged on the one end of the spectrum from micromanagement with a number of different Directors General getting involved so that the agency was almost inhibited from doing its job properly, right the way through to almost benign neglect on the other, where the agency or non-departmental public body has taken on its own life, as it were, and where Secretaries of State get frustrated because a policy unit has built up within the non-departmental public body that appears to be mirroring and duplicating the functions within the department.77

Professor Talbot, Manchester University, said that this was a theme that had emerged from his own research. He believed that departments found it very difficult to establish a suitable relationship between themselves and their public bodies and ended up tending toward one of two extremes:

either the parent department taking this liberal parent approach of, “Well we don’t have to manage that anymore because it has been set up as an agency” or whatever it has been called in different countries, or they continue to micromanage as if it was still part of the department. They find it very difficult to develop a more adult relationship[...] That is a major problem.78

67. When these points were put to the Minister he replied that most Government departments did not manage their public bodies. He explained that this was because:

The whole point is these are meant to be autonomous and not accountable, so if there’s a justification for the function being carried out in a way that’s independent of a department, then the ability of the sponsoring department to interfere with its management is strictly limited.79

76 Institute for Government, Read Before Burning, p12
77 Q 256
78 Q 257
79 Q 123
We are concerned about this response, which seems to indicate that the Minister has adopted the “liberal parent” approach that Professor Talbot warned against.

68. This also does not reflect the reality of public bodies’ relationship with their sponsoring departments. There is a role for sponsoring departments to play in providing oversight. Frances Done, Chair of the Youth Justice Board, gave several examples of the way the MoJ was involved in overseeing her organisation:

the Secretary of State: [...] sets my target for performance and the performance targets for the Youth Justice Board. Ministers sign our corporate plan [...].

The Prime Minister, when in Opposition, made it clear in his speech of 6 July 2009 that even when powers were devolved to public bodies it did not mean that the Minister had no role to play:

Even when power is delegated to a quango, with a new Conservative government, the minister will remain responsible for outcomes. They set the rules under which the quango operates. And they have the power to ensure that the people operating the quango are qualified to do the job.

69. The Cabinet Office’s own guidance on non-departmental public bodies also requires sponsoring departments to have an oversight of public bodies that fall within their remit:

NDPB managers should have: clear objectives and the means to measure output and performance against them, clear responsibility for best use of resources including output and value for money; and access to the necessary management information, training and expert advice.

How these functions are dealt with should be left to the NDPB; but it is important that the sponsor department’s Accounting Officer should ensure that adequate arrangements are in place.

70. The most likely reason for this confusion over the proper relationship between departments and the bodies they sponsor is the fact that there are numerous different types of public bodies. Different types of public body are supposed to be subject to different levels of involvement with their parent department, but the lack of clarity about these different types is leaving departments unsure about what approach to adopt. As Professor Talbot explained:

if you have too many different sorts of relationships between your various satellite organisations and the corporate centre, it makes it incredibly difficult for the corporate centre to know what sort of managerial relationship it has with these different bodies.
We will return to the issue of how the Government could simplify the public bodies’ landscape in Chapter 7.84

71. Departments need better guidance about how their sponsoring role should strike the right balance between oversight and independence. The most recent guidance on public bodies was issued over four years ago and is largely silent on this issue. We welcome the indication, given in the Cabinet Office’s most recent memorandum, that the Government is revising its guide to departments on public bodies to include “guidance and examples of good practice, on sponsorship.”85

72. The Cabinet Office should revise its guidance on public bodies as quickly as possible, placing more emphasis on the proper, on-going relationship between departments and the organisations they sponsor. It should make clear what kind of decisions are purely the responsibility of the bodies, when the department should be consulted and whether any decisions - such as the overall business plan - should be subject to ministerial approval.

84 See para 124 ff.
85 Ev 63
6 Accountability

73. The Government has stated that the primary motivation behind the reforms to public bodies is to improve the accountability of government. Speaking in the House about the outcome of the review process, Frances Maude, Minister for the Cabinet Office, argued that the changes were:

principally about increasing accountability – the important presumption that when an activity is carried out by the state, and there is no pressing need to do so at arm’s length from government, it should be carried out by someone who is accountable democratically, either a Minister who is accountable to this House and, through this House, to the public, or a local authority that is accountable to local residents.86

This is a reasonable aim for the Government to pursue. The current accountability arrangements are not always easy to understand and the Government is often held responsible, by the media and the public, for activities of bodies that it has a limited ability to control.

Accountability or cost savings?

74. The Government hopes to improve accountability by bringing the functions of public bodies back into departments unless there is a reason why the function needs to remain at arm’s length from ministerial influence. By doing so ministers, or other elected officials, would be directly responsible for the majority of government activities and could be held to account by Parliament and the electorate for the discharge of those functions. As Mike Penning, Parliamentary Undersecretary of State at the Department for Transport told us, a significant feature of his activity as minister had been to pull in more closely a number of departmental agencies. “I have several large agencies that under the previous Administration were given huge autonomy; I’ve reined that autonomy in as hard as I can.”87

75. Not all of our witnesses were convinced that improving accountability was the main factor motivating the reforms. Professor Flinders, Sheffield University, argued that originally the intention had been to save money. He believed that it was only after the election that the focus of the debate shifted towards accountability:

I think it’s quite clear that pre-election and just after the election the reform was couched in the language of efficiency savings; it was to save money. Only in recent weeks did the focus drastically shift towards increasing accountability. I have spoken to ministers who tell me that that clearly happened because when you sit down and look at all these executive bodies, you suddenly realise that in opposition it is much easier to throw bombs, but when you are in charge, you realise that a lot of these bodies do a lot of good work and you don’t want them back in your departments.88

86 HC Deb 14 October 2010, col 505
87 Oral Evidence taken before the Public Administration Select Committee on 7 December 2010 Q 231 [Mike Penning MP]
88 Q 239 [Professor Flinders]
76. The Conservative party’s manifesto makes the following comments on public bodies:

Over the course of a Parliament, we will cut Whitehall policy, funding and regulation costs by a third, saving £2 billion a year, and save a further £1 billion a year from quangos bureaucracy.

We will cut the unaccountable quango state and root out waste.

The explosion of unaccountable quangos, public sector ‘nonjobs’ and costly bureaucracy is an indictment of Labour’s reckless approach to spending other people’s money. Once again, it undermines public trust in the political process.

Under Labour, the quango state has flourished. Government figures show that there are over 700 unelected bodies spending £46 billion every year, but this does not even include the range of advisory bodies, public corporations, taskforces and regional government bodies that have sprung up under Labour. We believe that Ministers should be responsible for government policy, not unelected bureaucrats.\(^{89}\)

77. These comments indicate that concerns about both cost and accountability were motivating the Conservative party’s thinking. A similar mix of concerns can be found in David Cameron’s speech on public bodies that he made on 6 July 2009.

The growth in the number of quangos, and in the scope of their influence, raises important questions for our democracy and politics.

Questions of accountability - now vital in the light of the damaged trust in our political system.

Questions about public spending control - now vital in the light of the debt crisis.

And questions about sheer effectiveness - increasingly urgent as people see their taxes going up, but the quality of their lives going down.\(^{90}\)

However he then went on to make a number of points which seemed to highlight the importance of using public body reform to reduce government spending. Most notably when he said “we’ll never get control of public spending unless we get control of quangos.”\(^{91}\)

78. When we asked the Minister whether cost savings were a consideration in the review he replied that:

Well, it’s a factor, but it’s a secondary factor. Certainly it was a factor in taking the decisions to remove duplication where there were bodies which were duplicating their activities, with overlapping functions—sometimes functions which were in conflict with each other—seeking to remove those, driven primarily by the desire to

\(^{91}\) Ibid
save money and improve value for money, but as I say, the primary consideration throughout has been to increase accountability.\footnote{Q 52 (Our emphasis.)}

**Accountability and the review process**

79. The process that Government has used in the review to evaluate public bodies partly supports the claim that accountability was the main motive for the reforms. Both the scope of the review and the three “main” tests were designed to establish the appropriate level of ministerial accountability for a public body’s function.\footnote{Q 55}

80. However, the tests that the Government announced would be used as part of the review do not seem to be the only tests they are applying. The Public Bodies Reform Bill [\textit{Lords}] includes a different list of factors that the Minister must have regard to when making reforms to public bodies. When we questioned the Minister about this discrepancy he denied that the Government had “moved the goal post” insisting that “everything we [the Conservatives] said about this before the election made it clear that this was principally about accountability.”\footnote{Q 55}

**The primacy of accountability?**

81. Some reforms proposed by the review do not seem have any basis in accountability. A number of bodies that were reviewed have had their outcome listed as “retain and reform”. In most cases there is very limited information available about the nature of these reforms. But in some cases the short description of the “substantial reform” suggests that cost savings and not accountability drove individual changes. For example, the Financial Reporting Council is to be retained and “substantially reformed” the reform being to “remove reliance on Government funding”. The reforms to the Equalities and Human Rights Commissions are intended to ensure a “better focus on its core regulatory functions and improved use of taxpayers’ money.” Similarly, Passenger Focus will be reformed to focus on “core role of protecting passengers, while reducing cost to taxpayers.”\footnote{\url{http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191543.pdf}}

82. We asked Sir Gus O’Donnell, Cabinet Secretary, to write to us with the latest estimates of the total savings likely to be achieved by the review. In his response he emphasised that the “primary reason for the reforms to public bodies is to ensure that accountability rests in the right place.”\footnote{Ev w13} But he continued that he expected “the exercise will reduce duplication of effort and activity, either by stopping functions that are no longer vital to the delivery of public services, or by streamlining activities and reducing administrative costs.”\footnote{Ev w13} He was not able to give us an estimate for the total cost saving, merely saying that public body reform
would “make a contribution” to the achievement of wider targets for administrative savings.98

83. At the outset, both accountability and value for money were considerations, but the extent to which quangos reform would yield significant savings was probably exaggerated. This created a false expectation that the review would deliver greater savings than it has been able to realise. Consequently, the Government appears unsure about the extent to which the reform will result in significant savings for the taxpayer.

**Cost savings**

84. We questioned why it was not possible to use the review to deliver significant reductions in public expenditure. Mr Sinclair, Taxpayers’ Alliance (TPA), certainly thought that there was scope for the review to have delivered greater cost savings.

   Anyone who has tried to put together a package of cuts that would add up to a substantial amount—certainly we found this—without getting rid of some of the larger quangos, which are the ones which haven’t been touched—as you say, haven’t been hit enough in this review—will find it very hard to make those sums add up without putting what may be an untenable burden on household budgets. That is why more of these quangos need to be abolished.99

85. We believe that the answer to this question is that there is a limit to the amount of savings that can be found by changing how functions are delivered. As the IfG notes in its report:

   much of the money ’spent’ by NDPBs could not realistically be reduced by simply abolishing a body: 75% of NDPB costs are grants that are passed on to others, funding universities, legal aid and other core government functions. To make cuts in these areas, difficult policy decisions would be required.100

If the Government wishes to make significant savings in public body expenditure it needs to take a more fundamental look at which services it wishes to continue to provide. While it is possible to make greater efficiency savings, there will be a limit to the reductions that can be made in public body expenditure unless a political decision is taken for these organisations to do fewer things. We do not believe that the Government has used this review to undertake this sort of analysis – another reason why the Government should have taken longer to conduct this review.

**Increasing accountability?**

**Doctrine of ministerial accountability**

86. The Prime Minister summarised this argument in his speech of 6 July 2009 when he said:

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98 Ev w13
99 Q 286
100 Institute for Government, *Read Before Burning*, p11
Our starting presumption is a preference for democratic accountability over bureaucratic accountability. That means that wherever possible, we will expect ministers to exercise their responsibility through their departments.101

One argument advanced in favour of bringing functions back into departments is that previously public bodies had allowed ministers to evade responsibility for decisions that they should have been accountable for. Mr Sinclair, Director of the TPA, argued that when a department was directly responsible for delivery “you don’t have that ability to blame an outside body when things go wrong.”102 The TPA’s report ACA to YJB: A Guide to the UK’s Semi-Autonomous Public Bodies cites the delay in the marking of SATs papers in 2007 as an example where a public body (in this case the QCA) was blamed for a decision when in reality ministers had been closely involved.103

87. The Minister made a similar point arguing “in the past, various public bodies were set up in order to avoid ministers having to take responsibility for difficult decisions.”104 He believed that ministers should be responsible for these decisions “that seems to us [to be] what ministers are for: to take decisions and justify them.”105 Essentially this argument can be reduced to the claim that there are some public bodies that perform functions that do not require independence from ministerial influence. Therefore, these are functions properly performed by central departments.

88. Francis Maude said that the advantage of having responsibility reside with a minister is that “minister[s] can be held accountable in Parliament for how that function is carried out, how the policy is set and how the policy is administered.” In essence this was an argument based on the primacy of Parliament as a forum for accountability. The Minister summarised his position by saying:

[...] it all depends whether you believe in parliamentary accountability. Call me old-fashioned: I believe in parliamentary government.106

**Will it work?**

89. Not all those who contributed to our inquiry agreed with the Minister’s view that his proposals to transfer functions from public bodies back into departments would result in greater accountability. Those who currently served on public bodies argued that there were already a number of mechanisms in place to ensure that they were suitably accountable for their actions. Ms Done, Chair, Youth Justice Board described the various ways in which her organisation was held to account including: the Secretary of State setting performance targets and signing the corporate plan and annual review; being audited by the NAO; and

102 Q293
103 ‘Taxpayers’ Alliance, ACA to YJB: A Guide to the UK’s Semi-Autonomous Public Bodies, p 9
104 Q 51
105 Q 51
106 Q 87
having a senior manager from the department attend board meetings.107 Ms Chester of Sport England made similar points.108

90. When asked if these reforms would lead to them being more accountable Ms Chester said she was sure the current standard of accountability and transparency would be “maintained” following the merger of Sport England with UK Sport. Ms Done did not believe that the transfer of youth justice functions to the MoJ would lead to any increase in accountability “because quite honestly we’re very closely working with them [ministers] already.”109

91. Many of the academics and think tanks which contributed to our inquiry were equally unsure whether these reforms would deliver greater accountability. The IfG state in their evidence that they do not think that “rationalisation of the arm’s length landscape will necessarily improve accountability.” They continued that:

> there may be a trade-off between the relative transparency of decision-making in an ALB, with a Board and Chief Executive publically answerable for decisions, and more direct ministerial accountability.110

Similarly, Christopher Banks, Chair of the Public Chairs Forum, argued that increased accountability is not a necessary outcome and will depend greatly on the detail of the new arrangement.111 Professor Flinders was perhaps the most scathing of the Minister’s description of accountability, saying:

> I was watching the appearance of the minister in front of the Committee and it seemed that there was a very simple line: “Bringing functions to departments—accountable. Beyond departments—unaccountable.” That is like going back hundreds of years.112

He concluded that there were different forms of accountability beyond traditional ministerial accountability.

**Other forms of accountability**

92. We explored these other forms of accountability with our witnesses. One of the benefits identified in the current system was that a public body, with a Chief Executive and a Board, responsible for defined policy area, were in some ways more accountable than civil servants who perform similar functions from within departments. The IfG expanded on this point in *Read Before Burning*:

> ALBs are not as exempt from blame and sanction as commentators sometimes suggest. Indeed, NDPB chairs often argue that they are in practice much more

107 Q 24 [Ms Done]  
108 Q 24 [Ms Chester]  
109 Q 28  
110 Ev 50  
111 Ev w2  
112 Q 240
accountable than their civil service counterparts. They are accountable to the department and the minister, they can be summoned to appear before a select committee, and while civil servants are rarely named and can take refuge behind the doctrine of ministerial responsibility, ALB chairs and CEOs appear in the media in their own right and can carry the can for their decisions.113

93. Another frequently voiced concern was moving a function from a public body into a department meant running the risk of neglecting some important public function. As Mr Singh, the Social Fund Commissioner, stated in his evidence, abolishing public bodies risks “weakening lines of accountability and visibility for related functions, as they compete for attention within a wide range of departmental concerns and priorities.”114 Ms Done said:

There is a big issue for anyone who’s interested in youth justice about how, when moving into a very big department like the Ministry of Justice—which has got a huge focus on adults—the five per cent that is the youth justice system gets the attention it needs.115

94. In addition to a lack of attention from the department, Professor Flinders argued that these reforms could lead to less challenge and input for outside organisations. Evidence from previous reorganisations showed that these reforms were unlikely to increase accountability because they would undermine the relationships that had developed between bodies and their stakeholders in civil society. Such relationships would not survive the functions transition back into departments:

In Wales, where part of the devolution debate was to get rid of all these terrible quangos, the Welsh Assembly Government has taken them back in and now there is a backlash because all the different civil society groups that had built very positive working relations with those bodies now say those relationships and accountability channels have been closed down.116

Ms Done also used her evidence to highlight the importance of these other channels of accountability.

In terms of wider accountabilities, which I think are really important, we’re very accountable to the youth justice system as a whole—all those people out there working with young offenders—and that’s done through our relationships at local and national level. [...] So we feel very accountable. In fact the prison reform lobby is not unwilling to come forward and be demanding information at any time or explanations. So very accountable for what we do.117

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113 Institute for Government, Read Before Burning, p 43
114 Ev w4
115 Q 39 [Ms Done]
116 Q 239[Professor Flinders]
117 Q 24 [Ms Done]
The Executive Agency model

95. Professor Talbot argued that bringing a function into a department could make it more difficult for a minister to exercise direct control over it, owing to the number of levels of civil service management between the minister and the responsible policy officer. Speaking about the establishment of Executive Agencies in the 1980s. He said that:

The reason that at the time people argued that it would improve ministerial accountability [...] was because if you take a large department like the Home Office, for example, a small part of that department, something like [...] the Passport Agency as it now is, [it] is in practice, within the normal hierarchical structure, very difficult for ministers to hold to account because they have to go down through the whole chain of command, through about four or five layers of civil servants, before they get to it. The creation of executive agencies created this parallel structure outside of that, where agency Chief Executives were allegedly directly accountable to ministers for what they were doing in running the agencies. So that's where it was argued it improved accountability.\(^\text{118}\)

While this is an interesting argument, there is a fundamental difference between Executive Agencies and public bodies. Ministers are directly responsible for the activities of Executive Agencies, which is not the case with public bodies. However, it does suggest a possible solution to the problem the Government currently faces. Where possible, it should convert public bodies into Executive Agencies; this would allow ultimate responsibility to lie with ministers and allow them to have a degree of control to match that responsibility but without the risk of functions getting ignored within a large departmental structure.

96. The Government has not made the case that these reforms will improve accountability. We believe that its narrow definition of accountability has inhibited its ability to develop mechanisms that will actually deliver a more responsible and transparent system. We sympathise with the desire of ministers to have direct responsibility for functions for which they are likely to be held to account. But we also believe that bringing functions back into sponsor departments is likely to undermine other channels of accountability, particularly with relevant stakeholder groups, and risk leaving policies fighting numerous other priorities for ministerial attention. This will mean less effective accountability and challenge on a day-to-day basis.

97. We believe that the Executive Agency model offers a possible solution. It allows ministers direct responsibility for policy, combined with the ability to influence it, while still enabling high quality “day-to-day” accountability by stakeholder groups. We recommend that the Government consider converting those organisations which it intends to retain and move into Government departments into Executive Agencies. If this is not feasible, we recommend the Government explain why this is not a workable solution.

\(^{118}\) Q 238 [Professor Talbot]
Accountability to Parliament

98. Another important way that public bodies can be held to account is through the Select Committee system. Departmental Select Committees are charged with the scrutiny of public bodies that fall within their department’s remit, and many appointments to public bodies are subject to a pre-appointment hearing. However the Minister did not believe that this was a substitute for having a minister directly responsible for a policy area. “They [Chairs of public bodies] can be summoned in front of a Select Committee, for sure, but the essence of parliamentary government is that ministers are accountable in Parliament.”

99. We believe that accountability to Parliament, including the appearance before Select Committees is an important mechanism for scrutinising public bodies. Many of our witnesses argued that there should be a greater role for Select Committee in monitoring the activities of public bodies. We intend to bring forward proposals to strengthen Select Committees’ role in scrutinising changes to public bodies in our future report on the detail of the Public Bodies Reform Bill.
7 Opportunities for wider reform

100. We have identified three ways in which we think the Government could have used this review to undertake more radical reform of the use it makes of arm’s length bodies. These are:

   i. to advance the Government’s “Big Society” agenda;

   ii. to reflect on what activities it is appropriate for public bodies to engage in; and

   iii. to simplify the complex public bodies’ landscape.

Public Bodies and the Big Society

101. The Cabinet Office describes the Government’s intention behind the Big Society as follows:

   We want to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. We want society – the families, networks, neighbourhoods and communities that form the fabric of so much of our everyday lives – to be bigger and stronger than ever before. Only when people and communities are given more power and take more responsibility can we achieve fairness and opportunity for all.120

We take this to mean the strengthening of civil society and non-governmental institutions. One of the methods the Government intends to achieve this goal is through “support[ing] co-ops, mutuals, charities and social enterprises”, and enabling them to play a greater role in the running of public services.121

102. Despite this intention, of the 901 bodies under review, only 9 - less than 1% - will be transferred out of the public sector with a further three others being considered for privatisation. Bodies that will see their status change include: British Waterways, the Design Council, the Alcohol Education and Research Council, and the Theatre Trust which will all become charities; and the Horseracing Totaliser Board which will be privatised.122

103. When we questioned public bodies about their relationship with the private and voluntary sectors they provided many examples of how they were working, and could continue to work, with charitable and private organisations.123 However, opinion was divided as to whether it would possible for more public bodies to become voluntary or private sector organisations themselves. Nick Gargan said the NPIA was “actively proposing what form of co-operative, community interest vehicle, or some mutually owned delivery vehicle for the service might be capable of being constructed.”124 Ms Done was less convinced,

120 http://www.cabinetoffice.gov.uk/media/407789/building-big-society.pdf
121 Ibid
122 http://download.cabinetoffice.gov.uk/ndpb/public-bodies-list.pdf
123 Q 31 [Ms Done & Mr Gargan]
124 Q 32 [Mr Gargan]
arguing that the possibility for such reform would vary depending on the nature of the body.\textsuperscript{125} Ms Chester expressed concern that if a grant distribution role, such as that performed by Sport England, were discharged by a mutual it might result in one group within the mutual crowding out others.\textsuperscript{126} Professor Talbot argued that the Government had struggled to find more functions to transfer to the voluntary and private sectors “because in most cases these are jobs that Government at the end of the day has determined actually need to be done by somebody in the public sector.”\textsuperscript{127}

104. When we asked the Minister why the Government had struggled to convert many public bodies into charities, mutual or non-public sector organisations he did not accept this claim. He commented that “it’s a considerably large proportion of those [bodies] to which changes are being made.”\textsuperscript{128} While it is true that not all 901 bodies in the review are being reformed 481 are; meaning that still less than 2% of bodies which are due to be changed are undergoing these kinds of reforms.

105. The use of the “existential test” – which examines whether or not the Government needs to conduct a function – suggests that the Government did attempt to consider what activities the public sector no longer needed to engage in. However, it seems that the speed with which the review was conducted prevented more than cursory consideration. Professor Talbot believed that “it is probably the case that if you had done a more fundamental review, you could have moved some more things out of the public sector.” But he had not got the impression “that there has actually been a very serious review of these things in this process.”\textsuperscript{129}

106. Similarly, Mr Sinclair thought that the speed of the review meant that the Government had been “too wary of asking, ‘Is this a function that should be pursued by Government?’ rather than, ‘Is this a function that should be pursued by a quango?’”\textsuperscript{130} He went to give example of functions that he thought were better performed outside the public sector:

There is a sense that there is a problem with school food so Government should be doing something about that, whereas obviously the pressure for better school food should have been coming from the media, from the charitable sector and from parents. [...] The Equalities and Human Rights Commission is essentially campaigning to defend the Human Rights Act, and that political campaign is properly the objective of civil society groups, not of Government. There is a sense that if something is important Government should get involved. I think that is what causes a lot of these bodies to be created when they shouldn’t.\textsuperscript{131}

Undertaking a review of this kind is essential if the Government wishes to reduce public body expenditure. As we argued in the previous chapter, administrative efficiencies can
only achieve so much; achieving significant savings from public bodies will require not doing the same for less but doing less with much less.

107. Reforming public bodies has a much greater potential for strengthening civil society and its institutions ("the Big Society") than has so far been realised. While the Government has identified a few bodies that can be reformed as charities and mutuals we believe more could be considered. Doing this in a structured way involves not examining bodies on a case by case basis, but re-examining what service the state needs to deliver. This would not only provide greater space in which charities and mutuals could operate, but also allow for greater savings to be made in expenditure by public bodies.

108. Some work has been done to develop methodologies the Government could use to evaluate what functions are ripe for re-location outside the public sector. BDO recommended that the Government should evaluate all bodies against two criteria: whether they are engaged in core public sector activities and whether they are effective at delivering those activities. The result of this analysis would then determine the "broad course of action" that the Government should pursue. Services that are core and effective should be retained and possibly improved, whereas ineffective or non-core services should be stopped. They note that it "may be appropriate to transfer non-core but effective functions into new delivery structures that sit outside of the departmental family". They argue that doing so could result in "the creation of value for the government through the proceeds of sale or transfer of appropriate debt into the new structure".132

109. The Public Chair Forum has also commissioned research in this area to identify the various different models, for services outside the public sectors. The options they identified included; employee mutualism, joint ventures between ALB staff and the private sector, and privatisation through the sale of assets to the private sector.133

110. The Cabinet Office has recently announced plans to encourage public bodies to reform as employee mutuals. In a speech on 17 November, Francis Maude announced new support for public service ‘spin-outs’ building on the Government’s Pathfinder programme including:

i. over £10 million to help the best fledgling mutuals reach investment readiness;

ii. a new information line and web service for interested staff, provided by Local Partnerships, the Employee Ownership Association and Co-ops UK; and

iii. a ‘challenge group’ involving employee-ownership experts including, John Lewis Partnerships, to investigate ways to improve regulation.134

The Minister said that this policy was central to the Government’s “Big Society approach to public service reform”.

132 Ev w10
133 Public Chairs Forum, Arms Length Bodies Alternative Models for Service Delivery, Section 3
Smaller Government: Shrinking the Quango State

Devolving power to people on the front line who know how things can be done better. The right to provide will challenge traditional public service structures and unleash the pent up ideas and innovation that has been stifled by bureaucracy. It will also put power at a local level so public services will be answerable to the people that use them.

When staff are given a stake in shaping services productivity and efficiency has been shown to improve dramatically. We must not be afraid to take bold decisions that will help create better public services at a time when there is less money to go round.135

111. We welcome the Government’s recent announcement encouraging the formation of employee mutuals. We ask the Government to provide us with an update as to how many public bodies have expressed an interest in taking part in this scheme, and how this programme related to the recent review of public bodies.

Public Body Activities

112. Mr O’Connell, TPA, expressed concerns about public bodies extending their activities beyond those there were initially created to discharge.136 Mr Burkard, Centre for Policy Studies, believed that this was due to a lack of clarity about the purpose of the organisation when they were created:

remit letters were very general and they left huge amounts of leeway for individual quangos to decide effectively that they could engage in as much mission creep as they wanted.137

113. The Government’s review identified several public bodies that it intends to “refocus on their core functions.”138 We believe that there has been a tendency in recent years for public bodies to go beyond their original remit and expand into new areas. There is a need for public bodies to concentrate on their core activities. The current financial situation gives additional cause for bodies to be reformed in this way. A reduction in expenditure will necessarily mean that organisations cannot continue to conduct all the activities that they currently engage in. Therefore, they will need to prioritise where they direct their resources to. This should be on the primary – often statutory – aim they were established to achieve.

114. Deciding which bodies can be moved into the private and voluntary sector should form only part of the Government’s review. It should also reconsider what activities public bodies should continue to engage in. Some public bodies have allowed their remit to increase over the years and there is a need to refocus them on their core functions. Identifying the essential activities of these bodies will both make them more efficient and reduce cost. This principle must be embedded in future reviews.

136 Q 300
137 Q 267 [Mr Burkard]
115. One particular concern that was raised during our inquiry was the public bodies’ lobbying activities. The TPA have been critical about what they perceived a public bodies engaging in “taxpayer funded lobbying.” They argue that public bodies often “serve to cement the claims of particular interest groups [...] once set up the quangos affords the groups a platform from which to lobby for further funds, and to argue against reductions in public expenditure in their relevant sectors.”139

116. The current guidance says that “in certain limited circumstances an NDPB may be able to justify expenditure on publicity which would not be appropriate for a government department.” It continues:

   It will always be an improper use of public funds for NDPBs to employ PR or other consultants to lobby parliament or government departments in an attempt to influence government policy or obtain higher funding.140

117. Despite the wording of this guidance some public bodies have been hiring lobby firms in an attempt to influence Government policy. The most notable recent example of this was the UK Film Council who were reported to have hired lobbyists to organise a campaign against their own abolition. The campaign included Facebook pages and an online petition,141 with one newspaper placing the total cost at “tens of thousands of pounds.”142 Commenting on this decision to the Culture, Media and Sport Committee the Secretary of State, Jeremy Hunt, said that:

   it was completely inappropriate for them to hire Portland Communications and use taxpayers’ money to launch a lobbying campaign to protest against their own abolition.143

However, when questioned by that Committee, Mr Tim Bevan, Chair, UK Film Council denied that the company had launched the “Save the UK Film Council” campaign, saying it had merely helped it respond to press inquiries.144

118. Mr Sinclair, Taxpayers’ Alliance argued that the use of public funds to hire public relations firms “is absolutely an abuse of public money” if it is done to promote their own political interests – especially if members of the public body had a personal interest in the outcome of a decision.145 When the Minister was questioned about the use of lobbyists by public bodies he referred to the existing guidelines, arguing that these should be sufficient to prevent public bodies from hiring lobbyists to lobby Government. However, he also said that he did not think that “those guidelines are sufficiently tight”146 and would be reviewed.

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139 Taxpayers’ Alliance, ACA to YJB: A Guide to the UK’s Semi-Autonomous Public Bodies
140 http://www.civilservice.gov.uk/about/resources/public-bodies.aspx 6.1.4-6.15
142 Film quango spends public money on fight against closure – The Times 25/08/2010
143 Evidence taken before the Culture Media and Sport Committee on 14 September Q26
144 Evidence taken before the Culture Media and Sport Committee on 19 October Qq 129 -134
145 Qq 273 – 274
146 Q 109
119. Some public bodies, such as those involved in promoting behavioural change, or providing information, will have a legitimate need to use its resources to run advertising campaigns. However, we agree that the guidelines around lobbying should be reviewed, but think this is a symptom of a deeper problem. Public bodies should not be engaged in activities that require the use of lobbyists in the first place. Reviewing what activities it is appropriate for public bodies to engage in, as recommended earlier in this report, is the surest way to ensure that in the future no public body has a need to hire PR organisations.

120. Public bodies should never be engaged in activities that necessitate instructing lobbyists. We recommend that the Government revise the guidance to public bodies to make it clear that it is not appropriate for it to hire PR organisations; especially when such organisations are used to lobby Government. The current guidance already prohibits such activities but has failed to prevent abuse. The Minister must establish effective monitoring and enforcement procedures.

121. Another public relations activity of arm’s length bodies that attracted criticism is spending on stands at party conferences. Mr Sinclair raised the case of a Regional Development Agency which “spent a lot of money—£250,000, that order of magnitude—attending party conferences in 2008. I think the only way you can properly interpret that is that they were there defending their role and their existence, which is not how they should be spending taxpayers’ money. The taxpayer has no interest in that.”

122. When we raised this concern with the Minister he said that he thought that whether it was justifiable would “vary [...] Some of them would say that it’s justifiable to make decision-makers more aware of what they do”, but that this activity was covered by the advertising and marketing moratorium he had introduced. When pressed on whether this would be permitted in future he said that he would have to approve all future requests for public bodies to attend party conferences.

123. We welcome the Ministers commitment to examine all future requests for public bodies to attend party conferences. However, we can see no reason why this activity should not be banned outright, as it could be construed as indirect taxpayer funding of political parties.

Reform of the public bodies landscape

124. One of the central recommendations in IfG’s Read Before Burning Report was the need to implement a new, and much simpler system for classifying public bodies. Its research revealed a muddled picture of governance arrangements with similar bodies having different governance and freedoms for no apparent reason. Professor Talbot argued that the UK had “probably one of the most chaotic landscapes.” This echoes comments made by Sir Gus O’Donnell, Cabinet Secretary, at the launch of the Institute:
The more I look into these bodies, the more convinced I am that the current situation owes far more to history than it does to operational effectiveness.\textsuperscript{150}

In total the IfG identified 11 different types of arm’s length bodies. These are: Advisory NDPBs; Executive NDPBs; Independent monitoring boards; ‘other’ NDPBs; Tribunal NDPBs; Executive Agencies; Non-Ministerial Departments; Public corporations; Independent statutory bodies; Special health authorities; Parliamentary bodies; and the Bank of England.\textsuperscript{151}

125. The purpose of simplifying the system would be “to ensure that a body’s set-up relates more closely to function and ensures governance reflects the degree of freedom the body needs to perform that function.”\textsuperscript{152} Sir Ian Magee, from the IfG, argued that the sheer number of different types of public bodies had led to “a lack of clarity and confusion in everyone’s minds.” He commented that, in seminars the IfG had run, both Members of Parliament and sometimes people in departments themselves had not been “as clear as perhaps they could be about what the nature of these bodies is.”\textsuperscript{153} He also argued that a simpler landscape would also improve the quality of the debate surrounding public bodies:

Let’s try to get something that everybody understands, not least the opinion formers, yourselves, the journalists and others, so that instead of bandying about words about this beast called a quango that needs to be slaughtered, we can talk about how services are delivered, how they may be more effectively delivered, and how ministers can be held to account for the delivery of those services. That [...] is the opportunity that is missed here.\textsuperscript{154}

The IfG’s solution to this problem was to devise a new taxonomy with four different types of public bodies, with each type having a different relationship with its sponsoring department. This framework is replicated below in fig 1.

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\textsuperscript{150} Institute for Government, \textit{Read Before Burning}, p10

\textsuperscript{151} A full description of each different type of body can be found in \textit{Read Before Burning}, p22

\textsuperscript{152} Ev 50

\textsuperscript{153} Q 227 [Sir Ian Magee]

\textsuperscript{154} Q 246 [Sir Ian Magee]
The Minister agreed that the current system was “very untidy” and was the result of “a random process”.155 He also agreed that having eleven different types of bodies was “probably unnecessary.”156 However, he was cautious about implementing a new governance framework:

I’m kind of temperamentally slightly allergic to trying to create a top-down overall scheme of arrangement for all of this.157

He then reiterated his support for a simplified system, but argued that it should not be done “to meet the demands of administrative tidiness.”158

155 Q 140
156 Q 139
157 Q 141
158 Ibid
126. Sir Ian directly responded to this argument, saying that a reorganisation would deliver more than administrative tidiness. “We don’t think, as I saw the Minister was quoted as saying to you last week, that this is just administrative tidiness; we think this would really help an understanding of the situation.”

127. The variety of types of bodies is indicative of the tendency of UK public administration to ‘muddle through’. Where it is necessary for functions to be undertaken by the state they should be subject to ministerial accountability. The exception is where a degree of independence is necessary to ensure public trust. Independent bodies undertaking similar functions should take similar forms and operate under similar governance arrangements. Administrative untidiness can only undermine clear understanding and accountability.

128. This review has highlighted the complex and confusing nature of the public bodies’ landscape. Simplifying this set-up is not a matter of administrative tidiness but a necessary step to ensure the accountability and effectiveness of these organisations. The current system is chaotic, making it difficult to understand why different types of bodies exist and what these variations mean in practice. We recommend that the Government use its triennial review process to re-examine the proper governance arrangements for each public body and place them in a new simplified taxonomy.
8 Public Bodies Reform Bill [Lords]

129. The Public Bodies Reform Bill [Lords] is the legislation necessary to give ministers the legal power to implement the outcome of the public bodies review. The Bill itself will not bring about any changes to public bodies; instead it will give Ministers the power to use secondary legislation to make changes to public bodies.

130. The Bill is structured around seven Schedules. The majority of public bodies that were in the scope of the initial review are listed in one of these Schedules. Which Schedule a body is in determines what kind of change the minister can use secondary legislation to bring about. Bodies listed in Schedule 1 can be abolished; those in Schedule 2 can be merged; Schedule 3 allows for amendments of constitutional arrangements; Schedule 4 covers funding arrangements; Schedule 5 permits the transfer or modification of function; Schedule 6 authorises the delegation of bodies and offices; while bodies contained in Schedule 7 may be moved to any other Schedule at a later date.

Progress in the Lords

131. Even before its second reading the Bill was the subject of two highly critical reports by both the House of Lords Constitution and Delegated Power and Regulatory Reform Committees. The Constitution Committee described the Bill as:

Strik[ing] at the very heart of our constitutional system, being a type of ‘framework’ or ‘enabling’ legislation that drains the lifeblood of legislative amendment and debate across a very broad range of public arrangements. In particular, it hits directly at the role of the House of Lords as a revising chamber.160

Lord Norton, a member of the Constitution Committee summarised these concerns saying that the “substantive problem” with the Bill was “the Henry VIII provision—in other words, giving the Secretary of State power to amend primary legislation through secondary legislation by order.”161 The Committee believed giving the Government these powers undermined “the ordinary constitutional position in the United Kingdom that primary legislation is amended or repealed only by Parliament.”162 They point out that many public bodies were established after lengthy Parliamentary debate and that they “fail to see why such parliamentary debate and deliberation should be denied to proposals to abolish or to redesign such bodies.”163 The Delegated Powers and Regulatory Reform Committee came to a similar conclusion:

the powers contained in clauses 1 to 5 and 11164 as they are currently drafted are not appropriate delegations of legislative power. They would grant to Ministers...
unacceptable discretion to rewrite the statute book, with inadequate parliamentary scrutiny of, and control over, the process.165

132. The Constitution Committee’s solution to this problem was to have Orders under this act subject to the “super affirmative” procedure rather than the affirmative procedure as is currently proposed. Under the “conventional” affirmative procedure an Order is normally debated in a Committee for up to an hour and a half; and is unamendable. A Government defeat in Committee has no real effect. Following Committee stage, the House votes on the Order without debate or the ability to amend it.

133. The “super affirmative” procedure essentially allows for pre-legislative scrutiny of an Order. This is achieved by publishing the Order in draft and sent to both Houses for comment. The Government may then revise the Order to reflect any concerns which may have been raised before laying before both Houses for approval under the “conventional” affirmative procedure.

134. The Delegated Powers and Regulatory Reform Committee warned that:

The insertion of a super-affirmative procedure cannot bring a misconceived delegated power within the bounds of acceptability.166

It therefore made a number of other suggestions for improving the Bill including:

i. more detail on the face of the Bill about how the powers are to be exercised;

ii. further general limitations might be placed on the extent of Ministerial powers under the Bill;

iii. certain bodies could be removed from the Bill altogether; and

iv. Introducing a sunset clause for either the Bill as a whole, or for Schedule 7, time-limiting the powers made available to Ministers.

During the Committee stage in the Lords the Minister agreed to consider ‘sun-setting’ part, or all, of the Bill.167 The Bill would therefore only serve to implement the current review and new legislation would be required for future reviews.

135. It seems clear to us that the Bill as originally drafted contains insufficient safeguards to prevent the misuse of powers by ministers. It is essential that the exercise of powers under this Bill is subject to rigorous Parliamentary scrutiny. We will be carefully following the Bill’s progress in the House of Lords. We are currently minded that the Bill should contain a general sunset clause; it should only serve the current review and fresh primary legislation should be required for future reviews. We will issue a further Report on this Bill itself after it has completed all its Lords stages, and reserve our judgement as to whether additional safeguards will be needed.

165 House of Lords Delegated Powers and Regulatory Reform Committee, Public Bodies Reform Bill [HL], Fifth Report of the Session 2010-11, HL Paper 57, para 1
166 Ibid, para 42
167 HL Deb, 23 Nov 2010, col 1046
9 Conclusion

136. It is inevitable that a new government has difficulties translating ambitious pre-election rhetoric into deliverable policy, but the confusion over the four tests, the place of value for money in the review and the controversial aspects of the Public Bodies Reform Bill make the Government’s public body reform programme more contentious and less effective than it should have been. Nevertheless, valuable lessons can be learned for future reviews.

137. The current approach is not going to deliver significant cost savings or result in greater accountability. Public bodies are established to perform a variety of public functions; while it is possible to deliver these functions in a more efficient way the majority of their funding is passed on to other organisations and groups. If the Government wishes to make meaningful savings in public body expenditure it needs to examine not just how public bodies operate, but what they exist to do. It will have to decide whether all the functions currently performed by public bodies are still necessary. Unless it does so, there will be a limit to the savings it can deliver.

138. Similarly, we are unconvinced that the Government’s solution, bringing functions back in to central departments, will create a more accountable system. We sympathise with ministers’ desire to be able to influence decisions they will ultimately be held responsible for; but its answer fails to recognise ways the organisations are held to account beyond ministerial accountability to Parliament.

139. Stakeholders and civil society play an important role in providing challenge and criticism to public bodies on a day to day basis; indeed this seems central to the Government’s vision for a Big Society. It is easiest for them to perform this role when they have a clearly identified body to engage with, not a homogenous central department. There is a way to meet both demands, set these bodies up as executive agencies – this provides a clearly identifiable organisation for stakeholders to engage with, while leaving ultimate responsibility with the Minister.
Conclusions and recommendations

The Government’s review

1. The three second stage “tests” may have seemed superficially plausible at the outset, but they are hopelessly unclear. “Impartiality” is the test that is relevant and this appears to be the motivating factor behind the other two tests. In fact, the “technical” test and the “facts” test serve only to confuse. (Paragraph 19)

Additional test?

2. The tests used in the review should be the tests contained in the Bill. Confusion about the three second stage tests might explain why the tests the Government used in the review are not those outlined in Clause 8 of the Public Bodies Reform Bill [Lords]. The inclusion of a “value for money” test in the Bill but not the review is a further inconsistency. There should be a single set of tests that covers: whether a function needs to be performed (existential), whether it is appropriate for it to be performed independently by a public body (impartiality); and how it can be delivered most cost-effectively (value for money). The present incoherence and inconsistencies cannot have helped the conduct of the review or the drafting of the Bill. (Paragraph 23)

Review process

3. As a minimum the bodies affected by these reforms should have been consulted to see how they thought the Government’s tests applied to them. (Paragraph 27)

4. The Government did not consult properly on these proposals. When undertaking such a fundamental review of the machinery of government it is desirable and sensible to do so. We welcome that fact the Government is now taking steps to rectify this, but question how useful consultation can be, given that decisions on the future of many bodies have already been taken. Having agreed to amend the Bill to allow for more consultation we expect these consultations to have real effect on the outcome of the review; even if this means reversing decisions that have already been made. We expect the Government to give us such an assurance in its response to this Report. (Paragraph 29)

5. We are not convinced that the Government has applied its tests consistently. Neither can we find any evidence to suggest that it took any steps to ensure a uniform approach was taken. We recommend that the Cabinet Office publish details on how the tests have been applied to all public bodies that are still under review, so we can ensure that in future these tests are applied consistently. (Paragraph 37)

6. The lack of consultation and inconsistent application of the tests, which are themselves confusing, have led us to conclude that there was no coherent and consistent process for reviewing public bodies. (Paragraph 38)
7. The Cabinet Office should have offered guidance to departments on how to conduct these reviews of public bodies; including provision for a meaningful consultation exercise and details on how the tests should be applied. While this might have taken longer, we see no reason that justifies rushing the review process. This extra time would have allowed the Government to conduct a measured and balanced review, and also have given it the opportunity to consider in more detail which functions it was necessary to retain. (Paragraph 39)

Future Reviews

8. We welcome the Minister’s comments which indicate that future reviews will include considerations about efficiency and value for money. This seems a sensible way to proceed. However, we would ask him to clarify how it will avoid some of the flaws of previous review processes, particularly the lack of external input and challenge. (Paragraph 47)

9. We are pleased that the Minister was confident that he would be able to devise a more cost-effective review system than previous efforts. We invite him to provide us with his most recent estimate of the cost of the future review process. (Paragraph 49)

Reviews and the Public Bodies Reform Bill

10. We welcome the Government’s intention to introduce a regular review of public bodies. We recommend that the process for conducting these reviews, including the criteria that they will be evaluated against, should be included in the Public Bodies Reform Bill. (Paragraph 52)

Managing the transition

11. It is important that clear guidance is issued to departments to help them manage what will inevitably be a complicated reorganisation process. Failure to do this will result in duplication of effort and unnecessary costs. We recommend that the Cabinet Office incorporate guidance we have developed with the NAO into the guidance it is developing for departments. (Paragraph 61)

Role of the Cabinet Office

12. We ask the Government to clarify, in its response to this report, what role the Cabinet Office will have in scrutinising departments’ implementation plans, and whether the Minister for the Cabinet Office will personally approve each plan. (Paragraph 63)

13. We are concerned that an ongoing task is listed as a “completed” in the Cabinet Office’s business plan. We welcome the intention behind the publication of departmental business plans, but they will only be useful tools to help the public hold the Government to account if the information contained in them is accurate. We request the Cabinet Office update its business plan to reflect the reality of the situation. (Paragraph 65)
Sponsoring Public Bodies

14. The Cabinet Office should revise its guidance on public bodies as quickly as possible, placing more emphasis on the proper, on-going relationship between departments and the organisations they sponsor. It should make clear what kind of decisions are purely the responsibility of the bodies, when the department should be consulted and whether any decisions - such as the overall business plan - should be subject to ministerial approval. (Paragraph 72)

Accountability or cost savings?

15. At the outset, both accountability and value for money were considerations, but the extent to which quangos reform would yield significant savings was probably exaggerated. This created a false expectation that the review would deliver greater savings than it has been able to realise. Consequently, the Government appears unsure about the extent to which the reform will result in significant savings for the taxpayer. (Paragraph 83)

16. If the Government wishes to make significant savings in public body expenditure it needs to take a more fundamental look at which services it wishes to continue to provide. While it is possible to make greater efficiency savings, there will be a limit to the reductions that can be made in public body expenditure unless a political decision is taken for these organisations to do fewer things. We do not believe that the Government has used this review to undertake this sort of analysis – another reason why the Government should have taken longer to conduct this review. (Paragraph 85)

17. The Government has not made the case that these reforms will improve accountability. We believe that its narrow definition of accountability has inhibited its ability to develop mechanisms that will actually deliver a more responsible and transparent system. We sympathise with the desire of ministers to have direct responsibility for functions for which they are likely to be held to account. But we also believe that bringing functions back into sponsor departments is likely to undermine other channels of accountability, particularly with relevant stakeholder groups, and risk leaving policies fighting numerous other priorities for ministerial attention. This will mean less effective accountability and challenge on a day-to-day basis. (Paragraph 96)

18. We believe that the Executive Agency model offers a possible solution. It allows ministers direct responsibility for policy, combined with the ability to influence it, while still enabling high quality “day-to-day” accountability by stakeholder groups. We recommend that the Government consider converting those organisations which it intends to retain and move into Government departments into Executive Agencies. If this is not feasible, we recommend the Government explain why this is not a workable solution. (Paragraph 97)
Accountability to Parliament

19. We intend to bring forward proposals to strengthen Select Committees’ role in scrutinising changes to public bodies in our future report on the detail of the Public Bodies Reform Bill. (Paragraph 99)

Public Bodies and the Big Society

20. Reforming public bodies has a much greater potential for strengthening civil society and its institutions ("the Big Society") than has so far been realised. While the Government has identified a few bodies that can be reformed as charities and mutuals we believe more could be considered. Doing this in a structured way involves not examining bodies on a case by case basis, but re-examining what service the state needs to deliver. This would not only provide greater space in which charities and mutuals could operate, but also allow for greater savings to be made in expenditure on public bodies. (Paragraph 107)

21. We welcome the Government’s recent announcement encouraging the formation of employee mutuals. We ask the Government to provide us with an update as to how many public bodies have expressed an interest in taking part in this scheme, and how this programme related to the recent reviews of public bodies. (Paragraph 111)

Public Body Activities

22. Deciding which bodies can be moved into the private and voluntary sector should form only part of the Government’s review. It should also reconsider what activities public bodies should continue to engage in. Some public bodies have allowed their remit to increase over the years and there is a need to refocus them on their core functions. Identifying the essential activities of these bodies will both make them more efficient and reduce cost. This principle must be embedded in future reviews. (Paragraph 114)

23. Public bodies should never be engaged in activities that necessitate instructing lobbyists. We recommend that the Government revise the guidance to public bodies to make it clear that it is not appropriate for it to hire PR organisations; especially when such organisations are used to lobby Government. The current guidance already prohibits such activities but has failed to prevent abuse. The Minister must establish effective monitoring and enforcement procedures. (Paragraph 120)

24. We welcome the Minister’s commitment to examine all future requests for public bodies to attend party conferences. However, we can see no reason why this activity should not be banned outright, as it could be construed as indirect taxpayer funding of political parties. (Paragraph 123)

Reform of the public bodies landscape

25. This review has highlighted the complex and confusing nature of the public bodies’ landscape. Simplifying this set-up is not a matter of administrative tidiness but a necessary step to ensure the accountability and effectiveness of these organisations.
The current system is chaotic, making it difficult to understand why different types of bodies exist and what these variations mean in practice. We recommend that the Government use its triennial review process to re-examine the proper governance arrangements for each public body and place them in a new simplified taxonomy. (Paragraph 128)

Progress in the Lords

26. It seems clear to us that the Bill as originally drafted contains insufficient safeguards to prevent the misuse of powers by ministers. It is essential that the exercise of powers under this Bill is subject to rigorous Parliamentary scrutiny. We will be carefully following the Bill’s progress in the House of Lords. We are currently minded that the Bill should contain a general sunset clause; it should only serve the current review and fresh primary legislation should be required for future reviews. We will issue a further Report on this Bill itself after it has completed all its Lords stages, and reserve our judgement as to whether additional safeguards will be needed. (Paragraph 135)
Appendix A: Transition Guidance

Assessing business cases for changes to arm’s length bodies

This guidance, developed with the NAO, sets out factors which we expect to be considered by business plans for reorganising public bodies. It also identifies likely costs and benefits which such plans should address.

A. Rationale for change

Key good practice principles

Be clear about why the change is being proposed, and in particular why existing arrangements are not able to deal with the situation.

Be clear about what the change is designed to achieve, and set corresponding objectives which can be tested at a future date.

Consult relevant parties about the change and its objectives, and incorporate consultation feedback in change planning.

B. Accountability and public administration impact

Key good practice principles

Clarify how the change affects the body’s accountability to the relevant department and Ministers, to Parliament, and to the wider public.

Establish whether there are cogent reasons for the body to be independent from direct ministerial control.

Identify any wider public administration impacts, including those on the parent department, other departments and public bodies, and local government.

C. Options appraisal

Key good practice principles

Identify all feasible options, including no structural change and alternative delivery models.

Ensure that the option is chosen according to appropriate and well-evidenced criteria, and that key assumptions underlying the different options are tested and varied.

Ensure that the preferred option can be supported on grounds of economy, efficiency and effectiveness, and in particular on comparison of expected costs and benefits.
D. Identifying and managing costs

**Key good practice principles**

Ensure the costs of the change are estimated as accurately and completely as possible.

Express costs in monetary terms as far as possible, and specify other non-monetary costs in measurable terms.

Specify how long it is expected to take for costs to be recouped.

Put in place sound arrangements for recording and monitoring costs, and for bringing costs back on track if they start to exceed those budgeted.

E. Identifying and realising benefits

**Key good practice principles**

Ensure the expected benefits of the change are fully identified, and as far as possible expressed in measurable and monetary terms.

Define the timeframe for realising benefits, and the evidence needed to show that benefits have materialised.

Put in place appropriate arrangements to monitor benefits, and to manage risks that threaten those benefits being realised.

F. Managing the change

**Key good practice principles**

Ensure board-level support and clear leadership for change.

Ensure there are clear responsibilities for delivering the change, and that staff with appropriate skills are appointed to the implementation team.

Ensure there is a detailed implementation plan covering risks, deadlines, budget and impact on service levels.

Specify anticipated staff impacts and ensure changes are clearly communicated to staff.
G. Evaluation and review

Key good practice principles

Ensure effective review arrangements are in place to evaluate the change shortly after implementation, in order to identify and apply wider lessons.

If appropriate, define ongoing review arrangements to track whether the long-term objectives of the change, such as improved accountability, are being achieved.

Types of expected costs and benefits from reorganisations

Staff costs

Staff project costs, Recruitment costs, Temporary staff costs, Redundancy costs, Relocation costs

Salary uplifts where bodies with different pay scales merge, Training costs, Consultation process with staff, indirect staff costs, for example, senior staff planning time, non-project staff time

Property/accommodation costs

Capital acquisitions/refurbishments, Removal costs, Lease exit payments/restoration costs,

Service contracts – new/exits

Information technology costs

Capital IT additions, IT consultancy costs, Service contracts – new/exits/transition costs

Communication and branding costs

Signage and other branding, Website development, Stakeholder communication, Public awareness/advertising

Corporate costs

Corporate services, such as human resources and finance support. Professional fees, other consultancy costs

Other indirect costs

Productivity losses where change is disruptive or staff morale falls, Losses of expertise and institutional memory, Adverse effects on third parties, such as reduced customer or stakeholder satisfaction, decreased responsiveness to customers, or increased burdens on businesses and other organisations

Financial savings

Improved operational efficiency, Ability to cease lower priority functions or activities, Economies in back office functions (for example, through shared services), Estate and other asset rationalisation

Improved policy focus and delivery
Greater clarity about core priorities and organisational targets, improved capacity to meet policy objectives, increased effectiveness of policy or service delivery, a more coordinated/joined-up policy approach, for regulatory bodies, improved regulatory outcomes (for example, clarity and certainty of regulatory approach).

**Better management and governance**

Clearer governance and management structures, improved financial management, improved accountability, ability to devolve functions to most appropriate level, higher staff welfare and satisfaction, greater transparency about organisational functions and activities.

**Beneficial third party effects**

Increased responsiveness to customers/service users or external parties, higher customer/service user satisfaction, reduced burdens on business, other organisations or individuals.
Formal Minutes

Monday 20 December 2010

Members present:

Bernard Jenkin, in the Chair

Paul Flynn
David Heyes
Lindsay Roy

Draft Report (Smaller Government: Shrinking the Quango State), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 139 read and agreed to.

Summary agreed to.

A Paper was appended to the Report as Appendix 1.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report on 19 October, 9 November, 23 November and 7 December.

[Adjourned till Wednesday 12 January at 10.00 am]
Witnesses

Wednesday 3 November 2010

Frances Done, Chair, Youth Justice Board for England, Rona Chester, Chief Operating Officer, Sport England, Nick Gargan, Acting CEO, National Policing Improvement Agency

Rt Hon Francis Maude MP, Minister for Cabinet Office

Tuesday 9 November 2010

Jonathan Baume, General Secretary, FDA, Dai Hudd, Assistant General Secretary, Prospect, Geoff Lewtas, Senior National Officer-Director of Bargaining, Equality and Policy Support, PCS and Charles Cochrane, Secretary, Council of Civil Service Unions

Sir Ian Magee CB, Institute for Government, Professor Matthew Flinders, University of Sheffield and Professor Colin Talbot, Manchester Business School

Tuesday 23 November 2010

Matthew Sinclair, Director, John O’Connell, Research Director, Taxpayers’ Alliance and Tom Burkard, Centre for Policy Studies

List of printed written evidence

1. Professor Matthew Flinders, University of Sheffield Ev 47
2. Institute for Government Ev 49
3. Prospect Ev 52
4. Public and Commercial Services Union Ev 56
5. Tom Burkard, Centre for Policy Studies Ev 60
6. Cabinet Office Ev 62
7. Professor Colin Talbot Ev 64

List of additional written evidence

(published in Volume II on the Committee’s website www.parliament.uk/pasc)
1. Christopher N Banks CBE Ev w1
2. Karamjit Singh CBE, Social Fund Commissioner Ev w2
3. Appointments Commission Ev w6
4. BDO LLP
5  Campaign for Science and Engineering  Ev w8
6  Sir Gus O’Donnell  Ev w11
7  Scrutiny Unit  Ev w13
8  Information Commissioner’s Office  Ev w19
List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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Oral evidence

Taken before the Public Administration Select Committee

on Wednesday 3 November 2010

Members present:

Mr Bernard Jenkin (Chair)

Charlie Elphicke
Robert Halfon
Greg Mulholland
Lindsay Roy

Examination of Witnesses

Witnesses: Frances Done, Chair, Youth Justice Board for England and Wales, Rona Chester, Chief Operating Officer, Sport England, and Nick Gargan, Acting CEO, National Policing Improvement Agency, gave evidence.

Q1 Chair: Welcome to our witnesses for this inquiry into the future of quangos. I wonder if you could initially just identify yourselves for the record.

Frances Done: I’m Frances Done; I’m the Chair of the Youth Justice Board.

Rona Chester: I’m Rona Chester; I’m the Chief Operating Officer of Sport England.

Nick Gargan: I’m Nick Gargan; I’m the acting Chief Executive of the National Policing Improvement Agency.

Chair: Thank you very much for joining us today. Mr Elphicke is going to ask you a few opening questions about your activities.

Q2 Charlie Elphicke: I was wondering if each of you could give a brief description of your organisation in terms of annual budget, number of employees and two sentences about your functions.

Frances Done: Shall I start? Youth Justice Board for England and Wales: we are responsible for oversight and leadership of the Youth Justice System in England and Wales, setting a framework for 157 Youth Offending Teams. We also commission the secure state for young people—that’s for young people in custody—and on a daily basis we place the young people in custody from court. Our budget is about £480 million for the current year and we have got 310 employees at the present time.

Q3 Charlie Elphicke: How much is the budget each year?

Frances Done: £480 million.

Rona Chester: Sport England is an Executive Non-Departmental Public Body. We’re responsible for a technical function, for the delivery of mass participation sport, and also we’re responsible for the delivery of a world-class community sports environment. We’re also a National Lottery distributor as well as receiving grant-in-aid. Our combined rough budgets are over £200 million, roughly £235 million—split between National Lottery and also Exchequer funding. We fund the 46 national governing bodies and also the wider sports environment. We have a headcount of roughly 239 people today.

Q4 Charlie Elphicke: You distribute £235 million a year—that’s Exchequer and Lottery funding—that seems to be your total budget. How much of that is administration and how much of that goes to the front line and is distributed?

Rona Chester: Obviously, it’s really important to us that we maximise the amount that’s delivered to the front line. Our Exchequer operating costs, and that includes building, people, are roughly about £12 million.

Nick Gargan: The NPIA is an organisation that’s reducing in size. This year it will reduce from around 2,200 to just under 2,000 people. The budget is also reducing; the resource budget for this year net of income is £470 million.1 We do things like provision of major databases to policing. We provide national police radios, the Airwave service. We’re also responsible for leadership training, promotion examinations, specialist training, covert training, forensic training, and all doctrine and guidance. A lot of that is provided on behalf of ACPO to policing on subjects as diverse as murder investigation through to kidnap and child abuse investigation too.

Q5 Charlie Elphicke: Do you happen to know, leaving aside your own organisation and Home Office costs, how much the entire policing budget in the UK is in terms of annual spend?

Nick Gargan: No.

Q6 Charlie Elphicke: Do you know what each force spends—the total spent on policing forces in the UK?

Nick Gargan: Overall policing is around £14 billion, of which around £9 billion comes from central grant, and the remainder from other sources.

Chair: So it’s a relatively small percentage of the budget.

Q7 Charlie Elphicke: There has been a lot of interest in organisations such as yours in terms of lobbying and things like that, and spending on marketing, public affairs, and PR and all that sort of stuff. I’m sure you can dispel the myths and each of you can confirm to this Committee that none of you

1 Note from witness: Correction—NPIA resource budget for this year is £368million net of income (£473million before income)
have ever instructed any public affairs organisation. If so, can you tell us when and how?

**Frances Done:** I think I can say with confidence that we’ve never instructed a public affairs organisation to do anything like lobbying or marketing. We simply subscribe to information services. I’m not quite sure whether they would count in your category, but nothing of the area that I think you would be concerned about.

**Rona Chester:** During my period I haven’t instructed any affairs agencies, and we don’t engage in lobbying. Our marketing budget is minimal. Similarly information services, it’s a very minimal amount of the operating costs that I described to you.

**Nick Gargan:** I’ve certainly never instructed a company of that sort. Our marketing and communications spend is around 1% of the budget. We’re bearing down on that with a view to reducing it substantially. It’s inflated by the fact that a lot of what others might describe as training events are actually conferences for practitioners, and are classed as part of marketing spend in the agency. I’d rather see them categorised differently.

**Q8 Chair:** £4.7 million on marketing?

**Nick Gargan:** Yes. But as I say, a high proportion of that is broader communications and actually it feels to me more like training. For example, we’re rolling out the Police National Database this year; it’s a very important piece of change for policing. There are three people involved in ensuring that the service is ready for that. Now they’re categorised as marketing and communications people, but actually they’re involved in effectively training the service and readying the service for this new piece of equipment. That’s not atypical of what we do.

**Q9 Charlie Elphicke:** How much do each of you spend on conferences?

**Frances Done:** I’m afraid I can’t give you that exact figure; I could certainly provide that information afterwards. Just to give you an example, the Annual Youth Justice Convention, which we are involved in ensuring happens, is actually run by a private company and we share the profits, so it has no costs to the Youth Justice Board. That is very important to us because obviously we want to do everything at minimum cost. That’s a very successful conference with 800 delegates across the youth justice system; it’s a very useful vehicle for us but it doesn’t actually cost us any money, and this year we’ll make a profit. Other than that, in terms of conferences we simply have periodic events with, for example, all the youth justice managers across England and Wales, with the leaders of secure estate, the directors of secure units with people in custody, bringing them all together at pretty minimal cost really. I think that’s the sort of thing that you’re asking. I can certainly provide you with that figure but I think you’ll—

**Q10 Charlie Elphicke:** Also attending other conferences? So conferences you yourselves sponsor, or attending other conferences?

**Frances Done:** Well certainly we don’t significantly attend conferences. That’s really not how we spend our time. Our time is spent on things that are extremely productive; out there getting change and improvement in the youth justice system.

**Rona Chester:** We have certainly during the year borne down on our marketing expenditure considerably. We don’t, similarly, attend conferences, and we don’t sponsor conferences. However, we are a Lottery distributor and there are certain implications for a Lottery distributor; although we try to keep those costs to a minimum, we need to make the public aware of our Lottery funds. So without some expenditure I think our conference expenditure, communications expenditure would be primarily on our website. But we need to make that information available.

**Nick Gargan:** We are a conference provider. On behalf of the service, we work with the Association of Chief Police Officers to put on a number of conferences for the police service and have sites at Bramshill in Hampshire, at Ryton-on-Dunsmore near Coventry, we have a site near Durham and another site at Wyboston in Bedfordshire, where we actually put on conferences. We’re not particularly big attenders at other paid-for conferences outside of the service, but we do have one or two international partnerships that have conferences associated with them, but they’re pretty few in number.

**Q11 Charlie Elphicke:** Finally, are each of your organisations subject to Freedom of Information Act requests?

**Frances Done:** Yes, we’re subject to Freedom of Information in the same way as any other public body.

**Rona Chester:** Absolutely. We have a resource for Freedom of Information requests and we believe we’re becoming increasingly more transparent and visible.

**Nick Gargan:** So are we, and particularly the police press but others too make good use of that.

**Q12 Charlie Elphicke:** But unlike ACPO you don’t have hordes of empty properties lurking around the place? You’re running yourselves efficiently?

**Nick Gargan:** We think we run ourselves very efficiently, increasingly efficiently, and I’m unaware of any empty properties.

**Q13 Chair:** Do you think the Government is right to propose radical reform of your organisations?

**Frances Done:** Sorry, are you asking about my organisation?

**Chair:** Yes, each of them.

**Frances Done:** I think that’s entirely a matter for government really. It was made clear before the election that this was a possibility if there was a change of government, so we were well aware that that might be a possibility. I think the process has perhaps been one that we would have anticipated might be different, but it’s entirely a matter for

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2 Note from witness: Correction—NPIA marketing and communications spend is 0.68% of this year’s budget before income

3 Note from witness: Correction—NPIA marketing and communications spend is £3.2m
government whether it wants to review any or all of the public bodies it sponsors in different ways.

Rona Chester: In our case we feel that it was an entirely logical decision, if you take into account the discussions that had already been happening about bringing the two organisations under one roof. But there are going to be a number of challenges and we’ve made government aware of those. Timing for us is going to be absolutely critical: the Olympics in 2012. Sport is a devolved issue for the home countries, and that’s going to be an interesting challenge for the new organisation. Also, the third thing we made government aware of is that the two bodies are very distinctly different; they’ve got different specialisations, different delivery streams. You’ve got UK elite sport and mass participation sport, and I think we’ve made it very clear to government that any process we undertake really needs to take those specialisations into consideration. So yes it was logical but there are challenges.

Nick Gargan: I absolutely agree with Frances that it’s for governments to decide what’s to be done, and I’m very proud of the way that people in the NPIA have got on with making it work and supporting government in making those changes happen.

Q14 Chair: Do you feel that your organisation is being consulted about the way this is being done? 
Nick Gargan: Yes. We have reasonable access to ministers, and senior officials in the Home Office are sounding us out on proposed changes and structures. While it is clear that the NPIA is to be phased out, it’s not yet clear what set of arrangements will take our place in the place of SOCA, and I think there is a very healthy and positive discussion taking place, and our views are being taken very much into account.

Q15 Chair: Ms Chester, good dialogue?
Rona Chester: Yes, dialogue at all levels. We were well aware, while the Government was in opposition, there had been talk about bringing both organisations under one roof, and that dialogue has continued over the following months.

Frances Done: I think I have a slightly different view in that it’s absolutely for the ministers to decide whether they do this and how they do it and so on. We’re not directly consulted about the element of the decision about abolishing the YJB; however, all our senior officials are very involved in discussions about all aspects of the Justice Green Paper, which is due in December. Obviously there will be a very important element of that about youth justice. Our senior officials obviously provide a lot of expertise into the discussions of MoJ about that. The actual element about whether the YJB should exist or not was not something we were specifically consulted about.

The Youth Justice Board was established as part of a major set of reforms in 1998, under the Crime and Disorder Act. This set up parallel youth offending teams to provide leadership to youth justice at local level, while at the same time setting up the Youth Justice Board, national leadership and coherence across a very complex system. We would have expected that there would have been wider consultation, not just with us but with the youth justice system, about the implications of taking one element of that system out without considering the impact on the rest. Given there’s a Green Paper coming up we had anticipated that would be part of the process. However, I think ministers felt that it was their job to take a decision based on the criteria set and that’s what they’ve done. Obviously they had a perfect right to do that. We are now very closely involved with the Ministry of Justice in working out how to make sure that all the elements of what the Youth Justice Board does, because they will all be transferred into the Ministry of Justice apparently, are delivered effectively. We very much think that that should be through a dedicated youth justice unit within the Ministry of Justice, so that there’s no loss of focus on youth justice, which has delivered quite significant success over the last 12 years.

Q16 Chair: You’ve all been giving very full answers. I’m very grateful for that but we have 26 minutes left for this session. We’ll try and make our questions very short, if you could keep your answers short as well it would be very helpful? The Government have established these four criteria. Were you consulted about how your organisation fitted any of these criteria? Were you asked to give your view? Anybody?

Nick Gargan: We weren’t formally consulted about that.

Rona Chester: We perform a technical function, but we weren’t actually consulted about the criteria and how they arrived at the decision.

Frances Done: Obviously we were aware of the criteria.

Q17 Chair: But you weren’t asked?

Frances Done: No. We did think that there probably could have been some wider considerations to whether those were comprehensive and we expected that to happen after the election, but it didn’t.

Q18 Chair: But it would be reasonable, wouldn’t it, for the Government to invite each organisation to make a submission of its own case? Have you been asked to make any such submission?

Nick Gargan: Well we had informal opportunities to influence.

Chair: Informal?

Nick Gargan: We knew the question was being asked when the Government was in opposition, and of course the sponsor unit and other members of the Home Office—

Q19 Chair: So you don’t feel that there’s a procedure that each public body has been taken through that involves a formal consultation with you about your powers, duties and functions, how you deliver them, and how they fit with the criteria? There hasn’t been a procedure of that nature?

Frances Done: No, I don’t think so. As far as we understand, the guidance, such as it was from the Cabinet Office, involved informing departments that these were the criteria.

Q20 Chair: Were the criteria explained to you?
Frances Done: I don’t think there was anyone able to explain what they all individually meant.

Q21 Chair: “No” will do. Do you think there should have been other criteria applied to the case for maintaining a public body. Ms Done?
Frances Done: Yes, I definitely think so because the Youth Justice Board was set up for a good reason, although that doesn’t mean to say it should exist forever, but was about national leadership and coherence across a very complex system, and having expertise slightly at arm’s length from government. It was thought at the time that this was an important thing to do in that way.

Q22 Chair: So in fact the case for setting up your body does not fit any of the criteria?
Frances Done: There is at least a question to ask as to whether that is a category that should be recognised really, but that wasn’t part of the process obviously.
Nick Gargan: I think in policing, the broader question was being asked about the national landscape for policing, and the technical questions were almost set aside as ministers articulated their desire to de-clutter the national landscape and raise our game in terms of combating serious and organised crime. So the technical question was of a secondary importance.

Q23 Chair: Any point to add?
Rona Chester: We feel the criteria were fair. You could have considered other criteria such as having a body for a short space of time to perform a discrete delivery function, where you’ve required specific expertise.

Q24 Lindsay Roy: Good morning, ladies and gentlemen. Can each of you briefly tell me in what ways you’re accountable at present and to whom?
Frances Done: Accountability?
Lindsay Roy: Is your organisation fit for purpose and does it provide value for money?
Frances Done: Accountability?
Nick Gargan: Yes.
Frances Done: In terms of ministerial accountability and Parliament, very, because I’m appointed by the Secretary of State: he can end my appointment, Accounting Officer, and for the Ministry of Justice read the Home Office. But apart from that the arrangements are mirrored and in addition we are accountable to the tripartite: ACPO and to Association of Police Authorities.

Q25 Lindsay Roy: Again, very briefly I’m interested in how you monitor progress, what your key indicators of success are, and have you met them.
Frances Done: Indicators of success for our organisation?
Lindsay Roy: Yes.
Frances Done: There are three key ones. The number of young people coming into the youth justice system, that’s measured on a six-monthly basis and published. The reoffending rate, the frequency of young people reoffending, that’s measured on a regular basis, and the numbers of young people in custody. In all those the Youth Justice Board figures are substantially below when we were first brought into effect. So there are very clear measures which ministers are very interested in.
Rona Chester: Similarly we have three very clear measures. Since winning the Olympic bid there have been 700,000 more people participating in sport. We’ve got something called our Active People Survey, where we survey on a six-monthly basis the number of people performing sport. We also measure people’s satisfaction, their sporting experience, and we also measure that drop off of people performing sport, particularly in the 16 to 25 age range.
Nick Gargan: We have a delivery plan. I’m particularly proud of the way that people in the NPIA, in spite of what’s happening to its status, have actually rallied and stuck at the task of delivering our targets. This year we will be rolling out the Police National Database, doing work to establish radio coverage for the additional demands of the Olympics. We’ve rolled out almost 40,000 mobile data devices to operational police officers. We’re helping the service make substantial savings through improving its cost effectiveness. We’re providing support pretty much to every major crime investigation that you hear about in the news; there is an NPIA support to that through our Crime Operational Support Department. We’re pretty much on target to achieve every performance indicator in our delivery plan.

Q26 Lindsay Roy: Is your organisation fit for purpose and does it provide value for money?
Frances Done: Sorry, could you repeat that? I’m a bit deaf and I didn’t quite catch it.
Lindsay Roy: Is your organisation fit for purpose and does it provide value for money?
Frances Done: Well I think you’d expect me to say “yes”. The only reason I can be confident in saying that is we have been through a six-month review chaired by somebody independent of MoJ and the YJB, Dame Sue Street. That was published in March and looked very much at those issues, and we came out with a clean bill of health. That’s something obviously under review all the time by the NAO and other agencies and the sponsor unit.

Rona Chester: Similarly we’ve had recent NAO reports, themed reports. We believe that we are fit for purpose. Our services are significantly valued by our customers, and we believe that we perform a service that gives value for money.

Q27 Lindsay Roy: Will your organisation be any more accountable under the proposed reforms?

Rona Chester: We’ll take the accountability and transparency, which we value, into that new organisation, and we will ensure that that’s maintained and will continue to be accountable and fit for purpose.

Q28 Lindsay Roy: Again, to Ms Done, do you think your organisation’s functions performed by civil servants responsible to ministers rather than a named chief executive will lead to greater accountability?

Frances Done: I don’t think it will increase accountability to ministers, because quite honestly we’re very closely working with them already. We are effectively an arm of government and the reason we’re there is because we can deliver well across the system. I don’t actually think it will improve that. I think there is a risk around our accountability to the wider youth justice system, because there will be, inevitably over time, a loss of expertise, and that’s what creates credibility out in the system.

Q29 Chair: Does that go for all of you? Do you think you’re all going to be less visible to the public?

Nick Gargan: Our blueprint hasn’t been completely decided on yet, so the answer is “it depends”.

Rona Chester: As I described previously, we have two very distinct delivery streams and it’s really important that we take that into the new organisation. It’s important that we build a structure that maintains the visibility of those delivery streams. We have very different levers, drivers: elite performance, mass participation of sport. We’re dealing very much, at Sport England, with local community delivery, and it’s really important that we retain that visibility.

Q30 Chair: Isn’t the named chief executive of a public body more accountable than a civil servant in a department?

Frances Done: I think it’s arguable. We certainly have absolutely no sense that we’re not accountable to almost everybody. We’re certainly accountable to ministers; certainly we feel accountable to the youth justice system, and to the public. So I do struggle with the concept that taking all the functions of the Youth Justice Board into the Ministry of Justice will increase that accountability, but clearly that’s the view of ministers and they feel that that is the right move.

Q31 Robert Halfon: Good morning. The Government have talked about the Big Society and transferring the responsibilities of quangos to charities and voluntary groups. How difficult do you think that will be—to transfer the kind of functions that you have to the voluntary sector, or even the private sector for that matter?

Frances Done: In our case I think that question really applies to the whole of the youth justice system, because the services are delivered out in local areas. For example in prevention services, preventing young people getting into crime in the first place, about half of the services are already provided by the third sector; that’s really something that we’ve encouraged for a long time. I think that will probably increase with the Government’s very close support. Also, in terms of our own commissioning role, we have private sector contractors providing custody for young people and we work very closely with the third sector. So I think in terms of what we do and the way we do it I think that a direction of travel will be very easy to take, because it’s very well established in youth justice.

Rona Chester: In terms of Sport England, I think we’ll read our customers, read the NGBs. It’s going to be very important for them that a single unified cohesive body will deliver more money to frontline sport, and more money to grassroots sport. Having one entity will make it easier for other sectors and our customers to deal with us. It’s going to be one location, one place. We hope to be able to share knowledge and expertise across the different areas of the organisation. We hope to be able to streamline processes and systems, which will make it easier for our customers to deal with us, it will save in terms of time and effort, and we’ll start using a common language. It has all of these additional benefits. However, our customers have made it really clear to us, in their discussions with us, that they really value this clarity of performance and purpose, and we need to take that strength into the new organisation. They’ve also made it very clear that we have to solve the issue of devolved sport. As I mentioned earlier, elite sport is a UK-wide issue; mass participation sport has been devolved. So our customers and community have made it very clear that we have to be able to solve that issue. We’re confident that we can but it’s going to be a challenge.

Nick Gargan: The current debate around quangos would have you believe that organisations are full of pen-pushers and bean-counters, but the organisation that I lead is full of detectives, analysts, IT specialists and experienced leaders in policing. It’s very difficult to see how many of those functions could be fulfilled by the voluntary sector. There is a role for the private sector and I think you may be surprised by the extent to which the private sector is already involved in activities like Airwave, our identification, forensic databases and other national police databases; although there is scope for further involvement of that sort.

Q32 Robert Halfon: How easy would it be for all these quangos to become cooperatives or mutuals, as a model?
Nick Gargan: We’ve explored that expressly and one of the problems with the fate of our functions is that there are those who think they won’t fit comfortably into a national crime agency that they think should have its focus exclusively on serious and organised crime. There’s a reticence about putting those functions back into the Home Office because many of them came out of the Home Office a few years ago, not in particularly good shape. Handing them to ACPO is not without problems too. So we’re actively pronouncing what form of co-operative, community interest vehicle, or some mutually owned delivery vehicle for the service might be capable of being constructed, to provide what are pretty vital services to policing.

Frances Done: Our ministers have decided all of our functions will be transferred into the Ministry of Justice, so obviously that would be a matter for further discussion, but at this stage we’re working with them on trying to find the best way of doing that, at this stage that hasn’t really been considered as a—

Q33 Robert Halfon: But I’m asking if you think mutuals would be a good model for quangos, cooperatives?

Frances Done: I suppose my general answer to that would be, it would depend on what the quango was. Certainly in our case it’s not something that has been very carefully considered because at the moment we’re just dealing with the issue of transferring functions back to MoJ, and MoJ itself is reviewing its whole structure, so that’s all part of the big discussion as well.

Rona Chester: I think in your question you’re asking about a mutual. You really need to take into account what the customer wants, the delivery streams and the accountability. Therefore if you have potentially a mutual where one is able to crowd out the other, then that might be a challenge.

Q34 Chair: In your case in particular—you’re a grant giving body—there are lots of organisations in the sporting world that would be very competent at handing out grants. The Football Association could hand out all the grants to do with football. Wouldn’t that be a more efficient way of doing it?

Rona Chester: It does require a greater level of expertise than just football. Sport is about very different drivers and behaviour and we have expertise at many, many different levels. I don’t think that necessarily could be performed by a much larger organisation without those specialisations.

Q35 Robert Halfon: But that expertise could easily be transferred. For example, if you just had the Football Association dealing with football grants, that expertise could easily be transferred over to them. You don’t need another quango, with respect, to necessarily do that.

Rona Chester: A significant proportion of our funding, with respect to football, is actually dealt with by the Football Foundation.

Chair: The Football Foundation?

Rona Chester: Yes, rather—

Q36 Chair: Well that rather makes the case, doesn’t it?

Rona Chester: Rather than ourselves.

Q37 Chair: How many people do you have dealing with football in your organisation?

Rona Chester: Specifically attached to football, we have a Relationship Manager attached to football, not a significant proportion of people are dealing specifically with football.

Q38 Greg Mulholland: Decisions have largely been taken, with the exception of the National Policing Improvement Agency, and I think it’s interesting that you’re all in different situations. In your case Frances, you’re being absorbed into the department; Rona, you’re going through a merger; and Nick, you still don’t know what’s happening to your functions. So the key thing now is the transition to the new structure. Can you tell me have each of your organisations got a plan for that transition to make that as successful as it could possibly be? Has that plan come from you or has that come from the department or both?

Frances Done: The transition plan is being worked on jointly between the Ministry of Justice and the Youth Justice Board. Our Chief Executive and the relevant director in the Ministry of Justice are jointly chairing the transition board and putting together that plan. So we’re pretty confident that we will have absolutely the right level of input into that. The biggest issue for us is about ensuring, given that this decision has been taken now, that youth justice retains a separate delivery orientation and focus within the Ministry of Justice. So there needs to be one youth justice unit, so that that focus is maintained. That is something that is not necessarily totally uncontroversial so we’re certainly using our involvement with the Ministry of Justice, which is a very co-operative effort. Equally I’d like to say that, as Nick said, the staff of the Youth Justice Board have their heads up and are just keeping going, because what they do is so important. We want to take the activity of the Youth Justice Board, all the really important work we do around safeguarding children and preventing young people getting into offending, into the Ministry of Justice in a very orderly fashion. So far so good, I think.

Rona Chester: It’s very early days but we have started to build a merger plan, as we call it. The chief executives and chairmen have met with ministers. We’re starting to build what the organisation structure will look like, and from that we’ll start building what the significant work streams will be. It’s likely that DCMS, our sponsoring body, will have a place on the project board.

Nick Gargan: I’ve been chairing a weekly transition steering group meeting since the announcement was made. In fact, because of in-year savings, we already had the weekly structure that has become the transition steering group from beforehand. That looks after questions like the budget trajectory, communication with our staff, relationships with the service and with the stakeholders, and it also contributes into the programme arrangements that
have been put in place by the Home Office around National Crime Agency and other elements of the Government’s reforms. We still have some work to do around the formal programme management structures, and they will be determined finally once we actually know what’s going where. But we think we have it as boxed off as we can at this early stage, with so much remaining unclear.

Q39 Greg Mulholland: Do you all feel that you’ve had adequate discussions with sponsoring departments about the transition specifically, and do you feel that you’re getting and will get the support that your organisations need to make sure that those functions are still carried through and effectively delivered? organisations need to make sure that those functions are still carried through and effectively delivered when the new structures are in place?

Frances Done: I don’t think we need support because obviously it’s just a joint effort between ourselves and MoJ, and we’ll identify whatever resources are needed to support the whole process. I think that will go reasonably well. I think there are still discussions to be had about how to make sure the functions of the Youth Justice Board, which have been successfully carried out in a slightly arm’s length way, can be continued with continued success in the quite different environment of the Civil Service. For example, I’m thinking of the fact that in the last two years the custody population of young people has gone down by about a third, saving about £34 million a year, very opposite to the way that the adult justice system has gone. There is a big issue for anyone who’s interested in youth justice about how, when moving into a very big department like the Ministry of Justice—which has got a huge focus on adults—the five per cent that is the youth justice system gets the attention it needs. I think that’s the challenge for the next 12 months as we make the transition.

Rona Chester: Yes, we have a good working relationship with our sponsoring department and support. If I could make a suggestion, many of these bodies are going to be going through similar challenges and it might be helpful for government to think about some sort of consistent framework, particularly where you have common issues and challenges, for a merger. Many organisations have gone through this before and there’s a real danger, if there isn’t that consistency, that each body reinvents the wheel.

Nick Gargan: I think there was less consultation and contact than would have been ideal in the run-up to an announcement, but post the announcement of the policing changes, which was 26 July, relationships with both ministers and senior officials at the Home Office have been very good. The Home Secretary came to the agency within a matter of days of the announcement, and staff were grateful for that visit, and I think she was impressed with what she saw. Subsequently, senior officials at the Home Office have been very open and very ready to consult, and the relationship’s very positive.

Q40 Greg Mulholland: A final question, if I may, Chair. Once the transition has been completed and the new structures, whatever they are, are in place, what if the functions that you’re currently responsible for do appear to not be getting the attention and the focus that you need? Obviously that’s the widest concern about the overall reforms—that we’ll lose focus on wider participation sport, or on youth justice, or on police improvement. So what then? What would you do and what would you suggest that we do, and other organisations do, to raise those concerns if that happens six months, a year, two years down the line?

Frances Done: Speaking about youth justice, the reason that the Youth Justice Board was set up in the first place was concern about the way things were not being co-ordinated and led within seven departments of government—it’s still seven departments now but they’ve all got different names—plus a whole range of agencies. If the lack of focus we are concerned about starts to have bad effects on progress in youth justice, I think there are several constituencies out there who will make it well known to government, namely parliamentarians, who are very interested in youth justice. The reform groups are very interested in youth justice and are on top of everything that happens every day; they look to see our custody figures every day, they want to know the reoffending rates, they want to know the numbers coming into the system. I think there are organisations and agencies out there, both in the voluntary sector and obviously parliamentary-wise, that will be drawing that to the attention of government, and I very much hope that is the case. We’ll be working very hard to try and make sure that focus is maintained within the Ministry of Justice. But it will be a challenge because it didn’t work before and it may well be possible to make it work now, but everyone’s going to have to work very hard to make that happen.

Rona Chester: In the merged organisation, similarly our customers are going to make government well aware if the specific focus isn’t applied appropriately. We do also have an independent board that’s accountable for the organisation, and they’ll be taking that into consideration and making that visible—those performance targets etc.

Nick Gargan: I think we have to accept that there will be less activity at the centre of policing. Money is coming out of policing and so there will be a reduced degree of activity. Our shared responsibility between the department, ACPO and the agency and its successor bodies is just to make sure that the money comes out of it in a sensible way and we take away the waste, the bureaucracy, the duplication and that type of thing, rather than reducing those resources that protect people in communities.

Q41 Chair: So in summary, do you think that this reorganisation of your particular organisation will save money unless there is just less done than was being done before?

Frances Done: In terms of the Youth Justice Board, ministers have not indicated that the decision was done to save money, because actually our spending review plans involved very substantial savings anyway, which we’re on track to deliver because of reductions in custody. So that hasn’t been the issue.

Chair: So the answer’s “no”?

Frances Done: No.
Rona Chester: Similarly, again it’s not about saving money and not about performance; it’s about simplifying the landscape for our partners. However, by moving into one location, that will cost less, and we will be able to do that post-Olympics and post the breaks for our current leases.

Nick Gargan: Depending on the structures that are ultimately decided on, there will be opportunities to save money through economies of scale, and there are also opportunities to save money through the savings that we’re already making.

Chair: I think you’ve all been extremely helpful to us. Thank you very, very much, and may I say thank you for your public service. It must be a difficult time for your organisations and we’re grateful for the work that you do and your organisations do all the same. Thank you very much indeed.

Examination of Witnesses

Witnesses: Rt Hon Francis Maude MP, Minister for the Cabinet Office, gave evidence.

Q42 Chair: Minister, welcome. Thank you very much for joining us this morning. I should explain that we’re a little short-handed on the Committee, partly because so many of our Labour members have been appointed to the Labour Front Bench, and partly because of the tube strike.

Francis Maude: I can take responsibility for neither of those events.

Chair: IPSA doesn’t provide for tube strikes.

Q43 Greg Mulholland: Thank you for coming before us so soon. I shall start by asking you about the consultation as part of what we all acknowledge is a very major reorganisation of government functions. There has been some criticism, as you’re aware, from the Public and Commercial Service union, saying that they have a major concern about the lack of consultation, and Christopher Banks, the Chair of the Public Chairs’ Forum, said that he believes there’s a sense of tokenism and says that the Government’s version of involving an arm’s length body in the decision about its future appears to be telling it that it’s being reviewed and that they will be told the outcome at the end of the process, which is clearly not real consultation at all. Do you recognise that description or do you reject it? And can you tell us what consultation there actually has been in this process with those bodies?

Francis Maude: Well, it will be very varied really, because the lion’s share of the work on the reviews was done by individual departments looking at the bodies within their purview and reaching a conclusion; subjecting them to the three tests, the existential tests and then the three subsequent tests to test whether they’re needing to be independent. What process each one went through, I suspect, will have varied enormously. These are essentially decisions in principle; these are decisions made where departments will know, or should know and I’m sure do, in a great deal of detail what those bodies do, what their functions are and how they are carried out. The decisions we made during the review are decisions of principle; is this a body or a function that has to be carried out in a way that isn’t directly accountable, either to an elected local authority or to a minister.

Q44 Chair: Can I just ask you to stick to the point about consultation, because we’re going to come to the criteria in a moment?

Francis Maude: Well, the answer is: it would be very varied and, in some cases, will have been quite extensive; in other cases, will have been very little. But there’s a further stage, obviously, a consultation, which is beginning now, which is about the implementation plans—what actually happens in practice—and there are discussions certainly being had at a broad, cross-cutting level between my officials in the Cabinet Office and our Public Bodies Group with the civil service unions, but obviously much more at departmental level with the unions there.

Q45 Greg Mulholland: Was there any reason why the consultation was so different between, clearly, some bodies being fairly well consulted and others not being? Does that suggest, perhaps, a prejudice about the future of those organisations or those functions?

Francis Maude: Well, I don’t know the extent to which it was fair. I would not expect to have monitored in intimate detail exactly what consultation each department went—We’re talking about 900 bodies here, so there was a lot of reviewing to be done, and departments will have taken their own decisions about how to and the extent to which they would consult.

Q46 Greg Mulholland: To what extent do you feel that there’s a danger that, because this was a clear pre-election policy and people talked about I think a rather unhelpful phrase, “bonfire of the quangos”—and it’s very easy to say, “Far too many pen-pushers and bean-counters,” to use the words of Nick from the last session—some of these organisations didn’t really stand a chance and weren’t given the proper chance to put their case to the departments?

Francis Maude: Well, as I say, departments should know what each body does, so there should be a high degree of knowledge about it. This was a perfectly public review process. It was highlighted before the election by the Conservative Party. It then appeared as a key item in the Coalition Programme for Government, so everybody knew that this review was going on. The phrase you used is not one that I’ve ever used, but I have read it in newspapers. So those chairs and chief executives of public bodies who had opinions about whether they should be able to continue were well able to express those views, and did so—some of them in very vigorous terms, as they’re perfectly entitled to do.
Q47 Chair: We asked the witnesses we’ve just had whether they had been formally asked in any shape or form about whether they felt their organisation fitted your criteria, and they said they hadn’t. Wouldn’t it have been sensible to do so?

Francis Maude: I expect—I don’t know to what extent they were asked. Obviously, if they say they weren’t asked by their departments, that’s obviously the case. Others may have been; I don’t know.

Q48 Chair: So, have you set down a procedure for how departments should go about this?

Francis Maude: No, we simply said, “These are the tests which you must apply,” and we then have oversight of the results of the review, and we test the conclusions that the departments have reached and, as I made clear in the statement whenever it was—two weeks ago—some of the reviews are not yet complete and some of the bodies are still being considered.

Q49 Charlie Elphicke: On that point, I’m looking through the schedule to the Bill. There are oddities; for example, the British Waterways Board is on that list, but trust ports are not, and yet both are quangos.

Francis Maude: Do trust ports not appear at all in any of the schedules?

Charlie Elphicke: Not that I’m able to see, but the British Waterways Board is definitely there.

Francis Maude: It may well be that the trust ports weren’t within the scope of the review, for reasons which I can’t now elucidate, but I know that you have some views about that.

Q50 Robert Halfon: Good morning. How did you decide the criteria and come up with the various tests?

Francis Maude: Well, we gave a lot of thought to what a function needs to satisfy in order to justify not being accountable. Our presumption is that something that is done by the state should be accountable; decisions made should be accountable, either through ministers to Parliament or to a local authority. If it’s not done by the state, then the accountability doesn’t arise in the same way, so there needs to be quite a hard-edged reason for a state function not to be accountable, and we gave a lot of thought to what would justify that, and the three tests we arrived at seemed to us to cover all serious eventualities. If it’s a body that is there to measure facts in a way that requires it to be seen to be independent of government, then that meets the test; if it’s doing something that obviously requires political impartiality, that oversets the presumption; and if it’s doing something that is clearly very technical, then again that would overset the presumption.

Q51 Robert Halfon: How much of your decision was based on whether these quangos were giving value for money to the taxpayer?

Francis Maude: That was a secondary consideration. We’ve said throughout that the primary consideration here has been to improve accountability. It is our view that, in the past, various public bodies were set up in order to avoid ministers having to take responsibility for difficult decisions, and that seems to us what ministers are for: to take decisions and justify them.

Q52 Robert Halfon: Why wasn’t the value for money higher up the agenda, given the state of the economy and the cost of some of these quangos?

Francis Maude: Well, it’s a factor, but it’s a secondary factor. Certainly it was a factor in taking the decisions to remove duplication where there were bodies which were duplicating their activities, with overlapping functions—sometimes functions which were in conflict with each other—seeking to remove those, driven primarily by the desire to save money and improve value for money, but as I say, the primary consideration throughout has been to increase accountability.

Q53 Chair: Can I follow that up for the moment? Clause 8 of the Public Bodies Bill says, under “Matters to be considered” at (1)(a): “achieving increased efficiency, effectiveness and economy in the exercise of public functions”. That would seem to be about value for money.

Francis Maude: I didn’t say it isn’t about value for money.

Q54 Chair: But that’s the first criterion, and then the second criterion is about accountability. The other tests you mentioned are not in the Bill.

Francis Maude: No. Well, those are the tests which we’ve applied to deciding which category the bodies go into, but the fact that they’re listed in a different order does not alter what we’ve consistently said, which is that this is primarily about accountability.

Q55 Chair: But efficiency and value for money is the first criterion, whereas, initially, it wasn’t in your criteria at all. Have the goalposts moved?

Francis Maude: No, they haven’t, with respect. Everything we said about this before the election made it clear that this was principally about accountability. If you go back to speeches made about this by the now Prime Minister before the election, the principal objective here was to increase accountability, and that remains the case.

Q56 Robert Halfon: Why is ACPO not included in the Bill, given that it seems to be quite an unaccountable organisation?

Francis Maude: I don’t believe ACPO is a public body in that sense. I don’t know quite what its formal legal status is, but it’s a voluntary association of chief police officers—kind of a trade body that then attracts some public funding because of functions that are delegated to it, I guess, by the Home Office.

Q57 Robert Halfon: On the technical function criterion, couldn’t it be argued that all quangos perform some kind of technical function? Can you explain what that actually means in precise terms?

Francis Maude: Well, if it’s something that does not require—where the decisions being made are purely technical, I think that’s the consideration: where you’re not making policy judgments. The concern we had was that too many bodies were setting policy in some cases, which, it seems to us, should not be done, unless in a way that’s directly accountable. But if it’s merely administering a
technical process or making technical decisions, that seems to us to overset the presumption. This is not an absolutely precise science; most of these bodies do lots of different things, and what you’re doing is making a judgment about: what is this body primarily doing?

In some cases, this is not as simple as some people would like it to be because, in some cases, we’re saying a particular function in a body will be brought within a department, because it’s a policy-making function, but the Environment Agency, for example, actually has some policy-making functions; Ofcom has some policy-making functions. We think policies should be decided by ministers accountable in this place. But none the less there are continuing functions, which both the Environment Agency and Ofcom have, that are technical but that also will require clear political impartiality, and those functions meet the test sufficiently that they overset the presumption of accountability through Parliament.

Q58 Robert Halfon: Could you give an example of a technical function of a quango?

Francis Maude: The Environment Agency will be taking decisions about the detail of—I’m trying to think what it would be doing—but there must be a range of detailed decision-taking on enforcement of regulations on environmental pollution, which you would not expect a minister to be directly accountable for.

Q59 Robert Halfon: Can’t a technical function be done by an executive agency rather than an arm’s length organisation?

Francis Maude: Yes, some can, I guess. As I say, it isn’t absolutely precise. Our presumption is that things should be done in a way that an executive agency is accountable through ministers to Parliament, and that’s why, for example, the Child Maintenance and Enforcement Commission will become an executive agency, because actually that is fulfilling an important public function—not a technical one in that sense—which should be accountable to Parliament. Sometimes, there are technical functions that the public will expect to be clearly not capable of being interfered with by ministers, and some of the pollution-type activities may fall into that category.

Q60 Robert Halfon: Why are no specific reasons given for the retention of some bodies? Because there’s some confusion, with some bodies who’ve gone and some bodies who have stayed, and from what you’ve described this morning, you could argue that some of the bodies that have gone had some of those functions and some didn’t, and I think there’s still some confusion about the criteria.

Francis Maude: Well, we don’t think we provided an exhaustive explanation of all 901 bodies that were subject to the review, and we made the point as well, consistently, that this is a work in progress. There are 40 bodies of those 901 where decisions are still awaited, either because there’s a formal review under way or because simply it wasn’t possible in the time to get final decisions made, and we’ve also said that all remaining public bodies will be subject to continuing triennial review. Circumstances change, the needs change, and this is not set in stone for all time.

Q61 Robert Halfon: Have you made any estimates of the cost savings to government of the ones that are going?

Francis Maude: No, and because, as I said earlier, the decisions we made were decisions in principle of whether particular functions met one of the three tests sufficiently that their continued existence in an independent body was justified, it’s then for departments and the bodies themselves to draw up detailed implementation plans. That there will be savings is clear, because all of these are functions that are carried out in an administrative manner, and the Spending Review has placed on all government departments and all remaining bodies a very stringent trajectory in terms of their administrative cost base.

Q62 Chair: One of your criteria is “does it perform a technical function?” as a criterion for maintaining an arm’s length body. But you’ve also said that technical functions can be transferred to expert committees in departments, or executive agencies. Is this really a criterion for judging whether to keep a quango or not? What do you mean by “technical function”?

Francis Maude: What I think we mean is that this is a function that the public would not expect to be carried out—it overlaps into the criterion about political impartiality—a function that requires political impartiality—where you would not expect the decisions on technical issues to be able to be overset by ministers or councillors.

Q63 Chair: In which case, delete “technical function” and stick to “political impartiality”. Technical function has got nothing to do with it, has it?

Francis Maude: Yes, I think it has because it overlaps, but there are plenty of these bodies that will continue to exist because they in some way meet more than one of these tests.

Q64 Chair: So, it’s important to keep these tests flexible.

Francis Maude: Well, this is not a precise science. These are judgments which we as ministers make and are willing to justify, and I’ve made the point consistently that these are not set in stone for all time, which is why we’re saying there will be triennial reviews.

Q65 Chair: But again, the question of a technical function doesn’t appear in the Bill at all. It’s not a criterion referred to in the Bill at all.

Francis Maude: These are criteria that are being used—tests that are being used—for the purpose of the review.

Q66 Chair: But what is the point of having criteria unless they help you provide consistency?

Francis Maude: Well, they have helped us to provide consistency. I believe that the results of the review are reasonably consistent.
Q67 Chair: This is a very complex and difficult area, isn’t it?
Francis Maude: Well, at the end of it, we’re making judgments about whether we think public functions—state functions—have to be delivered in a way that is accountable. These are tests that help us to reach those judgments; this is not a precise science. We’re making judgments, which we’re happy to be accountable for.

Q68 Chair: But impartiality is not a criterion that appears in the Bill.
Francis Maude: No. These three tests are the tests that we applied in the review.

Q69 Chair: But the Bill is to implement the review; one would expect there to be some consistency between what you’re publicly saying the criteria are and what appears in the Bill. Can you explain why that’s not the case?
Francis Maude: The Bill is to allow the continuing decisions of the Government to be implemented, if that’s what Parliament chooses to happen.

Q70 Chair: So, these criteria are more sort of rules of thumb, rather than—
Francis Maude: These are tests to which we submit each function, to see whether it justifies oversetting the presumption that functions carried out by the state should be accountable.

Q71 Chair: Some people have suggested to us that these were tests to justify a broadly predetermined outcome. That would be unfair, I guess.
Francis Maude: Yes, that would be unfair.

Q72 Chair: And there must be one or two public bodies that are such hot political potatoes, whatever criteria they do or do not match, you will not touch them.
Francis Maude: I think there are decisions we’ve made that indicate a willingness to take on controversial bodies.

Q73 Chair: The Equality and Human Rights Commission—it’s not a technical function. Does it require political impartiality? It’s governed by legislation that is applied politically impartially by the courts. Does it require to be independent to establish facts? That’s what the courts do in those cases. So, why have you kept the Equality and Human Rights Commission?
Francis Maude: Well, there is an argument, certainly, that it meets the last of those tests: that it acts to establish facts, it has an obligation to measure developments in terms of equality, and certainly an argument that it requires, in some of its functions, to be politically impartial.

Q74 Lindsay Roy: Good morning, Minister. Are you saying quite categorically that the reforms are not being ideologically driven, but have very much a pragmatic focus?
Francis Maude: Well, I don’t think they’re ideological, nor purely pragmatic. They are guided by some principles, which are set out in those three tests.

Q75 Lindsay Roy: Would it surprise you to hear that the witnesses this morning have indicated quite clearly that they feel highly accountable, that there are clear monitoring procedures, there are success criteria, they have reporting mechanisms, and they feel they’re fit for purpose? How are these reforms going to change that accountability?
Francis Maude: Well, where the conclusion is that a function should be made accountable in the way I’ve set it out, the difference is that a minister can be held accountable in Parliament for how that function is carried out, how the policy is set and how the policy is administered.

Q76 Lindsay Roy: You’re saying that’s not the case for some of the quangos at the moment?
Francis Maude: Absolutely not the case. They can be summoned in front of a Select Committee, for sure, but the essence of parliamentary government is that ministers are accountable in Parliament, and we think that’s good. It’s not always comfortable, but it’s quite good.

Q77 Lindsay Roy: There’s obviously a great deal of interest in this, so when will you be publishing the analysis that was undertaken to come to the decision whether to reform, abolish or retain public bodies?
Francis Maude: Well, I think all of the departments, when I made my overarching announcement, put out at that stage their own explanations for the decisions that were made as part of the review, and such analysis as they chose to accompany the explanation.

Q78 Lindsay Roy: Will you be preparing an overview of that for public consumption?
Francis Maude: I wasn’t planning to, but I suppose we could. I don’t know—is there an appetite for that?

Q79 Chair: Well, it does seem that you’ve set out some criteria; you’re making a judgment of each public body against those criteria—that’s what you’ve asked departments to do. There presumably should be something in writing about each public body that’s been reviewed. Is there any reason why departments shouldn’t publish that analysis in the interests of transparency and openness and accountability? I appreciate it might fall into the category of advice to ministers, but these are decisions being made about public bodies which I think the public is entitled to know about.
Francis Maude: Absolutely, and I would expect, as you examine, as I’m sure you will, the individual announcements made by all the departments in relation to the bodies within their purview, you can make a judgment of whether that meets your expectations of the explanations that you think the public are entitled to; if not, I’m sure other departmental Select Committees will want to examine what those departments have decided and the explanations they’re giving.
Q80 Chair: But would it be reasonable for us to recommend that each department publish how they’ve applied the criteria to each public body?
Francis Maude: I’d recommend you looking in detail at what each department has said and see whether you think they’re meeting that—what you would like to see. I think you’ll find that quite a lot of them have done that.

Q81 Lindsay Roy: Is that not part of your ministerial accountability?
Francis Maude: No. My ministerial responsibility was to oversee the review, to ensure that it was carried out in a way that was reasonably consistent and met the commitment we’d made in the Coalition Programme for Government, and then to oversee the Bill going through Parliament, which is an enabling Bill, not setting out the detail of what will happen to each department, because that will flow subsequently in detailed secondary legislation.

Q82 Lindsay Roy: I beg to differ on this, because, given your role in this—a pivotal role—I feel that the public deserve an explanation as to why these reforms have taken place in different ways.
Francis Maude: Well, I hear you and I’ll reflect on that, but as I say, I think the primary—I made a statement to Parliament where I set out both the detail in terms of what broadly we expected to happen with each body—the detail could be worked out and set out subsequently—and primarily we took the view for departments themselves to explain in greater detail and depth what they expected to happen and why the decisions had been reached in that particular case.

Q83 Chair: May I ask very briefly about the scope of the review? We talk about quangos; I think we’re talking about arm’s length bodies—ALBs—but there are some organisations like, for example, BBC and Channel 4, which are arm’s length bodies, technically, but they’re not included in the scope of the review. What are the criteria for including organisations within the scope of the review?
Francis Maude: Well, the BBC is a public corporation set up under royal charter.
Chair: I appreciate that but—
Francis Maude: And Channel 4, I think, is in the scope.

Q84 Chair: It is in the review, is it?
Francis Maude: As far as I remember, it is, yes.

Q85 Chair: There is a case for applying these criteria to a far wider selection of public bodies than you have.
Francis Maude: Well, I’m willing to—
Chair: I’m ambitious for you.
Francis Maude: Well, I’m very grateful. I’m very grateful for all the support I can get. Any suggestions of bodies you think we ought to be looking at that we haven’t—

Q86 Chair: Executive agencies?
Francis Maude: Well, we deliberately exclude executive agencies on the basis that those are already accountable. Ministers take responsibility for what executive agencies do.

Q87 Chair: Well, we want to talk about accountability, because it has been put to us that we’re really just swapping one kind of accountability for another—an identifiable chairman or chief executive for a civil servant. That, it could be argued, is a reduction in visibility in terms of accountability.
Francis Maude: Yes, I agree. It all depends whether you believe in parliamentary accountability. Call me old-fashioned: I believe in parliamentary government.

Q88 Chair: Doesn’t merging some public bodies lead to a reduction in accountability?
Francis Maude: I don’t see why. Why would it?

Q89 Chair: Well, because more functions are answerable under one body or one person.
Francis Maude: Well, if they’re fundamentally not subject to parliamentary accountability anyway, I don’t see that there’s a reduction in accountability. No, I wouldn’t accept that.

Q90 Chair: There would still be 608 arm’s length bodies.
Francis Maude: Yes.

Q91 Chair: Are they less accountable than the ones you’ve moved into civil service departments?
Francis Maude: Well, yes, because they have met one of the tests for that function continuing to be exercised without direct accountability.

Q92 Chair: In a letter that was leaked about this process, it was stated that you intended “working with the Liaison Committee and the Public Administration Select Committee to strengthen Select Committee scrutiny of public bodies and of appointments to boards of public bodies.” Can you expand on that?
How do you think we could help?
Francis Maude: On appointments to public bodies?
Well, there was a recommendation by the Liaison Committee, as far as I remember, before the election, for looking at the pre-appointment scrutiny process, and we responded to the suggestions they were making—the recommendations they were making—and I think my recollection is that I’ve offered to meet with the Liaison Committee to discuss how we take that forward.

Q93 Chair: But what exactly do you have in mind?
Francis Maude: Well, part of it was about scope—which appointments are within scope—and I think the Liaison Committee wanted to extend the number, and I think I’ve indicated that we are willing to consider that and discuss in detail which appointments should be brought within scope. Our view is that Select Committees should not have the ability to veto appointments, because these, at the end of it, have to be ministerial appointments, but we’re very content with the scrutiny being carried out in a way that’s public and the advice made public.
Francis Maude: Well, there’s nothing to stop select committees doing it, but I think the process that was set up was one that was done by agreement, and where there was built into the appointment process a period in which the select committee could look at it before the appointment was finalised. If the select committee just decides it wants to review an appointment and that’s not agreed, then it’s just going to happen after the appointment is made, which would not be very useful.

Q95 Chair: No, I understand that. Thank you. Finally, we wrote to you on 27 July following your suggestion that the committee should have a role in scrutinising the creation of—
Francis Maude: I think it was your suggestion, in fact, but it was one—
Chair: Well, I think you agreed with it, but we haven’t had a reply to our letter yet. Is this something you’re giving a lot of thought to?
Francis Maude: I wouldn’t say it’s occupying every waking hour, but it’s certainly something we’re thinking about. I think it is useful for there to be a role in scrutinising and advising on the creation of new bodies. Our view is that there have been too few tripwires along the way—too few hurdles in the way of public bodies being set up. They’ve been set up in a fairly incontinent manner in the past, as I say, with a tendency for ministers to set them up to avoid them having to take difficult decisions, we kind of think.

Q96 Chair: So, when do you think you might be able to give us a definitive answer? Or maybe perhaps we can make some more recommendations in our report first.
Francis Maude: Well, why don’t you make some more recommendations? Because I think your suggestion was that this Select Committee should have a role on it. I think one of the things we would want to explore is certainly that, but also whether departmental select committees should have a role in relation to public bodies being set up in their particular arena, so I think there’s—

Q97 Chair: That makes sense: select committees in general rather than just one select committee.
Francis Maude: Yes.

Q98 Chair: Let us move on: triennial reviews. There used to be quinquennial reviews, which were scrapped in 2002, after the Alexander report found that they cost about £5 million a year.
Francis Maude: I think we can do it a bit more cheaply than that.

Q99 Chair: Well, we hope you can, but how would your cheaper system differ from previous systems? How will you make it cheaper?
Francis Maude: Well, I don’t know how on earth they managed to spend £5 million doing that.
Francis Maude: Well, it’s a considerably large proportion of those to which changes are being made.

Francis Maude: Well, transparency is very valuable. It sounds as if you’re shining the light of transparency on to that particular body. To be honest, I don’t know the exact status of the trust ports and why they’re not in the scope of this, and it’s something I will undertake to look at with some urgency.

Francis Maude: But given that nine out of 481 have been changed, I’m just wondering: will you, as minister, be champion of faster, deeper, wider change and modernisation of quangos, so that we can have more of these sort of community mutualisation-type things, and will you be the champion in government for that, particularly if Members of this House are keen on fostering that kind of change to deliver the Prime Minister’s vision of the Big Society?

Francis Maude: Well, I’m a huge enthusiast for it; indeed, my department has responsibility for the Big Society programme to the extent that it’s a programme, and delivering particular elements of it, including the National Citizen Service, the whole process of sponsoring and promoting mutual spinouts from the public sector, which is a very exciting process and where there’s huge amounts of interest within the public sector in pursuing that option. Faster, deeper, wider—I need little encouragement but would welcome any support.

Q110 Robert Halfon: What about lobbying local councils and businesses and other organisations, private and voluntary? Surely, they shouldn’t have any money to hire lobbyists in the first place.

Francis Maude: Well, they’re all going to find themselves facing very much more constrained finances in the years ahead, but that’s one of the things about accountability and the lack of it in the past. Some of these bodies have spent money in a way that is hard to justify, and we’ve seen that with the salaries that have been paid, which we’ve shone a light onto, and as I say, we’re going to tighten up the rules. I will look specifically at how widely the constraints on hiring lobbyists are. We’re particularly concerned with the tendency to hire lobbyists to lobby more for money and for things which seem to the public to be self-interested by that body, but I’ll look at it to see whether it should be cast more widely.

Q111 Charlie Elphicke: Do you think it broadly is unacceptable for public funds to be used to brief against government policy or brief against an elected official?

Francis Maude: Yes, I would say so.

Q112 Charlie Elphicke: And were such a case to come to your attention, would you investigate it and take appropriate measures and give appropriate guidance?

Francis Maude: I’d certainly look at that, yes, and see whether we need to take steps as a result.

Q113 Charlie Elphicke: My understanding is, as you say, members of the public regard that kind of abuse of public funds as simply unforgivable, particularly if it is to further an interest of the public body, rather than accountability or transparency.

Francis Maude: Yes—that’s my point. If it looks like it’s self-interested, if it’s promoting the vested...
interests of that body, I think people will find that
very offensive.

Q114 Chair: Obviously, public bodies don’t give
money to political parties, but they do take stands at
political conferences and pay quite handsomely for
those stands. Do you think that’s a legitimate use
of public money?
Francis Maude: I think it would vary. Do I think it’s
unacceptable? Probably not as an absolute cast-iron
rule. Some of them would say that it’s justifiable to
make decision-makers more aware of what they do,
but I think, in all of these circumstances—

Q115 Chair: But usually it’s the minister that’s taken
the stand and questioned. Isn’t there a bit of a con-
flict of interest there, where the public body
concerned is actually trying to get visibility with their
own minister?
Francis Maude: Well, in any event, all of this kind of
activity now falls under the advertising and marketing
moratorium that I introduced soon after taking office.

Q116 Chair: So there won’t be any public bodies
taking stands at party conferences from now on?
Francis Maude: I imagine that actually—this is a
thought that has only just occurred to me, now that
you’ve mentioned it—it will all have to be approved
by me.

Q117 Chair: Well, that presents a conflict of interest,
doesn’t it?
Francis Maude: It does, doesn’t it? I shall have to
reflect on that one. I think I only see one way in which
that can be resolved.
Chair: Sadly perhaps with a different hat on.
Francis Maude: Yes.
Chair: As a former chairman of the Conservative
Party. Shall we move on? Mr Halfon: managing the
transition.

Q118 Robert Halfon: Yes, the transition with the
machinery of government: how are you going to
manage the reorganisation?
Francis Maude: Which reorganisation?
Robert Halfon: The reorganisation from the quangos
to the ones that are coming into the department.
Francis Maude: Well, it has to be done by individual
departments. They are responsible for the
implementation of this. They have the spending
constraints, they have the budget, and they have to
manage it in their way. We will be available to help
and there will be common experience and toolkits that
can be made available more widely, which we can facilitate.

Q119 Robert Halfon: What do you expect to be
included in the business plan for the reorganisation?
Francis Maude: The implementation plan? Well, it
would need to set out what the process is; how the
new body, if there is a merger, say, is to be set up.
I’m acutely aware of the criticism in the Institute for
Government report on arm’s length bodies, where they
said mergers have tended to cost money, which I
completely accept—they’ve tended to be costly, but
plenty of mergers in the private sector have been
costly as well.

Q120 Robert Halfon: I was going to ask you about
that, to ask you what’s going to be the cost of doing
this. Is it going to be an incredible burden, as you just
pointed out and some are suggesting?
Francis Maude: Well, there is an upfront cost in most
restructurings, whether in the private sector or the
public sector, and the task that departments will have
is how to do that in a way that is most cost-effective,
to control the costs, and to ensure, where there is a
merger, for example, that the savings are absolutely
harvested and they will have to take responsibility for
ensuring that, but we will be available to help.

Q121 Robert Halfon: Are you going to publish the
costing figures of the reorganisation?
Francis Maude: I guess departments will want to do
that as they finalise the plans, yes.

Q122 Robert Halfon: And the Cabinet Office,
presumably, approves all the implementation plans. Is
that right?
Francis Maude: I can’t remember, to be honest. I’ve
generally required most things to be approved by me,
and I can’t remember whether we’ve specifically
required that, but we are getting departments to submit
their implementation plans. My main concern is to
ensure that this doesn’t drag on—that, when a plan
has been outlined for changes to a public body and,
therefore, concerns raised in the minds of people who
work in those public bodies, that certainty should be
created as quickly as possible, because these are
people’s jobs and lives we’re talking about.

Q123 Robert Halfon: Do you recognise the quote
from the Institute for Government, which suggests
that the ability of departments to manage arm’s length
bodies is particularly poor? Is that right? Do you agree
with that?
Francis Maude: Well, I think it would vary
everoriously, but most of them don’t manage them.
The whole point is these are meant to be autonomous
and not accountable, so if there’s a justification for the
function being carried out in a way that’s independent
of a department, then the ability of the sponsoring
department to interfere with its management is strictly
limited. I think that has resulted in a lot of waste;
for example, I think there’s been huge duplication of
communications functions. A lot of arm’s length
bodies have cheerfully gone ahead and spent huge
amounts of money on IT projects, when frequently
there will be a comparable IT system already
commissioned somewhere else in government that
they could have used. This is one of the things about
accountability that is really important: they haven’t
been accountable sufficiently for the way in which
they’ve spent public money, so there has been this
duplication, and some of these bodies have grown out
of all recognition.

Q124 Robert Halfon: Have you got specifics to
improve the civil service ability to manage these
bodies as they come in?
Francis Maude: Well, as the functions are transferred in, there will need to be managers who can manage them. These are not generally new functions, so there will be someone managing these functions as it is, and people who are carrying out the function in a public body, if that’s going to come within the department, the expectation would be that those people will come in and run it in the department. There may be restructuring as a result within the department.

Q125 Robert Halfon: But do you have an estimate of how many jobs are going to be lost specifically from those quangos that are coming into departments? Francis Maude: No. Again, that would be very much part of what the department’s detailed implementation plans would throw up. All departments are going through at the moment, following the Spending Review, a huge amount of detail: how are they going to deliver the trajectory on spending that they have agreed with the Treasury? And this is very much part of that and it’ll be very difficult and painful.

Q126 Robert Halfon: Some have suggested that with some of the quangos coming into the departments, in essence, all you’re doing is moving deckchairs, and that there actually won’t be any cost-saving, or very minimal cost-saving, to the public. What’s your answer to that? Francis Maude: Well, the answer to that is, if it is straightforwardly saying, “Here is a reasonably freestanding function in a quango which is being moved into a department and all you do is pick it up and move it into the department,” then there will be neither a cost nor a saving, but it will have fulfilled our primary objective, which is to increase accountability, because that function will then be carried out in a way that’s accountable. Separately, but importantly, there will be a trajectory on spending affecting that function, agreed as part of the Spending Review, that will require the department to take out administration cost, and the expectation is, pretty much across the piece, we’re expecting to take out a third of administration cost over the period.

Q127 Robert Halfon: Some of these quangos will have their own buildings or have office space. Do you estimate that you’ll make quite substantial savings from that, because will the office space then literally deckchairs, and that there actually won’t be any cost-savings, or very minimal cost-saving, to the public.

Francis Maude: Well, as the functions are transferred in, there will need to be managers who can manage them. These are not generally new functions, so there will be someone managing these functions as it is, and people who are carrying out the function in a public body, if that’s going to come within the department, the expectation would be that those people will come in and run it in the department. There may be restructuring as a result within the department.

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Q127 Robert Halfon: Some of these quangos will have their own buildings or have office space. Do you estimate that you’ll make quite substantial savings from that, because will the office space then literally move into the department. Francis Maude: Yes, it will. But do you need to be managed by their sponsoring departments and managed effectively, and that seems to be what’s lacking.

Francis Maude: Well, I think I would say in general that there has been too great a—Well, if I’m going to make a wider and rather partisan point, I would say that in the last Government there was a reluctance of
ministers to involve themselves in the less glamorous parts of public administration; i.e. ensuring that money is spent well and doing the sort of stuff which I spend my day doing, which I rather enjoy doing, but a lot of people don’t find very glamorous. I think that’s simply a symptom of it. People weren’t concerning themselves with how money was being spent well, and that has to change.

Q133 Chair: Because modern air-to-air missiles are called “fire and forget”, but we don’t want “fire and forget” quangos, because they just atrophy. Ministers have to hold them accountable.  
Francis Maude: This is what all of this is about really.  
Chair: Mr Elphicke, you have a question and then we must move on.

Q134 Charlie Elphicke: Just to underline the issue about lobbying, it’s a serious concern to all Members of Parliament. Will you consider issuing guidance explicitly banning any public money being used to lobby?  
Francis Maude: I will definitely look at that, and come back to you on that, because we are looking to tighten up the rules anyway. I would not want, on the hoof, to say absolutely, as an absolute dogmatic thing, that no public money should ever be spent by any public body on lobbying.

Q135 Chair: But if there’s not a reason for having such a ban, would you let us know, because we might recommend it?  
Francis Maude: Sorry, say that again. If there’s not—?

Q136 Chair: If there’s not a reason to have a ban—or if there was a reason not to have a ban, would you let us know before we are in danger of recommending it against your wishes? We’d want to know why you don’t want it.  
Francis Maude: Yes, exactly. I’ll look at that urgently and write to you, if I may. I do understand the point and I understand the—

Q137 Robert Halfon: And the distinction between lobbying government and lobbying business and so on; to me, there’s no difference.  
Francis Maude: You would take the same view on both, would you?  
Chair: I think we’re going to have to curtail this bit of the conversation. We’ll come back to it, possibly.

Q138 Greg Mulholland: Just going back to some live questions from Mr Elphicke, going back to the idea that perhaps this really is a bit timid and is very much not a bonfire of quangos—I’m not saying that that should be—

Francis Maude: A damp Sunday afternoon barbecue.  
Greg Mulholland: Yes,  
Francis Maude: As one of our colleagues referred to it in the House of Commons.

Q139 Greg Mulholland: That’s an excellent phrase. The Institute for Government produced a list of 11 different types of arm’s length bodies: we’ve got advisory NDPBs, executive NDPBs, other NDPBs, tribunal NDPBs, executive agencies, NMDs, public corporations, independent statutory bodies, special health authorities, parliamentary bodies and the central bank. That’s an awful lot of different types of arm’s length bodies. Do we really need 11 different types?

Francis Maude: Probably not. It is a very complicated landscape. The first part of this review is trying to find out what’s the list. Under the last Government there was no definitive list, and this probably isn’t definitive because, as we’ve heard in the course of this morning, there are arguments about whether particular bodies should be inside or outside the scope. I think you’re quite right that there is a huge variety in the ways in which bodies have been set up, the different formats, the different ways in which appointments are made, the different forms of governance that exist.

I’d be a little wary of trying to impose a rigid single uniform structure on them all, because they do exist for different purposes. Something which is a tribunal may be formally an NDPB but would be regarded as a sort of quasi-judicial-type body. At one stage I noticed the Supreme Court came up in the list of public bodies, and we kind of thought that’s probably outside the scope. So, the—

Q140 Chair: Technical function, I think.  
Francis Maude: Definitely requiring political impartiality. So, yes, it is very untidy, and it has been a random process, actually, of establishing a lot of these bodies, and there are some very complicated ONS-type definitions for what counts as a public body, or an NDPB for these purposes. There are some bodies that have a different format; the Central Office of Information, for example, is a Non-Ministerial Government Department, an executive agency and a trading fund, and I haven’t yet fathomed exactly how it has this tripartite status, but it will change.

Q141 Greg Mulholland: The Institute for Government have come up with a model of four different types, based on different levels of impartiality. Have you had a chance to consider that model and pass comment on it?

Francis Maude: No, not at this stage. I’m kind of temperamentally slightly allergic to trying to create a top-down overall scheme of arrangement for all of this, but it is very complex and confusing, and simplification is desirable, but I think not in order to meet the demands of administrative tidiness. But I’ll definitely have a look at that, and thank you for raising it.

Q142 Chair: How will the merging of the roles of the First Civil Service Commissioner and the Commissioner for Public Appointments help enhance accountability?  
Francis Maude: I don’t think it will particularly help enhance accountability. These are both roles that require political impartiality, for obvious reasons. It will help to drive some modest efficiency savings—
one person rather than two—so I think it’s worth doing, but it’s not particularly about accountability.

Q143 Chair: Did you consult about this?
Francis Maude: I think we consulted the First Civil Service Commissioner and the current Commissioner for Public Appointments.

Q144 Chair: And did they agree?
Francis Maude: Yes.

Q145 Chair: Did they have an option?
Francis Maude: They’re both very robustly independent individuals, as you would expect in those roles.

Q146 Chair: PASC has previously rejected the idea of a single ethical regulator, and recommended a more collegiate arrangement, but by combining the roles, aren’t you effectively abolishing the Office of the Public Appointments Commissioner?
Francis Maude: No, we’re simply saying that that function can be carried out by the same person who is the First Civil Service Commissioner. The support functions for a variety of these offices—including the Committee for Standards in Public Life, the Office of the Commissioner for Public Appointments, the Civil Service Commission—all operate in the same building, and there is a certain amount of common support, I think. I haven’t involved myself very much in how that’s organised, because these are bodies, obviously, which expect to be independent and fairly resistant to ministerial intervention, rightly.

Q147 Chair: My predecessor Committee has previously recommended against a merger.
Francis Maude: Against—?

Q148 Chair: Against such a merger, and Sue Cameron in the FT wrote last week that “this smacks of dismantling an important safeguard for our impartial civil service”.
Francis Maude: I don’t follow that at all. I haven’t read Sue’s piece, and I’m sure the reasoning is impeccable, but I don’t see how she could reach that conclusion. The role of the Civil Service Commission has just been put in statute, so in fact this is about to be the creation of another NDPB, because the Civil Service Commission, having been given statutory form in the Constitutional Reform and Governance Act, which was passed just before the election, now for the first time ever has a statutory existence, so it has been enhanced, not diminished.
Chair: Minister, thank you very, very much for your time and answers this morning.
Francis Maude: Thank you. It’s a pleasure.
Chair: We look forward to preparing our draft Report.
Francis Maude: Very good. Thank you.
Chair: Thank you very much.
Tuesday 9 November 2010

Members present:
Mr Bernard Jenkin (Chair)
Nick de Bois
Charlie Elphicke
Paul Flynn
Robert Halfon
David Heyes
Lindsay Roy
Mr Charles Charles Cochrane

Examination of Witnesses

Witnesses: Mr Jonathan Baume, General Secretary, FDA, Mr Dai Hudd, Deputy General Secretary, Prospect, Mr Geoff Lewtas, Director of Bargaining, Equality and Policy Support, PCS and Mr Charles Cochrane, Secretary, Council of Civil Service Unions, gave evidence.

Q149 Chair: Would you like to introduce yourselves for the record? Mr Hudd?
Dai Hudd: I will kick off. Dai Hudd, Deputy General Secretary of Prospect.
Geoff Lewtas: I am Geoff Lewtas from PCS. I am the Director of Bargaining and Equality.
Jonathan Baume: Jonathan Baume, General Secretary of the FDA.
Charles Cochrane: I am Charles Cochrane. I am the Secretary of the Council of Civil Service Unions.
Chair: Well, thank you all very much for joining us. We are discussing quangos this morning. Mr Elphicke?

Q150 Charlie Elphicke: Good morning, gentlemen. I was wondering if you could tell us how far you were consulted about the review process on decisions to abolish, merge or make more efficient or more effective certain public bodies.

Charles Cochrane: I will start, if you like. I think the short answer is, both in the general and the specific, we weren’t. Whilst we initiated some discussions with the Cabinet Office to ask both about the general process of reviews and abolition of public bodies and of the Bill, we certainly weren’t subject to any formal consultation. Certainly, on organisations in which we have a close interest, whether that is the Audit Commission, Becta or the Civil Service Appeal Board, in all cases the announcements were made before there were any discussions with us and I think in at least one case we are still awaiting discussions with ministers about specifics. So it is very much a case of no.

Dai Hudd: Can I give an example of that? The Audit Commission announcement was made by the Minister, Eric Pickles, on Friday 13 August—it was a Friday the 13th; that is an irony, if ever there was one—and it is only tomorrow that we get face to face with the Minister to discuss the implications of that announcement, even though already there are 300 redundancy notices that have been issued as a consequence of that announcement on 13 August.

Q151 Chair: Anybody else?
Geoff Lewtas: I think similarly, you could refer to the announcement about the closure of the Regional Development Agencies, which we see as unbelievably difficult to justify, in the sense that there is a need for the type of co-ordination involving private sector interests and the concerns about economic regeneration in the regions. There has been no debate at all about the real reasons for that decision and no possibility since of any proper consultation that means you can have a dialogue about the reasoning behind it and the justification for it and start to examine those arguments and discuss them in a proper manner.

Jonathan Baume: I have nothing to add on the question of consultation, because the answer is no, we were not consulted beforehand. On one or two cases we might have had about an hour’s advance notice of announcements being made, but certainly no advance consultation.

Q152 Charlie Elphicke: Just before we move on to quangos, looking at public bodies as a whole, including government, and looking at efficiency and effectiveness, this Committee has had a lot of concerns about conferences and things like that. Have any of you heard of a thing called Civil Service Live, which apparently is a three-day gathering in Olympia, and have any of you been to it?

Charles Cochrane: Yes, we have, as have ministers of the current Government and ministers of previous governments. It is generally seen as a very worthwhile event for all the participants. It’s something which I believe is also done at little if any cost to government because it is subsidised by Dods. Can I just make another point, if I may? You use the word quangos, which, if I remember rightly, was something coined by Philip Holland MP many years ago—I have been around long enough to remember it—who wrote a book on the subject. What was it? Quasi-autonomous non-governmental organisations. But in fact the bodies we’re talking about, their official title is non-departmental public bodies, and certainly I think that is the phrase that we think we should be using, rather than quangos, which I have to say has a slightly pejorative tone about it.

Q153 Charlie Elphicke: Do you think, though, that having three days of civil service time, which could be spent working for the nation, on a conference is a good idea?

Charles Cochrane: If you were to ask Francis Maude or the Prime Minister, both of whom were participants at Civil Service Live, I am sure they would give you a full answer to that point, but my impression is that
every one of the major speakers there thought it was a very worthwhile event.

Q154 Chair: I think the burden of Mr Elphicke's question is: does Civil Service Live constitute consultation?
Jonathan Baume: No. Civil Service Live is an event where civil servants—people do not spend three days there, for the most part; they spend a day and different groups of people come on different days and there are presentations and seminars. As I say, minsters from both governing parties have taken an active part. I am one of the people on this platform who have taken part in seminars and presentations there, and there is a wide range of outside involvement in that. But it is not in any sense about consultation. It is about giving particularly sometimes junior staff—because members whom we represent are often party to these wider gatherings—the opportunity to take part in wider, cross-civil service or wider-than-the-civil-service events, because they do not often get it. But it is not in any sense a consultative forum; it is an area for debate, seminars and presentations, and as Charlie has said, Tony Blair, Gordon Brown and David Cameron as Prime Minister have addressed those bodies and been subject to question and answer sessions, which bring in far more civil servants than might otherwise have access to that kind of event. But it is nothing to do at all with consultation of any kind on these kinds of matters.

Q155 Nick de Bois: Just before I ask this question, can I declare an interest? For 25 years I've been running and working in live event management, and I think the answer is slightly disingenuous. Let me just ask it again. You may have three days with people coming in and out, but the time and cost of preparation for putting on a three day event far exceeds three days. What I haven't heard, and what any commercial customer would ask, is: what is my ROI? You have given us what it isn't, so what is it? Justify that one.
Chair: ROI?
Nick de Bois: Return on investment. You have told me what it isn't; I am looking for what it is. This time.
Jonathan Baume: I think you would need to ask ministers and you would need to ask the Cabinet Office. It was an imitative launched under the previous Labour Government. I cannot speak for Gus O'Donnell, but I know Gus was supportive of it, as a way of trying to reach out and partly present the Civil Service more publicly, but also to involve civil servants beyond the immediate Whitehall senior echelons in these wider events and participation. But the issues about the costings and the value for money I do not think we are the best people to answer.

Q156 Nick de Bois: No, you are not; I accept that, but if you are participants, you should have got something out of it and I am just not quite sure what it is, but I won't pursue that.
Dai Hudd: Well, we got quite a few members.

Q157 Charlie Elphicke: So what were you gentlemen doing? Were you enjoying the junket or signing up members?
Charles Cochrane: I don't remember the junket bit. We are talking a little bit—
Charlie Elphicke: It was late at night.
Charles Cochrane: No, it was a serious discussion about serious issues and I think, bluntly, provided an opportunity for the Government in its very early days to set out its stall on a range of issues to an audience who were very interested in what they had to say. Dai Hudd: At the last Civil Service Live, the issue of changes to the Civil Service redundancy arrangements was very, very high on the agenda, and the workshop session I did with fellow colleague trade unions was a drop-in session for people to ask us questions of the moment about where discussions were with government. So it certainly wasn't a junket and it wasn't overtly a recruiting exercise; it was an opportunity for civil servants from around the country simply to talk to the people who represent them directly with the Minister and the Cabinet Office about what issues were affecting them.

In terms of its value, I agree very much with my colleagues; I think those questions need to be put to someone else. Do I think the Civil Service anxiously waits for Civil Service Live to come around every year? No, I don't. Do civil servants say, "Oh, we can't wait for Gus O'Donnell to make an announcement at the next one and we'll know a bit more about what's happening"? No. I don't. What I do see there, though, is an enormous number of private sector contractors very much bidding for work in the Civil Service. I would argue that it is as much a showcase for that as it is an audience for particular civil servants as well. But I very much agree with my colleagues: in terms of its value, you are asking the wrong people.

Q158 Robert Halfon: Do you think it would make any difference—
Chair: Sorry, Mr Halfon; you need to declare your interest.
Robert Halfon: Oh yes, sorry. I am a member of Prospect, I should say. Do you think it would make any difference if Civil Service Live did not occur?
Dai Hudd: Well, this is one we have not rehearsed, so my colleagues will clearly disagree with me if they so choose, but my own view is that a London-based, centrally-driven event like Civil Service Live is going to have a limited opportunity to reach out to where a lot of the Civil Service work occurs, which is outside the Whitehall family, So, I do think there is an argument about taking, as it were, Whitehall out to civil servants in the greater part of the country to have some degree of connection with the valuable work they do and how decisions are made on their behalf. I think that would be of value. I have doubts myself about how a big event, run in the way that it is, fulfils that function. But should something be done on that? I think it should.
Chair: I am going to close down the discussion about Civil Service Live.

Q159 Mr Walker: Well, can I just ask a question? Very briefly, since we are on conferences, the biggest
waste of time looks like Davos, so I would not feel too chased.

Mr Walker: I have never been invited.

Chair: We are not doing Davos.

Mr Walker: We are not doing Davos. Well, I don’t want to attack these good men for going to some ghastly thing at Olympia for three days.

Q160 Chair: Have you finished on consultation, Mr Elphicke? Can I just ask about the Cabinet Office Business Plan, which was produced just yesterday, as you know? It says under 1.6.iii, “Review terms and conditions of … employees of public bodies which are to be removed—completed”. That is an action that has been completed—to review the terms of employment of public bodies that are to be removed. Have you been consulted about that?

Geoff Lewtas: No, I do not think so.

Jonathan Baume: Not directly, no.

Q161 Chair: Do we know what it means?

Geoff Lewtas: I do not believe we have. What we are aware of is that Francis Maude did set up, along with Danny Alexander, the Chief Secretary, what is called the Efficiency and Reform Group within the Cabinet Office, which is looking at a variety of potential changes to civil servants’ terms and conditions, one of which has been the question of redundancy compensation terms, quite a difficult and controversial matter.

Q162 Chair: Do you think that’s what that is referring to?

Geoff Lewtas: It sounds more like it than something that is just relevant purely to the NDPBs, frankly. We think it is something wider; civil service-wide.

Chair: In the words of Jonathan Baume, we will have to ask Francis Maude.

Geoff Lewtas: Indeed.

Q163 Chair: And finally, do you think consultation should be in the Bill? Because it isn’t at the moment.

Dai Hudd: Very much so, yes.

Chair: Thank you very much. Moving on, Mr Halfon.

Q164 Robert Halfon: The Government’s three tests of impartiality, technical expertise and independence regarding their decision to abolish some of these quangos or NDPBs: what do you think of these tests?

Charles Cochrane: I think we think there is nothing new in them. These tests in some shape or form have been around for a long time and I think it formed part of the thinking that has gone on in government over many, many years about when such bodies are set up. It is worth saying, isn’t it, that some of the NDPBs have been around for a very long time and have always been subject to a process of government in setting them up. Even the British Museum, which is an NDPB, or a quango if you want to call it that; there was a process that the Government went through—admittedly a long time ago—to determine why it wanted to set up the British Museum, in the same way there would be a process that government went through when it set up the Civil Service Appeal Board or when it set up the Audit Commission. Similarly, there have been processes of reviews of NDPBs for many years. At one time—it may not continue at the moment—there was a formal process of quinquennial reviews of all NDPBs, and very searching they were, too. Certainly for some, that continues. I know I have mentioned it three times already, but the Civil Service Appeal Board, which it has been announced will be abolished, was subject to a quinquennial review in the early part of this year that it came through with flying colours.

Q165 Robert Halfon: And do you think that the Government has actually adhered to the three tests it has set itself in deciding which quangos are to stay and which are to go?

Geoff Lewtas: I do not think we know the answer to that question, because although they have said what the tests are, they have not explained in each case how those tests have been applied, what the thinking in relation to the specific functions of a particular body is or how those tests are relevant to that body. Clearly some of the tests are not relevant to all the bodies, because there is such a variety of them and a whole range of different functions are carried out. But I think that goes back to the question about consultation; that has not been sufficiently thorough from our point of view, because we are not clear how each of these tests has been applied in the way it has. You can use an example like the Gangmasters Licensing Authority, where it was said, “Yes, that carries on, because impartiality is required”, but that has not been explained and it leaves you thinking, “Well, how has that test of impartiality been applied to some of the other examples where decisions to abolish or close have been made?”

Q166 Chair: So is this a general view, that there is not enough definition to these tests?

Dai Hudd: I do not think there are enough definitions. I think the other thing the Minister has not set out is what the process is for testing the definitions and who or what will be the organisations that will test those. One of the things we would want to consider is whether it is an appropriate mechanism through the Select Committee process to test not only the criteria but the organisations against each of those. I don’t think it would be right if a minister has sole discretion as to how they are defined and how they are applied.

Jonathan Baume: The problem is—on the point that was just being made by Geoff—that this is such a diverse range of bodies, from very small committees to very long-standing national organisations like, say, the Land Registry, to things like the Civil Service Appeal Board that Charlie was just mentioning, et cetera. It is a complete hotchpotch of different types of organisations, which in itself I think is an illustration of part of the problem; that we have allowed, if you want, the accretion of arm’s length bodies—whatever acronym you want to use—with all kinds of odd structures and accountability lines.

In one sense, this is a very long overdue exercise, and it was about time somebody sat down and went through this map of all kinds of bodies and said, “Do
we need this? Has it gone past its point of adding any value?” and just stood back. Now, you can criticise the process by which individual institutions were judged, as Dai and my colleagues were just saying, but I don’t think it takes away from the fact that somebody needed to go through this enormous wealth of bodies. Actually, we can argue about aspects of the definitions of the three tests that were used, although the danger is you end up with so many different alternative tests that it is hard to take decisions. I think part of the point for me also comes back to our need to be using those tests to set bodies up in future, because I think part of the problem was both the Conservative Government in the 1990s and the subsequent Labour Government often set bodies up without a great deal of thought that then just continued with a life of their own; functions mutated, changed and expanded. So the exercise in itself was, I think, a very valid exercise, even if you might have criticisms about particular decisions that were taken. If I may say so, I think if the Select Committee can hone up what the tests ought to be for the future, that will help administrations decide whether bodies should continue or whether new bodies should be set up in the first place.

Q167 Chair: May I just pitch in? You are saying we should have a set of our own tests. What tests do you propose? It may be too long an answer—I don’t want a very long answer at the moment—but I would invite you to submit what the tests should actually be.

Jonathan Baume: We will give that some thought. I have to say personally I think they are broadly the right kind of tests, because I think the danger is you end up with too long a checklist and try to make it too complex. But in the end it is going to be a judgment: do we think a particular function is better placed within the core of a department—then you get into the issues about accountability that I know the Select Committee has been looking at—or is it better that it is at arm’s length from the minister and the department and fulfils an independent function? And what are the tests for making it independent of direct ministerial control?

Q168 Chair: Okay. But the particular test about technical capability and expertise; why is that a test? There are expert committees in departments; there are quangos that have been maintained because they have technical expertise. Why is this a test? How is it a test?

Dai Hudd: Well, part of the problem is that the Government does not have sufficient scientific engineering expertise within its own ranks and therefore has to refer itself to various advisory bodies to get that independent scientific advice. Coming back to the tests, I do not think it is the tests; it is the how and who does it. One of the criteria ought to be whether the Government has the right scientific and technical expertise at its disposal, either in an arm’s length body or within the ranks of its own civil servants, to be able to make good policy. That is something I think could be well tested in the Select Committee structure, which is very much dealing with the policy issues as well.

Q169 Robert Halfon: The Government have denied that the primary consideration in getting rid of some of the quangos is cost-cutting. What is your view about that?

Charles Cochrane: The feedback we are getting from our members in some of those bodies that have already been announced as closing—the Audit Commission is one; Becta is another; the Commission for Rural Communities is another—where it is already clear there is going to be significant cost in relation to redundancies, is that there are ongoing costs in many cases and it is very difficult, certainly for the people working there, to see where savings are going to come anywhere in the short term, particularly when it also appears that some of the work is going to carry on in other places. So, picking up a point a number of colleagues made, in all this process there really seems to be a lack of transparency as to what the real reasons for closure were and what the costings are going to be. I have to say, the perception of our people is that in some cases, these are very arbitrary decisions that have been taken.

Q170 Robert Halfon: Mr Baume, you smiled when I asked that question.

Jonathan Baume: Well no, because I agree. I think it is very hard to define clearly what the cost savings are. In a sense, England—and many of these are English bodies—is somewhat behind the loop here, because both the Scottish Government and the Welsh Assembly Government went through a similar process; certainly, in Wales, I think it was about three years ago, and quite a number of arm’s length bodies were brought back into the Welsh Assembly Government structure. That is fine, although you get people issues and anomalies if people were brought in on higher pay, and all those second-tier issues that departments have to struggle with. I think it might have made a simpler structure and at times it might be easier for the public to understand, but I have never seen an analysis, if one was done, of what the savings were in either Scotland or Wales; that would be an exercise on a smaller scale but with a similar objective.

Q171 Robert Halfon: And have you made any estimates of the number of jobs that you estimate to be lost under this?

Geoff Lewtas: We think, in terms of our own membership in PCS, there are probably something like 30,000 across what is actually a whole range of large and small bodies of this type. Of course, not all of them are being abolished or closed, but quite a number are. So our estimate is running probably into the thousands of potential or actual redundancies. This is happening at a time when, of course, the Spending Review announcement last month tells us that civil service main departments and agencies are also facing large staffing reductions in the course of the next few years.
Chair: Hang on just a minute. Can we deal with redundancies later, because it comes later in our questions? We need to deal with the Bill.

Q172 Charlie Elphicke: Yes. On clause 8 of the Bill, there are two other tests that have been proposed: achieving increased efficiency and effectiveness, and securing the appropriate accountability. Are these the right measures for taking a decision on the fate of quangos?

Geoff Lewtas: I certainly think there are some issues that cause us concern about the question of the minister having due regard, as the Bill suggests in clause 8, to efficiency and effectiveness. I will take one example; it is one I have touched on already—the closure of the Regional Development Agencies. A problem that looms very large and soon is the fact that European development money, which is channelled through the Regional Development Agencies at the moment, will presumably in future be handled through the local enterprise bodies that are envisaged. But they are not set up; they have to be set up, they are going to have to get accreditation and it is likely to take some time before they are recognised by the European Union as an acceptable organisation to deal with. There is a serious risk of hundreds of millions of euros in development money being held back and possibly not being made available in the eventual situation that we are currently facing. That seems to me to be a pretty dire consequence, and it is a very serious risk that does not seem to have been taken into account. There will be, if things do not improve, a really hard consequence financially as a result of these changes.

Chair: Okay. Unfortunately, we are very short of time, and we are going to have to speed up to get through all the material that we have. Your final question?

Q173 Robert Halfon: Yes. You proposed an independent analysis of the net economic costs and other costs of abolition itself. Would this be in addition to the efficiency, effectiveness and economy tests proposed by the Government in the Bill, or instead of them?

Dai Hudd: Well, in our submission, one of the areas we quote as being a problem for simply applying these criteria is the Forestry Commission. We find it very difficult to see how issues such as efficiency and effectiveness—which usually are code for costs and being able to cost things, but not necessarily the value—apply to areas like wildlife conservation and water management. Those are critical issues that the Forestry Commission has responsibility for right across a wide geographic and national area. How is that to be maintained if the Forestry Commission were to be broken up or in some way taken away from where it currently is? How would you use those measures to say overall whether that was a good decision or not?

Q174 Robert Halfon: And should accountability be part of this analysis or not?

Jonathan Baume: Yes, absolutely. A key issue has to be accountability. Accountability to whom is always an issue. I think there will be certain issues around which in the end, regardless of any legal status, the minister responsible will be held accountable and responsible, both by the public and by the media. That cannot be dissociated from where a function rests, and therefore that is an entirely appropriate test to have, as well as the accountability to any wider group to whom that body provides some kind of service. Sometimes that will be the general public; sometimes that might be a very specialist community. But I think part of the whole debate about arm’s length bodies has always been about accountability.

Chair: Very briefly.

Q175 Robert Halfon: My very final question: some people have described the cull of the quangos as more of a barbecue on a dam Sunday afternoon than a bonfire. What is your view?

Charles Cochrane: Certainly, if does not look like a damp squib to those who work in one of these organisations, including some of those that may be continuing but will be very worried. There are very real issues, both about people’s employment and about the services they provide. So I think from our perspective and the perspective of users, these are seen as very important issues indeed and certainly not a damp squib. Perhaps I would prefer it if it was a damp squib.

Chair: I think we take the impact this has on people’s lives very, very seriously. Mr de Bois.

Q176 Nick de Bois: Yes, thank you Chairman. My questions focus entirely on that. We did start to touch on it, but could you very briefly tell me whether each of you has made a formal assessment of how many jobs may be lost?

Jonathan Baume: I haven’t, but it is very, very difficult to get to grips with that, because some of the functions will be transferring into departments. People will follow them, but I think most people do not yet have clarity. In the regional bodies, for example, people have, if you want, a parent government department. They return to that department, and in a sense then become part of a wider pool in a department. The department itself may be losing jobs, but they won’t know as individuals whether they are the people who will actually go. So this is quite a complex process.

Q177 Nick de Bois: Is that true of all of you?

Dai Hudd: My organisation, which tends to represent the more specialist grades within the Civil Service, estimate that as a consequence of what is planned for the quangos—as you describe them; we would prefer to call them arm’s length bodies and NDPBs—the figure is between 3,000 and 4,000.

Charles Cochrane: To give you a specific example, if you take the Commission for Rural Communities, which I think is one that has already been announced for closure, it looks like about 80% to 90% of the staff will be redundant. A small group will probably transfer in some shape or form back into Defra, and that seems to be a similar pattern in Becta. The
overwhelming majority of staff face redundancy; a small group are likely to transfer back into the main department.

Q178 Nick de Bois: Mr Baume, I take your point about the greyness of it, because we are talking more about introducing transparency and accountability, and are therefore shifting to some departments, et cetera. I understand why that is difficult. That effectively sounds like slightly more moderate language than was initially being used, when the phrase “bonfire of quangos” was being used. Would you say that it is a fair statement that now that we are looking closer—indeed, I accept that we need more clarity—perhaps some of those earlier statements were a little alarmist?

Dai Hudd: Can I answer that in a slightly different way? I think it is very regrettable that some very senior ministers decided to use some of the language they did in relation to organisations where people do valuable work and feel they are valuable public servants. For example, on the Government Offices, this is a quote from Bob Neill at the time: “It seems quite simply that the Government Offices for the Regions were taking the taxpayer for a ride. They were living it up at the taxpayers’ expense while thousands of households were struggling to make ends meet.” With the greatest will in the world, for many ordinary civil servants in the regions doing valuable work—go around the North West, for example, in particular, which I know quite well, where the Regional Development Agency have done a superb job in supporting the local economy—officials and ministers speaking in that way is highly offensive and I think unfortunately the language of this debate was very coloured by some of those unfortunate very early statements.

Q179 Mr Walker: You did say senior ministers, though. With the best will in the world, Bob Neill is not a senior minister. Can you give some examples of senior ministers?

Dai Hudd: Well, we can come back with even more quotes. I have only used that one as an example; I have written to Bob Neill specifically on that issue.

Q180 Chair: I know Eric Pickles referred to “form fillers and bean counters”. Is that the sort of language you are talking about?

Dai Hudd: It is, very much so.

Chair: Moving on.

Q181 Nick de Bois: Yes, I will move it on. I think the point I am getting to is this: do you think, now, that we are past that stage where, I suggest, emotive language might have been used on both sides, and that we are getting to a more rational look at what may be happening in terms of future job losses? As you say, Mr Cochrane, we really are talking about people’s lives here, so do you think you are heading towards that, and that you are getting more clarity?

Geoff Lewtas: Can I try to answer that very briefly? I think that what we have seen with the announcements about what is happening to a whole range of different bodies is that there are a variety of solutions. Quite a lot are a case of moving the work into a government department and there are consequences about costs in relation to that that are difficult to judge. But there are still, I would say, some really stark examples of bodies that are being closed down, effectively, with no real decisions yet as to how any of those functions are going to continue to be done in some other way, if at all. All of that is extremely unsatisfactory because of the lack of what I would regard as proper consultation and thinking through of consequences and impact.

Q182 Nick de Bois: One more area: have you been able to explore the impact outside of London and the South East on possible job losses? We have talked about areas where civil servants are working outside London and the South East; that is quite important. Have you been able to make any assessment in your opinion of what that might be like?

Charles Cochrane: Yes, certainly. The obvious one, of course, is the RDAs, which are based throughout England in the regions, but there are a number of others. Becta and—let me get the acronym right—QCDA—I think I have that in the right order—are both based in the Coventry area, so there is a significant impact there.

Jonathan Baume: The General Teaching Council is there as well.

Charles Cochrane: The General Teaching Council is there.

Q183 Nick de Bois: Would you make an assessment where you are looking at the split perhaps more accurately? Is that something you will do—or can, should I say, do at this stage?

Charles Cochrane: It is difficult to do it at this stage, but of course many of the organisations—if I could use the Audit Commission as an example—have their headquarters in London, of course, but their staff are based throughout the country. The Forestry Commission, which someone has mentioned, again has its headquarters in Edinburgh and is based around the country. Just as an aside, it is also worth saying that of course a number of the organisations we have mentioned today are not by any definition, even if I liked the word, quangos, because they are actually part of the Civil Service. The Government Office network is part of the Civil Service—

Jonathan Baume: The Land Registry is civil service.

Charles Cochrane: The Land Registry is civil service; the Forestry Commission, whilst it’s one of those interesting organisations, is, again, a part of the Civil Service. So the questions about accountability are very strange in that context, because they have exactly the same accountability as any other department of state.

Chair: I think we will come back to that. Mr Flynn.

Q184 Paul Flynn: I think we all see this as a piece of the crowd-pleasing, headline-grabbing moves that new governments do, particularly the Tea Party wing of the present Government, or the Daily Mail-influenced wing. They know that civil servants are not popular—they have done so much to denigrate them over the years—and quangos are not popular, and the idea is that we get rid of them and we achieve
paradise on earth. Can you see elements of political spite or malice in this? I am thinking of the Agricultural Wages Board that is to be abolished, which protects the very low wages of agricultural workers who are very poorly organised. At the same time, landowners and big farmers are having their income not only maintained at £3 billion a year in public hand-outs, but actually increased by about 3%. Do you think there is a political agenda there?  

Charles Cochrane: Yes, there is always a particular agenda. Political agendas are not necessarily bad things, of course, and I think all of us would accept that any government has the right when it comes in to make changes. I think the point we are trying to make is that there should be a rational, transparent process to do it, and in making those decisions there needs to be an understanding of what the impact will be both upon the staff who work there and upon the services that are provided. On the Agricultural Wages Board, I am conscious that there are a whole series of wages boards that were established many years ago that were largely abolished by the previous Conservative Government, but there was a specific case made for retaining the Agricultural Wages Board, for reasons that most people understood at the time, and it seems odd that that has now been overturned. I am not an expert on the agricultural industry.  

Chair: Well, it was before the national minimum wage, which is now part of the landscape.  

Q185 Paul Flynn: Well, that does not seem much, if all they can rely on is a national minimum wage. These are skilled workers. Let me take another example. If any advisory group well deserves to be abolished, it is the Advisory Council on the Misuse of Drugs. The previous Government sacked the Chairman because he was caught in possession of an intelligent idea, and he has gone off and formed his own committee of independent people who are advising on drugs and not acting as poodles for the Government. Do you think the reason they have clung on to this discredited group, and possibly got rid of the Audit Commission, is that they saw the Audit Commission as being a thorn in their side and the Chairman because he was caught in possession of an idea? I am thinking of the Agricultural Wages Board. It just seemed to us to be a snap decision based on no evidence whatsoever.  

Geoff Lewtas: I think you really ought to put that question to ministers, frankly.  

Paul Flynn: I think we should. Geoff Lewtas: But I understand the point that you are making, and one of our big concerns is about the fact that in changing the nature of a lot of these bodies, in some cases—which I will not go into now—you see in them a future failure for ministers to get the kind of independent, impartial advice on a range of matters that ministers ought to be getting. Even if it is controversial, even if it is difficult to hear and deal with, they should still be getting that advice, or there should still be that service provided by bodies that are independent and impartial and have, as Dai says, the necessary scientific, technical engineering knowledge to be applied.  

Q186 Paul Flynn: To give a real example of the damage done by taking jobs out of areas of high unemployment, say 250 jobs were going; it is a serious threat. It will save £2 million to the Government; it will cost £3.5 million in redundancy; it will probably cost another £3 million, which would be continuing, in welfare payments, dole and so on, for the foreseeable future because people are not likely to be reemployed in areas of high unemployment. Do you think that this process is being carried out with a disregard for what has been accepted by all governments of the past 50 years—that it is desirable to take jobs out of the South East of England and relocate them in areas of high unemployment? Has that been taken into account, do you think, when the quangos are being destroyed?  

Geoff Lewtas: I would be astonished if that sort of wider balance sheet has been considered, and if there has been a longer-term look at the financial consequences. We have seen nothing of that as far as we are concerned.  

Q187 Chair: So in terms of the cost-benefit analysis, you do not think there is any process by which, in submitting these plans to a department, the department has to assess the on-cost to the benefit system and the likelihood of those people being re-employed?  

Dai Hudd: Well, the Audit Commission example—and we give you figures in our submission—would tend to suggest that has not happened, because the claimed savings from the Audit Commission closure by Eric Pickles were £50 million. The consequence of making people redundant and the retirement costs are probably going to exceed £200 million. That being said, we are not putting forward to you a proposition that arm’s length bodies are in some way ways of keeping people employed, regardless of what they do. We are not saying that. What we are saying is that the first principle is issues of accountability, that should be addressed, of course. But when it is put forward as an argument that there are cost savings where there are not, that should be exposed and the accountability of ministers for their decisions should be explored.  

Q188 Chair: But that is an argument about cost savings, rather than the review of NDPBs, because the minister himself says that this is not a cost saving measure; it is about accountability.  

Charles Cochrane: If we were to be cynical, and of course we never are, the minister seems to have been saying that more in the last few days than at the start of this debate. When the early announcements were made initially—not by the same minister, but in education, shortly after the Government was formed—there was no evidence that the decision to shut down Becta, which I keep returning to, was anything to do with accountability. It just seemed to us to be a snap decision based on no evidence whatsoever.  

Q189 Mr Walker: What is Becta?  

Chair: For the record, tell us what Becta is.  

Charles Cochrane: I thought someone was going to ask me that question and I am going to struggle. Geoff Lewtas: British Educational Communications and Technology Agency. It handles, largely, the provision of IT for schools. That is one of its biggest functions. Just by way of a comment, we looked with
interest at the report that had been commissioned from Sir Philip Green, and a lot of what he said in his report was about the need for central procurement for the whole range of government services. Here we have a decision with regard to Becta where you are just taking away that central support function, in terms of procuring IT for schools. Heaven knows, there are going to be 1,000 different contracts now, each school determining what it wants—what software, what equipment, et cetera. How much resource will that take up, in terms of educational costings?

Chair: We are going to look at IT and government; it is a different story.

Geoff Lewtas: But it is a question we cannot answer.

Chair: There may be a different story. Mr Flynn, you were finished?

Q190 Paul Flynn: Just on the triennial review, do you think this is an adequate mechanism? I think we would all agree that there should be changes and savings where they can be made. Mr Cochrane, you have forecast pretty serious consequences of this action. Have you done a proper, rigorous analysis of how things will turn out in education and so on as a result of the disappearance of some of these bodies?

Charles Cochrane: I think it would probably be fair to say it is work in progress. It is obviously an area where we need to talk to our colleagues in the education unions and so forth to determine the impact, but certainly the preliminary analysis seems to suggest that there must be a risk that in years to come, someone is going to come along and say, “We really need to set up a new body to look at x and y.” and that has happened before. Going back to Philip Green suggesting there ought to be coordination of government purchasing, some of us are old enough to remember that there used to be a body called the Crown Suppliers that did just that, which was abolished, and now we seem to be advocating setting it up again. But these things always go round in circles.

Chair: With respect, we are not discussing procurement, though I accept that was a procurement agency you were talking about. Moving on, Mr Roy.

Q191 Lindsay Roy: Good morning, gentlemen. Transitions, euphemistically, are times of challenge. What discussions have you had with departments about the transition period and how it will be managed? Have you had any discussions at all? Are there any plans to do so?

Charles Cochrane: Just to pick one example, if I may, the wind-up of the RDAs is particularly complicated because there are a very large number of them and we are pressing BIS to try to have some coordinated discussions with them about some of the consequences flowing from it, because to try to have 11 different discussions about the same issues with all different RDAs taking slightly different discussions about their wind-up periods does not strike us as a sensible way of proceeding at all. So very clearly, while none of us wants to be in this situation, where the department has got engaged in the process of wind-up and is participating in the discussions—and there are examples of that—it certainly helps the process. It is not something that departments can or should walk away from; they have a responsibility to be active participants in the process.

Q192 Chair: So when you say departments, who actually is responsible for the transition?

Charles Cochrane: I think it would depend on which department it was.

Q193 Chair: Take RDAs, for example. Is there somebody in the department who is responsible for the transition?

Charles Cochrane: Yes.

Q194 Chair: There is? So there is a mechanism?

Charles Cochrane: Yes. It is sometimes not as clear in some areas as others, but yes, there will always be someone at a policy level.

Q195 Chair: That would seem to be good practice, wouldn’t it?

Charles Cochrane: Yes.

Dai Hudd: Particularly where they are geographically dispersed.

Charles Cochrane: Yes.

Q196 Lindsay Roy: Are there areas where there is a complete vacuum at the moment?

Dai Hudd: I think we could probably provide you with a list.

Chair: Well, if you could alert us to any case where you feel the transition is not being properly managed, that would be very helpful.

Dai Hudd: Yes, okay.

Chair: Mr Roy, any more?

Q197 Lindsay Roy: Yes. One of the key findings in the report, “Read Before Burning”, states that “Good performance management is essential for effective arm’s length government, yet Whitehall’s capability in this area is particularly weak.” Do you agree with that assertion? Have you any evidence to support that claim?

Jonathan Baume: The performance management of the organisation?

Lindsay Roy: Performance management within Whitehall.

Jonathan Baume: Are we talking about the performance management of staff or the performance management by the sponsor department of the quango?

Lindsay Roy: Performance management of staff. If it is weak, what can be done to enhance it?

Charles Cochrane: I do not think necessarily it is weak. The Civil Service and NDPBs all have staff performance appraisal systems, as do all big organisations. We have all at times, as unions, been critical of the detail of some of those systems, but I think we all sign up to the fact that performance appraisal is something that should exist. I do sometimes think the time and effort that goes into it does not necessarily match the outputs that come out of it, but that is a separate topic.

Jonathan Baume: I do not think there is something that is systemic to the Civil Service that is not there
in most large organisations in the public or the private sector. I talk to people in the private sector and they will say, “Actually, we are not that good at performance management”. I think it is one of those issues that threads right the way through people management across the whole economy, and it is something that some people are good at and some people are not good at, and organisations are constantly testing, trialling and amending their systems to do it. But I think it is just one of those very, very difficult issues about managing people; how do you do it in a way that gives good performance appraisal, gives good feedback and gives people a chance to understand where they might be going wrong and improve performance? There is bookshelf after bookshelf full of tomes about how to do this, and I do not think the Civil Service is any worse or any better than others; it is just an issue that is constant for larger organisations.

Dai Hudd: I think also it would be wrong to put all arm’s length bodies into the same category as the Civil Service. Some of the reasons why they are arm’s length is because they are much closer to the user groups and therefore, if you like, a critical analysis of what they do is more readily identified. Many of them have very rigorous financial regimes, which the core Civil Service doesn’t have in the same way. Many have business planning processes, some of them independent boards, often appointed by the minister to oversee their work. So I would argue that for some NDBPs, there is a greater degree of scrutiny of performance and operational performance than you may see in the mainstream Civil Service, but it is very much a mixed bag.

Chair: I think we are moving off the subject of transition.

Q198 Lindsay Roy: Yes. But it is not a blanket approach, in essence?
Jonathan Baume: No.
Lindsay Roy: Thanks.

Q199 Chair: Moving on? Actually, before we leave the question of transition, do you think people tend to underestimate the legal complexity of moving around the deckchairs?
Jonathan Baume: Sometimes, without a doubt.
Dai Hudd: Absolutely. If I can use a specific one—I have used it about four times already—in the case of the Civil Service Appeal Board, there are potentially quite significant legal issues arising from that, because the right of appeal to the board may well be a contractual entitlement contained in civil service staff handbooks.

Q200 Chair: And there is the cost, even if people are not made redundant, of including people into different terms and conditions of employment and different career structures.
Jonathan Baume: Yes, that was very much the experience in Wales in particular.
Dai Hudd: Yes, it was.

Q201 Chair: So do you think the savings that this review promises are actually going to be delivered?

Charles Cochrane: I doubt it.
Geoff Lewtas: I think in a lot of cases the answer will be no. There could be additional costs in a range of cases.

Charles Cochrane: Unforeseen costs, yes.

Q202 Chair: Okay. Moving on, we are going back to the subject of accountability. Do you think there is a difference in the quality of accountability that a minister experiences for what goes on in his own department and for what happens in an arm’s length body? Is there a different degree of accountability? There seems to be a very strong argument; the Minister is saying that if you include something in a government department, by definition it’s more accountable. Do we accept that?
Jonathan Baume: I would personally accept that as a matter of principle, but that is about the whole structure of Parliamentary accountability, isn’t it? It is this wider issue. If an issue arises in a department, there are very clear lines through the Permanent Secretary as accounting officer, through the minister answering on the Floor of the House and through Select Committees. With the best will in the world, that is not going to be there in the same way with an arm’s length body, even though the chief executive or the chairman of an arm’s length body might be summoned before a Select Committee. But the mechanism works differently, and I think one of the problems of the arm’s length body structure has been the extent to which it is publicly accountable for performance, for delivery, et cetera. So I think there is a rational argument there, and if there are weaknesses in ministerial accountability, that is a whole other debate that I know this Committee has, in the past, at times turned its attention to.

Q203 Chair: But from the perspective of opposition, I personally have sometimes felt that the Government is fielding the chairman or chief executive of an NDBP to take some political flak for what is essentially a political choice of the Government’s.
Jonathan Baume: Which was the point I was making earlier, that there are times when actually, if the minister is the person in the end who is going to be held accountable and should be held accountable, then the function should be clearly integrated within the department, so that in a sense, the minister can take the responsibility one way or the other if things go wrong; it is the part of the department and it is the responsibility of the minister in the end to be accountable for that. You cannot offshore the blame to an arm’s length body, but at the same time, if the arm’s length body fails spectacularly, as occasionally happens, and the minister is in the end going to be held to account for that, why should that function not actually be directly accountable through the minister?
Dai Hudd: I think it depends as well on what the issue is. Can I give you two examples where so-called arm’s length bodies can be catapulted right to the centre of the political stage? The first is the Environment Agency in the flooding in Cumbria that happened just over 12 months ago. They were very much in the spotlight, in terms of the rapid response and what had happened previously to it. So there is an example of
an arm's length body really becoming central to the political process. The second one is Defra and animal health. In the foot and mouth outbreak, Debbie Reynolds, who was then Government Chief Vet, pretty much was the person put forward by the Government to respond to questions from the public. It was interesting in the polling there, because Debbie Reynolds gave a greater degree of confidence to the public than did the minister at the time. Those are two instances where arm’s length bodies can appear arm’s length, but in reality, when something happens out there, they rapidly become central.

Q204 Chair: But scientists generally are much more trusted than politicians, aren’t they?
Charles Cochrane: It would not be for us to comment on that.
Dai Hudd: You could have had a whole range of a debate on that. I would naturally agree with you, given the background of my union.

Q205 Chair: I don’t think one can draw any particular conclusions from that. But do you think Select Committees hold NDPBs accountable effectively?
Charles Cochrane: I don’t think it is done in a terribly structured way. My sense is—and I think you will be more of an expert on this than perhaps I am—that while there are ad hoc occasions when NDPBs are invited to come and give evidence on a specific thing, it doesn’t seem to be done in a systematic way as a process of holding them to account.

Q206 Chair: Well, when I was on the Defence Committee, we were under an injunction to do one or two agencies per year. Did we really want to do the Army Base Repair Organisation? Why should Select Committees be bogged down in scrutinising public bodies when they feel they have more important things to do?
Charles Cochrane: Of course—Dai will know this better than I—the Army Base Repair Organisation is actually part of the Civil Service and therefore is accountable through the minister.

Q207 Chair: So it is not an NDPB.
Charles Cochrane: It is not an NDPB. But if one were to take the Learning and Skills Council as an example—it is safe to take it, because it does not exist anymore—something that was dispersing £10 billion-worth of government money each year, it would seem to make some sense that it should be reporting and held to account on a fairly regular basis because of the scale of money. It is not an argument about whether they should be an NDPB or not; it is simply saying, “If you are spending that amount of money on education, then somebody ought to be holding you to account,” and Select Committees seem a good way of doing it.

Q208 Chair: Could be done better.
Charles Cochrane: Yes.
Chair: We need more staff. Mr Flynn.

Q209 Paul Flynn: What is your understanding of the reason behind the decision to reconstitute some of the advisory committees as internal departmental committees of experts, while others retain their status? We’re seeing a collapse in the Government’s confidence in this Bill and they seem to be using accountability to sugar the pill. But do you think the idea of reorganising them is going to produce a real improvement?
Geoff Lewtas: I think that the issue here probably relates to questions about impartiality, technical competence and the degree of independence about that technical advice or other sorts of specialist advice that ministers need. These are judgments which, going back to one of the things we were saying before, have not been brought out into the open and some sort of public consultation about how—we are talking about a whole range of different types of issues here—each of the different areas of advice or concern should be properly handled. I can see that there will be cases where it’s judged that it does need to be taken out of the department and handled in a more independent framework situation, as opposed to others where moving it into the department as an advisory group is something that could be more comfortable. But we need to have a debate.

Q210 Chair: It is about objectivity and impartiality, rather than technical expertise?
Geoff Lewtas: It is, looking at the painting behind you, horses for courses.
Paul Flynn: It’s beyond embarrassment, that painting. We will have it taken down, I think.
Dai Hudd: I think part of the problem is that, by definition, if you bring together experts in particular topics of scientific or technical expertise, they all tend to be independent characters, although most of their work will have been peer-group reviewed anyway, so there is an accountability route in that sense. If such expert groups were made accountable to the minister, you would take away their raison d’être, because in reality, they are accountable to their expertise and advice, and they should only be accountable to that; otherwise you dilute the evidence and the information given not just to the minister, I would argue, but frankly to the public at large, on which ministers then base their judgments, as they rightly can, but that has to be done on the basis of sound expertise.

Q211 Paul Flynn: But you gave a striking example, supported by the Chairman, who said that the public trust a scientist more than they trust politicians. They trust almost everyone more than they trust politicians, aren’t they? But you gave a striking example, supported by the Chairman, who said that the public trust a scientist more than they trust politicians. They trust almost everyone more than they trust politicians, but we are taking into the political arena a huge area of work for which the public have to have impartial, objective knowledge. That is going to be tainted because it won’t be coming from an independent person in a white coat; it will be coming from a politician whose reputation might well be tainted. Is that a step backwards?
Jonathan Baume: But surely the challenge is for politicians to Restore trust.
Paul Flynn: Indeed.
Jonathan Baume: Actually, what we seem to be going through—and this is a much wider issue—is a
process by which Parliament, through one step or the other, is handing away authority, whether to judges, scientists or whoever, and who holds them to account? In the end, if we live in a democratic society, politicians have to earn and have the trust of the public through the way that they work individually in the system of the House and elsewhere. But the fact that there are trust issues is not an excuse for saying, “Okay, we will give up and just hand it over to somebody else”. I think there is a time when you do put up the Chief Vet or the Chief Medical Officer because they are experts in a way that no politician could possibly claim to be, but in the end, the advice that they offer has to be taken forward through policy and government and that is what the politicians are there to do. So I think handing away the powers from Parliament and ministers is not the solution.

Q212 Paul Flynn: Would we be losing, do you think, the expertise of people who give their services usually on a voluntary basis because they want to contribute for the public good? Do you think there is any way this can be improved to make it a positive move, rather than there being the damage that looks likely to happen with the advisory bodies?

Dai Hudd: I think one of the things that would not just be very helpful but actually bring clarity to it is a proper definition, accepted by Parliament, as to what expert advisory committees do. I think that would be enormously helpful and beneficial to our whole democratic process. There is a role for independent scientific and technical advice, and I think that should be enshrined in some form of statutory protection.

Chair: That is a good challenge to the Committee and your advice on that will be particularly welcome. Briefly, before we close this session, Mr Halfon.

Q213 Robert Halfon: I just have three quick questions. Do you think that quangos should be allowed to employ lobbyists to lobby government?

Chair: Yes or no.

Jonathan Baume: Personally, no.

Dai Hudd: No.

Charles Cochrane: No.

Robert Halfon: No, okay.

Q214 Chair: Mr Lewtas, you were silent on that question. You agree?

Geoff Lewtas: I agree with my colleagues, yes.

Chair: Thank you.

Q215 Robert Halfon: You talked about the Regional Development Agencies, but would you not agree that some of the pay of senior quangocrats, if you don’t mind me using that word, has spiralled out of control? To take the East of England Development Agency, the Chief Executive earns more than the Prime Minister. Do you think that is justified?

Charles Cochrane: I think there is a link between what you just asked and the point that you were making earlier about the Cabinet Office Business Plan and the work that had been signed off. I have a recollection that there was a piece of work that was commissioned by government looking at the pay of very senior staff in some NDPBs. I think what we would say is that the pay of the people who are our members in NDPBs is by no means excessive and follows very much the same pattern as what people get in the Civil Service.

Jonathan Baume: We represent some of the people in these bodies. There is the work done by the Senior Salaries Review Body earlier in the year on executive pay and there is Will Hutton’s work going on at the moment, to which we have all given evidence, on pay in the round and differentials. I think there is a challenge to restore public confidence in how salary levels are set, and hopefully the Government and this Committee will be looking at the outcomes of that kind of deliberation to help ensure that we have fair structures that people understand. It doesn’t mean that somebody should not be paid more than the Prime Minister, who also, of course, receives an MP’s salary as well, but people should have confidence that there is transparency, et cetera. So I think there is an ongoing process there of perhaps restoring trust in some cases about how executive pay is set.

Chair: Final question.

Q216 Robert Halfon: My final question is: despite your differences with the Government on how they have done the cull of the quangos, do you accept that there needed to be some rationalisation of quangos and that some of them were not fit for purpose? Do you have any quangos in mind that you feel you do not need any more?

Charles Cochrane: No.

Jonathan Baume: I said earlier that I thought the exercise was a worthwhile one and was overdue, and I think the idea of the triennial review is a good one.

Q217 Robert Halfon: Sorry, can I just stop you? Are you saying there is not one quango that you think should have been culled?

Chair: NDPBs.

Robert Halfon: Or NDPBs, quangos and so on.

Charles Cochrane: I would be hard pressed to go through a list of executive NDPBs—I draw a distinction there with advisory NDPBs, of which there are far, far more, and I would not claim to know the full landscape there—and think of an example where the role of an executive NDPB is unnecessary. I think that is borne out by some of the present experience, where in many cases we are having to look to find someone else to do the work that has already been done by them.

Q218 Robert Halfon: Is that the view of the rest of you?

Chair: Very briefly, please.

Dai Hudd: There are several NDPBs, I think—and I include the Audit Commission in that one—that should be reformed. I agree with Charlie; I cannot think of one, other than one that advises you on how you buy your wines for the House of Commons, that could actually be abolished. But the argument about reform in some areas is quite powerful.
**Examination of Witnesses**

**Witnesses:** Sir Ian Magee CB, Senior Fellow, Institute for Government, Professor Matthew Flinders, Professor of Politics, University of Sheffield and Professor Colin Talbot, Professor of Public Policy and Management, Manchester Business School, gave evidence.

Q219 Chair: Welcome to our new witnesses. I wonder if you could give your names and roles for the record, please.

Professor Flinders: Matthew Flinders, Professor of Politics, University of Sheffield.

Sir Ian Magee: Ian Magee, Senior Fellow, Institute for Government.

Professor Talbot: Colin Talbot, Professor of Public Policy and Management at Manchester Business School.

Q220 Robert Halfon: The language around the cull of the quangos has been quite colourful—some might even say intemperate. Do you think we have lost sight of the fact that some of these bodies do perform very useful functions and that they are vital to a modern democracy?

Sir Ian Magee: Yes. I think that is right; the debate has been captured in particular terms. I should just make clear that in our report, "Read Before Burning", our institute is neither an apologist for quangos, nor do we advocate abolition of quangos. Sorry, I should really say "arm’s length bodies", taking my cue from the previous witnesses. What we do say is that this is a very confused landscape and that it needed sorting out, so to that extent we very much welcome the fact that the Government have begun to do that and have begun to look at some of the facts, some of the data and some of the numbers rather than necessarily just talking the language of bonfire, or whatever other emotive phrase you want to use. I think it's in the interest of everybody—not least the public, who don’t seem to get very much of a mention in this debate in my view, but also ministers and civil servants—that the picture is clearer. I thought, incidentally, that the coalition’s Chancellor probably gave the best articulation as to why they are sometimes necessary when he created the Office for Budgetary Responsibility. He spoke about the fact that he might, if I remember the quote properly, find that at some stage in the future it could become a rod for his back, but nevertheless he felt that it was absolutely right that this function should be at arm’s length from government.

Q221 Robert Halfon: But do you think that some of the lack of affection has come about because of stories about the pay of senior quangocrats, as I mentioned earlier, and because of the examples of waste and confusion about what they are for, and also because we have found is that the whole process of putting this together has been extremely unsatisfactory in terms of the consultation and the implications?

Chair: Right, we’ve got that. I am sorry to cut you off, but thank you very much indeed, gentlemen; you have been very helpful witnesses. We will take a very brief adjournment before we bring in our new guests.

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Jonathan Baume: I think the focus needs to be on function, not on the organisation.

Geoff Lewtas: I am quite sure, in looking at what is a very varied range of bodies here, that there are inevitably going to be questions raised about whether they need to be reformed, changed or merged, in some cases. There may be reasons for that. However, what I get 50-page glossy brochures from many of these individual bodies, expert committees and the like, then I think one needs to differentiate. The implication of the view that party placemen are just placed on these quangos?

Professor Flinders: There is a great deal of mythology around these bodies, and I must say the debate tends to create more heat than light. People who work in this Palace of Westminster often contribute more to that than others do. The fact of the matter is that if you look beyond the UK, which is something that the debate does not do at the moment, you will find arm’s length bodies used in every advanced liberal democracy in the world. The thing that we manage to do with them is use them in such an ad hoc, confused manner that we maybe don’t deliver the efficiencies, in terms of financial rewards, and harness the social capital that these bodies can bring on occasion. As for the thing about pay, it’s often just ridiculous that you will in effect demonise some people for a salary that is equivalent or much lower than they would get in the private sector or in other full-time posts. So I think the language itself is a big barrier to a sensible and mature debate, and I think that’s maybe part of the problem that we currently face with the reform agenda.

Q222 Robert Halfon: But do you not see that the public are worried about the waste in some of these quangos? For example, as a new MP, every single day I get 50-page glossy brochures from many of these quangos, and things like that annoy people and they do not understand why they are spending money in this way. What is your view about that?

Sir Ian Magee: Yes, there may be an element of "What did the Romans ever do for us?" around this as well, in that quangos are curious beasts. A straw poll of my friends will say the same when they hear that I am talking about this sort of thing: “They need to be culled. They are unaccountable. They are unelected.” et cetera. But if you speak about individual bodies, expert committees and the like, then you find—we have not been able to find the MORI poll evidence to substantiate what I am saying, but I can recall seeing it at some stage—that some of these individual bodies get very high ratings indeed. So I think one needs to differentiate. The implication of your question, I think, was: should we couch this debate in different terms? I would say very much yes.

Professor Talbot: There are two things I would say. First of all on this issue of pay, it has become politically significant recently, but it is not a new issue. The previous Conservative Government paid...
the Director General of the Prison Service, the Director of the Defence Evaluation and Research Agency and the Director of National Savings considerably larger amounts of money than normal civil service pay to take on those roles in the early 1990s. So it’s not as if it is a new phenomenon; this thing has been going on for quite a while. But the second point I would make is to make an even stronger defence of arm’s length bodies. I would say not only do they appear in all advanced Western liberal democracies, but I think they are an essential part of advanced Western liberal democracies. If you take the most common arm’s length body that exists not just in advanced countries but in most developing countries as well, it’s tax collection agencies, and there are very good reasons why they are kept at arm’s length from politicians. First of all, they don’t want the politicians putting their hands in the till, and secondly they want to ensure that people’s tax bills are not influenced by their political affiliations. That is why, if you look round the world, most tax collection agencies are on a statutory basis at arm’s length from executive government, quite rightly.

Q223 Robert Halfon: We haven’t touched on the waste argument and the amount of literature and management-speak that these quangos produce, which does, as I say, irritate people. Also, often the quangos are used as a means of satisfying party activists. So each government will place party activists to run these quangos as a reward of some sort. What you said in your paper, which I thought was interesting, about democratic participation and the fact that quangos could be good forums for this, in the past it does not seem to me that they have been, and I would be interested to tease out further how quangos could be democratised.

Professor Flinders: Sure. I don’t want to be too conflictual, but I think actually you are a bit mistaken in your approach to understanding the role of patronage and ministerial powers to appoint. Actually, in the last 10 years, what you have had is a great restriction on the discretion that ministers enjoy in making appointments to public bodies. I am sure you have met Janet Gaymer a few times, and the regularity of the way in which the Department of Health and her predecessors have put in place are quite forthright. There is nothing wrong with a minister appointing somebody who shares their policy preferences; you would not expect ministers to appoint their enemies. What we have is a system, increasingly with a role for Select Committees, that makes sure that those appointees are above the bar. It would be irrational for a Minister to appoint somebody who could not do the job, and the chances of it lasting more than a week with the sensationalist media that we have is pretty ropey as a strategy. This is the big thing about pay: I don’t know if you know this, but most people who serve on the boards of NDPBs do not get paid. Did you know that?

Robert Halfon: Yes, I did.

Professor Flinders: Right, well this whole, big debate about how much people get paid is really misguided, because there is a lack of understanding about the fact that most of the people who serve on the boards of public bodies do so for no money at all; it is their contribution to public life, because they will not get involved in—big “P”—Partisan Politics, because of the immature debates and sniping that goes on.

Q224 Chair: So why are—sorry to use the word again—quangos so unpopular? Why are they such an easy target?

Professor Flinders: I think they are an easy target because the way we use them in this country puts them in a shady, unclear, un-transparent position. If you were to locate the use of arm’s length bodies within a clear governance structure, most people, when you talked to them, would realise that actually they present opportunities for a wider range of people to play a role in politics. The debate about the big society is not, “What functions can we get rid of and give to the public sector or the third sector?” That might be one element of the debate, but the bigger debate is, “How can we increase the diversity of those people who can play a role on the boards of public bodies?” If you look at the history of Northern Ireland, there was a great shift away from local and central government departments to arm’s length bodies as a way of ensuring that sectarian tensions were put to one side and that various different people who would not get involved in politics did so on the boards of public bodies.

Q225 Robert Halfon: Would you accept that one way may be to have elections to some public bodies, as they do in America?

Professor Flinders: No.

Q226 Robert Halfon: Why?

Professor Flinders: Because there is a current fetish for elections. Where is the evidence that the public want a greater role in elections?

Q227 Robert Halfon: Where is the evidence that they do not? I believe in democracy and democratic accountability—

Chair: Let him answer.

Professor Flinders: I will tell you what evidence there is. There are a lot of data and survey evidence, actually, that you can say that they do. I will actually say the public are not interested in elections. What they want is the delivery of high-quality public services at a low cost. Now, in some areas that might be done by the private sector or the third sector, but often it will be done by the state. Now, the important thing here is not how much people get paid, it’s not about the media and it’s certainly not about cronies; it’s about the governance system. That is the bigger question that the Institute for Government’s report put at the centre of the table and that has been missed. That is the core that nobody is dealing with.

Sir Ian Magee: In answer to really both of your questions about popularity, unpopularity and why, one of things that we did when we did the research was establish that at the moment there are at least 11 different sorts of arm’s length bodies. That of itself, we argue, leads to a lack of clarity and confusion in everyone’s minds. It is hardly surprising that Members of Parliament and sometimes people in departments
themselves, as we found from one or two of the seminars we ran, are not as clear as perhaps they could be about what the nature of these bodies is. We recommend in the report that you reduce that very simply to four different types by way of bringing clarity to this. We don’t think, as I saw the minister was quoted as saying to you last week, that this is just administrative tidiness; we think this would really help an understanding of the situation. Okay, these arm’s length bodies may have proliferated in the past, but if you accept the premise that in many cases it is still necessary for some of these functions to be carried out at arm’s length—and I observe that even after the cull there are more of them that exist than don’t exist by some considerable factor here—

we should go for a much more simple taxonomy, as we have called it; you judge the need for an arm’s length body as to how independent it needs to be. So constitutional bodies like, for example, the National Audit Office, where the accountability is direct to Parliament, ought to be thoroughly independent—

more independent, for example, than the independent public interest bodies, as we have called them; they would include the regulators, and the Office for Budget Responsibility, too. It was interesting that the Treasury Select Committee suggested that was categorised as a non-ministerial department, largely because this landscape is so confused that we have to shove it into some category, because the independent public interest body category doesn’t exist at the moment. Then you would have the great majority of them that report through departments to ministers.

Q228 Robert Halfon: A final thing: I find it astonishing, Professor Flinders, that you talk about a degree of democratic potential, but you do not think there should be any kind of democratic elections to quangos. It may be that you are saying that the public do not like elections, you might as well do not want it, but they have never been offered the opportunity. On the logic of your argument, if you say the public do not like elections, you might as well banish elections per se and not have any elections for any kind of governing body or government at all.

Professor Flinders: That is ridiculous. The key issue is proportionality. It’s a balance between electoral and unelected power within public life. That’s the way public life has always worked; it’s the way it works around the world. If you go and visit other countries, you will see that there is a balance made up there. I serve on the board of a large public body—an independent acute mental health trust—with 43 other governors who are drawn from all members of the background of South Yorkshire. None of them would be interested in getting involved in party politics; they are willing to play a distinct role by being appointed on a single board, and together we play a massive, massive role in changing the shape of South Yorkshire society. Now on that issue, we have to by law hold a lot of public functions and provide opportunities to account. I spend many, many mornings in those meetings where not one member of the public comes to utilise those accountability mechanisms. So all I am saying is that this is a matter of balance and proportionality. We have elections; we have more elections now than most other countries. We have lots of elected politicians at various levels. There is a balance, and different opportunities provide a richness. The question we need to grapple with is: how do we construct a clear and transparent governance framework that allows people from a more diverse range of backgrounds to play a role in public life? That is how you will rebuild trust in politics.

Robert Halfon: I just think it seems—

Chair: No, we are stopping there. We are moving on. David Heyes.

Q229 Mr Heyes: Yes, Sir Ian, you mentioned the importance of independence as being one of the criteria to use in making these decisions about the future of these arm’s length bodies, and the Government have said that that was one of the criteria they used; they also used the need for political impartiality, the question about whether it performed a technical function and really the question of whether it should exist at all. Those, in broad terms, were the criteria that were used. Now, you have your list; you know what has been proposed. Have you found any indication that these tests have been applied in a consistent way? It’s not just a question for you, but for all the panel.

Sir Ian Magee: There are two points to make there. The first is that we think the tests are okay as far as they go, but we don’t think that they go far enough. For example, we would incorporate value for money into these tests as well and have rather more data than is the case right now. In answer to your direct question about consistency, no; we don’t think that they have necessarily been applied consistently at first blush. It’s not immediately clear, for example, why arts and sport funding needs to be independent, but film funding doesn’t need to be independent, just to take a fairly obvious example. One of the things that we argue for is that there needs to be some resource and if you want to slim down—

Q230 Chair: May I just interrupt you there, Sir Ian? In fact, they both have the same minister, so the Secretary of State has not even himself applied the same consistency within his own department. Is that what you are saying?

Sir Ian Magee: I think that there is a certain amount of inconsistency about the way in which these decisions have been taken, yes. If you are applying the tests rigorously across the piece, no doubt you could find other consistencies or inconsistencies. One of the things that we argue for is that there is a role for the Cabinet Office; it does not have to be a whole team of people, but some role to promote best practice. That probably becomes even more important when you are going through transition and closing these bodies down, because, candidly, Whitehall’s collective memory, as I can remember from way back in my own time in Whitehall, is probably not as good as it ought to be here.

Q231 Chair: Sorry, can I just clarify one thing? Are we expecting DCMS now to be doing film funding from within the department? Is that the plan?
Sir Ian Magee: I honestly do not know whether that is the case or not.
Chair: I suspect they think it is something the Arts Council should do, rather than them.
Sir Ian Magee: Absolutely, put it wherever you want. All I am saying is, responding to the point about consistency of tests, that it did appear to us not to be absolutely consistent.

Q232 Chair: But if they are transferring the film funding to another arm’s length body, that would not be inconsistent, would it?
Sir Ian Magee: That arguably would not be inconsistent, if that is what they do.
Chair: Sorry, just to make the point. Mr Heyes.

Q233 Mr Heyes: Well, we could have problems if we argue every individual case here. What I’m really trying to get from you is, is this inconsistency widespread? Are there many other examples of it?
Colin?
Professor Talbot: Well I haven’t looked in detail across all of them, but I suspect yes, partly because the process has been conducted at such an extraordinary pace. To have reviewed allegedly 900 bodies in however many weeks it is, I can’t for a moment imagine that is being done very carefully in a lot of cases.

Q234 Mr Heyes: So it is not credible?
Professor Talbot: I don’t think it’s terribly credible. There are pretty clearly some instances of smoke and mirrors going on. A very small example, from something I did with the BBC a couple of weeks ago, is the historic ships non-departmental public body, which is being deregistered. At the time we spoke to the Chief Executive, he did not know what they meant. He thinks it meant that they were no longer going to be an NDPB, but probably converted into a charity. They would continue to be funded by DCMS to exactly the same level they are getting at the moment, more or less; I think they are having about a 15% reduction. They would be doing exactly the same thing, but they would no longer be on the books, so that would be one quango to tick off the list. So there has been a certain amount of smoke and mirrors going on around this.

But can I make a wider point on something Sir Ian Magee just said? One of the things that I find worrying about all of this is the lack of institutional memory in Whitehall. We had a big experiment with how to manage arm’s length bodies back in the 1990s under the last Conservative Government, when executive agencies were created within the Civil Service and executive NDPBs were put on to a similar footing as executive agencies with a whole paraphernalia of objectives set by ministers, performance targets set, publication of performance reports, giving them greater operational freedoms and so on; a whole range and, by the way, periodic reviews of these. That system seemed to fall into disuse in the early part of the Labour Government, but nobody has gone back and said, “Well what worked and what didn’t about that, and what should we use in the future?” Whatever the outcome of this review, it is pretty clear we are still going to have a lot of these arm’s length bodies, and it’s quite worrying that nobody seems to be thinking through seriously how we manage them better.

Professor Flinders: Can I come back to the issue of consistency? The answer is no. There are many examples where you can’t find any explanation for why one body is going and another one is being kept. Why get rid of the Security Industry Authority and keep the Gangmasters Licensing Authority? Why keep seven Research Councils? Why get rid of the HFEA and keep NICE? This is too much too quick; that is the key issue here. The process for assessing the future births, deaths and marriages of public bodies has simply not been transparent; nobody understands. The three tests are okay at a very high level of generality, but in terms of applying them, nobody can really understand how exactly they have been mapped on to the current topography of departments; the landscape. The bigger picture really of this announcement is that this is about cosmetic pruning. The real story here is how many bodies will continue to exist.

Q235 Chair: Is it significant that the three tests are not being included in the Bill?
Professor Flinders: I think it is very significant. The House of Lords Constitution Committee, which has just published its report on that, is scathing. The draft Bill basically gives ministers major powers to reform at will, without any detailed explanation of why that would be necessary. However, as Colin quite correctly said, the big question, looking to the future, is how we prevent the future proliferation of these bodies. One of the big vacuums at the centre is how to support departments in managing, supporting and steering these bodies.

Q236 Mr Heyes: There is some hope for the future though, isn’t there, in the Public Bodies (Reform) Bill? It says that—
Chair: Sorry, could we just hear from Professor Talbot?
Mr Heyes: Oh yes, sorry.
Professor Talbot: Just because you picked up the point about the Bill. One of the things I think this Committee ought to look at is its previous report on the Government’s ability to reorganise departments, because we have seen the same sort of phenomena take place with departments. There are clear trends in departmental reorganisations to go from small departments focused on individual areas to large super-departments, to going back to small departments again, all on the whim of the Prime Minister. This Committee quite rightly in the previous Parliament criticised that and called for greater institutional checks and balances on that, and instead what we are seeing is actually those powers extended to non-departmental public bodies as well as ministries.

Q237 Mr Heyes: I would make an observation on that rather than a question. The Prime Minister said just the other day that he was envisaging a new role for the Civil Service; that it would no longer be there...
to deliver public services, but to ensure that they are delivered. There is an irony, I think, that much of what has happened as a result of this review has resulted in delivery being moved back into the Civil Service.

Professor Flinders: Some.

Mr Heyes: There appears to be a contradiction. I just wanted to mention—

Chair: Mr Heyes, can I just ask Mr Flynn to come in for a moment?

Q238 Paul Flynn: Mr Talbot brought back a happy memory. Now I’m in the time of life of a politician when I’m in my anecdote so I powerfully remember the next step agencies that were set up by a Conservative Government because the departments were overloaded and couldn’t do their work properly. At that time, the questions from Honourable Members would go in, were answered, but did not appear in Hansard. They actually produced the answers and ran something called Open Lines as a private enterprise, which the Government then nationalised and took over. But it is extraordinary, as you rightly and fairly say, that what was fashionable then is being reversed now. This seems to be something that is being done almost entirely because of the Daily Mail agenda; the mindless prejudice against these bodies, without any deep consideration of the effect it is going to have. Could you give us examples? Will accountability be improved or will there be less accountability under the new arrangements?

Professor Talbot: It’s quite interesting to go back and look at the justifications that were given at the time for the creation of executive agencies—at their height, 140 new arm’s length bodies were created. The justifications given at the time were that they would improve accountability by creating executive agencies and that they would improve the efficiency and effectiveness of those bodies. Now exactly the same justifications are being given for taking bodies back into departments and amalgamating them into the hierarchical structure of departments. The reason that at the time people argued that it would improve ministerial accountability—and this came up in your previous session—was because if you take a large department like the Home Office, for example, a small part of that was something like the Fire Service College or the Passport Agency as it now is, is in practice, within the normal hierarchical structure, very difficult for ministers to hold to account because they have to go down through the whole chain of command, through about four or five layers of civil servants, before they get to it. The creation of executive agencies created this parallel structure outside of that, where agency Chief Executives were allegedly directly accountable to ministers for what they were doing in running the agencies. So that’s where it was argued it improved accountability. Exactly the same argument is now being deployed about improving accountability to take away exactly those sorts of arrangements around NDPBs and some agencies and merge them back into departments. I find it quite odd.

Sir Ian Magee: I will go into my now somewhat distant past in talking about accountability. I have been in my time Chief Executive of three very different executive agencies. The first thing, just to correct any impression here, is that they are parts of departments, and they are set up as being parts of departments. I felt very accountable, for what it might be worth, in that my reporting line was to the minister and thence to Parliament as Chief Executive. It meant that you as MPs knew who the Chief Executive was; it meant that I could answer. Some MPs chose to go nevertheless directly to the minister for answers on questions to do with the agency that I was responsible for; others chose to come to me. I did not see anything fundamentally wrong with that. But just to be clear, that’s not part of what the Government has sought to do here; it has specifically excluded executive agencies, although as it happens, in our work we considered executive agencies as part of the general framework of arm’s length bodies.

Q239 Paul Flynn: The answers that came back from parliamentary questions to the heads of next step agencies were far better than the answers that one would expect from the department. This was certainly true; they were fuller and they were not as defensive as departmental answers. Can you see going back from this situation as being a retrograde step and there really is not any desire here to increase accountability; it is purely an excuse for putting through what is seen to be a politically advantageous policy for the Government?

Sir Ian Magee: Well, Professor Flinders may want to comment on this rather than me. I would only say that I think it is entirely proper that the Government of the day—and we have said this in our commentary on the report—makes whatever decision it wants to about this and if it decides that it wants ministers to be accountable, that is fine. Let us just be clear what we mean by accountability. As with so much else in this landscape, I think a bit of clarity as to what we mean by accountability and a bit of clarity as to what we mean by the bodies will help to illuminate and will therefore help the understanding of those who have to deal with these bodies.

Professor Flinders: It’s very interesting to look at the debate about the public bodies reform. I think it’s quite clear that pre-election and just after the election the reform was couched in the language of efficiency savings; it was to save money. Only in recent weeks did the focus drastically shift towards increasing accountability. I have spoken to ministers who tell me that that clearly happened because when you sit down and look at all these executive bodies, you suddenly realise that in opposition it is much easier to throw bombs, but when you are in charge, you realise that a lot of these bodies do a lot of good work and you don’t want them back in your departments. Will it increase accountability? No. Why? Because if you look at comparative evidence-based research, that doesn’t happen. In Wales, where part of the devolution debate was to get rid of all these terrible quangos, the Welsh Assembly Government has taken them back in and now there is a backlash because all the different civil society groups that had built very positive working relations with those bodies now say those relationships and accountability channels have been closed down.
Q240 Chair: But isn’t one of the hostilities that people have to NDPBs that they are part of the client state; you set up a body and it creates its own clientele and its own little world and that annoys people?
Professor Flinders: Yes, that can be a problem. However, I was watching the appearance of the minister in front of the Committee and it seemed that there was a very simple line: “Bringing functions to departments—accountable. Beyond departments—unaccountable.” That is like going back hundreds of years. There are different forms of accountability and by bringing it back in, what you are actually likely to do is re-politicise those issues and make the officials more risk averse.

Professor Talbot: Just a very small point, picking up on what Sir Ian said. I would agree that clearly it’s up to the Government of the day whether it wants to change institutional and organisational arrangements, but I would agree with your predecessors in the last Parliament that that ought to be subject to the active engagement and approval of Parliament over both the structures of ministries and structures of other public bodies. I think that is where both the Bill and this process with non-departmental public bodies that they have just been through falls down very badly. It is surprising that a government that said it wanted to be far more transparent about these processes has gone through what has been a very un-transparent process in relation to NDPBs.

Q241 Chair: That is a very strong criticism to make.
Professor Talbot: Well, that’s what has happened. What has happened is we have had a review of 900 bodies in the space of a few weeks—a couple of months at most—with no public consultation at all around it, no clear indication of why judgments have been made about these particular bodies, and as I said, it is only one small example, but at least in the case of the public body to which I spoke, the Chief Executive did not even know what the decision was exactly, other than that they weren’t going to be a NDPB any more, which is some indication of how little real conversation has gone on in the decision-making process.

Sir Ian Magee: I take a slightly different view, in that I think that the review was overdue. It is not surprising that governments of all political colours want to do something like this when they first come into office, for all the reasons that we began to explore in the first instance. But we don’t think that the review has gone far enough and there is potentially an opportunity missed here. We have set all of that out in our report and we would prefer to concentrate on that aspect of things. We do think that the Government is entitled to have a review of the way in which it wants accountabilities to work in the future—of course it is—and if it wants to do the sort of things that it is doing, fine. But we have talked about some of the inconsistencies, we have talked about the fact that there is still this non-framework of 11 different types of bodies as far as we can see, and we think that those are questions that need to be addressed. We think there should be more parliamentary accountability and involvement of Select Committees, as we have set out.

Q242 Paul Flynn: But doesn’t Karamjit Singh, the Social Fund Commissioner, make a powerful point when he says that abolish public bodies “risks weakening lines of accountability and visibility for related functions as they compete for attention within a wide range of departmental concerns and priorities”? What a specialist Chief Executive covering a small area, clearly accountable, can give would be lost in the great work of a department.

Professor Talbot: That is precisely the argument that was given in the Next Steps report in 1988 about why it was that central ministries were so bad at organising the services that they did deliver themselves, because the priorities for the operational management of those services—in some cases very big services, like Jobcentre Plus and the Prison Service and HMRC as it is now and so on—tended to be downplayed. As one Permanent Secretary said to Pam Alexander when she was doing the Alexander Review, although it was not actually published in the report, “Those that can do policy. Those that can’t run agencies.” That is very much the attitude of a lot of senior civil servants, unfortunately.

Q243 Paul Flynn: A political party marches the troops up to the top of a hill, they are up there for 20 years, they forget why they are up there, and then it marches them down again. This is what the Government is doing at the moment. It probably had the right idea in the 1980s and early 1990s.

Chair: Are you giving evidence, Mr Flynn?
Paul Flynn: Yes, sorry. I will give evidence to the 12 ministers, yes.

Q244 Chair: You can help write the report. Before we get to Mr Roy, can I just clarify this? What you basically seem to be telling us is that whatever the malaise is, this review of the NDPBs is probably not going to address it, and the feeling of public dissatisfaction and frustration that is directed at NDPBs. What is the malaise and how should the Government be addressing it?

Professor Flinders: I think the bigger question here is that this was an open goal for a new government; it was a win-win situation where the state was clearly in need of some structural change. There were some quangos that needed to go. However, moving to that very quickly led to almost a demonisation that quangos are bad, departments are good. I was shouting at the TV screen watching Sir Francis Maude, “What about the Rural Payments Agency?” If anyone wants to see lack of accountability it is there, as many of your colleagues on other Committees have covered at great length. The question is: where is the bigger picture that allows us to understand what these bodies do, why and how? That will increase public understanding and give MPs much more clarity. Most ministers that I work with don’t even know what public bodies they are responsible for. The last major review of all public bodies was in 1979. Can you remember who that was by? A famous guy, Sir Leo Pliatsky—a real character. That was the last fundamental review. In 2004, this Committee said that that needed to be redone. The Cabinet Office started to do it, but it found so many bodies lurking that it
was shelved. There are lots more bodies than the 900 bodies that the Government says it has already looked at out there; they have just not been defined as NDPBs or executive agencies. They have been created off the radar.

**Sir Ian Magee:** The malaise is that lack of clarity about government and the way that government performs its functions can’t help anybody, least of all those who look to the government for public services. So forays into that and bringing some more clarity into this situation—again, if you accept the premise that some functions need to be discharged at arm’s length from government—is a pretty good starting point for all this.

**Professor Talbot:** I would just add that there ought to be a positive framework for saying why we want some functions of government to be handled by independent or arm’s length bodies—

Q245 Chair: But that is in the tests, isn’t it, however unsatisfactory the tests are?

**Professor Talbot:** It is in the tests to some extent, but I think it needs to be spelled out more clearly by government why it is a good thing.

Q246 Lindsay Roy: Sir Ian, you said specifically that opportunities have been missed. Can you give some detail? We have mentioned already words like cosmetic and rushed. What opportunities have been missed in this review?

**Sir Ian Magee:** Well they were not my words but—

**Lindsay Roy:** No, I understand that.

**Sir Ian Magee:** I think again, it goes back to this question of clarity of understanding; of the ability to say, “Well, instead of this very confused and confusing network of different sorts of arm’s length bodies at the moment”—non-ministerial departments where a Chief Executive, as I said before, said to us at a seminar, “What differentiates me in that respect is that I do not have a department and I do have a minister”, which cannot help with clarity at all—instead of this confusing landscape, let’s simplify the landscape. Let’s try to get something that everybody understands”, not least the opinion formers, yourselves, the journalists and others, so that instead of bandying about words about this beast called a quango that needs to be slaughtered, we can talk about how services are delivered, how they may be more effectively delivered, and how ministers can be held to account for the delivery of those services. That I think in summary is the opportunity that is missed here.

**Professor Talbot:** I would add that a fundamental review of arm’s length bodies, including executive agencies, which looked not only at whether they need to exist but whether they need to exist in the format in which they are, could have asked some serious questions. Take for example the English and Welsh Prison Service. I know there has been a long term debate; I was involved in the review of the Prison Service on behalf of the Government in 1996–97. There has been a long-term debate about whether or not we need a single national Prison Service for Wales and England. We have two perfectly functioning prison services in Scotland and Northern Ireland that work quite well and are much smaller. There’s a strong argument for localising prison services; there’s no real debate though about whether or not that should be a national body, whether it should be an executive agency or an NDPB, for example, or one of the new statuses suggested by the Institute. Similar arguments would apply to things like Jobcentre Plus. It is absolutely unclear to me why Jobcentre Plus needs to be a single national agency. I am not advocating breaking those up, but if there had been a fundamental review that had looked at these things more seriously right across the board, with some clearer principles that had been thought through, and if we had looked at the history a bit more of what had worked and what had not worked when we had tried these various forms of arm’s length management over the years, you might have been able to do something more serious with it. Instead what has happened is we had a fairly narrow review, essentially only looking at NDPBs, rushed through very, very quickly. Okay, it has got rid of a few, but it really hasn’t taken the opportunity to seriously rethink the landscape. It does need rethinking. I would agree completely with Matthew that we have probably one of the most chaotic landscapes; not the only one that is as confused as this, but probably one of the most chaotic landscapes and it needs some rationalisation.

Q247 Lindsay Roy: And it hasn’t occurred?

**Professor Talbot:** It hasn’t occurred at all, no.

Q248 Lindsay Roy: Only nine of the 901 have moved outwith the public sector. Why do you think that is the case?

**Professor Talbot:** Because in most cases these are jobs that government at the end of the day has determined actually needs to be done by somebody in the public sector, because they were mostly set up for very good reasons. Again, actually, it is probably the case that if you had done a more fundamental review, you could have moved some more things out of the public sector. I couldn’t say what off the top of my head and I wouldn’t want to, because I think you need to take these things seriously and actually look at the evidence.

Q249 Lindsay Roy: It sounds like a recipe for bigger government.

**Professor Talbot:** I don’t think it is a recipe for bigger government. It’s a missed opportunity for reconfiguring how government is done and possibly in some cases moving things out of government.

**Sir Ian Magee:** I guess the argument would be that that is a decision for individual ministers to take in their departments as to whether they go down a privatisation, outsourcing or whatever route. So in a sense, it may be too early to say that this is only going to happen to nine. That is my impression, at any rate.

Q250 Lindsay Roy: What are the main inhibitors to moving outwith the public sector?

**Sir Ian Magee:** Well it is not an area that I or the Institute have given a great deal of thought to. Having outsourced some services myself, just to declare something, when I ran the Information Technology...
Services Agency, from the then Department of Social Security in 1994–1995, I think there are sometimes some very strong reasons to do with expertise and economies of scale for putting services out to the private sector, but I would hesitate to say that that was necessarily an argument that you would apply in detail to these bodies.

Q251 Chair: Would it not be more honest to say that there are just some things that the Government shouldn’t do and if they don’t happen at all, that is the price of shrinking government? If you want smaller government, that is the price of smaller government.

Professor Talbot: Well there are two types of putting out to the private sector. One is where you are outsourcing something that the Government still wants to do and still funds, but wants to be done by private sector bodies. There certainly can be cases where that makes sense and that needs serious review. The other is where the Government says, “Well it does not matter whether this continues to happen or not and we will privatise or abolish whatever is there”. But again, I don’t get the sense that there has actually been a very serious review of these things in this process.

Q252 Chair: So what hopes do you have for the triennial reviews?

Professor Talbot: The time that we had this before was when we had the Next Step agencies and, if I could say, the agencification of executive non-departmental public bodies in the 1990s, and most of the triennial or quinquennial reviews that took place then led to no change at all to those bodies. In most cases, they were fairly routine processes.

Q253 Chair: So you don’t hold much store by the triennial reviews?

Professor Talbot: Well first of all, they were conducted entirely within the ministries and there was no external input into those processes. I think if there was some external input, some peer review element to it and some parliamentary input, not for all of them—

Q254 Chair: How could a Select Committee do a triennial review of 901 public bodies? Is it a nice idea, isn’t it?

Professor Talbot: I was trying to say, Chair, that I take your point from the previous session that you wouldn’t want to do that for things like the Defence Animals Centre, which trains guard dogs for the Forces or whatever. But for the bigger agencies and NDPBs, you may well want to get involved in them and I would be surprised if you didn’t. If there was going to be a review of Jobcentre Plus, for example, I would expect the Work and Pensions Committee to be very interested in whether or not that remained as an agency or became an NDPB or was outsourced to the private sector.

Q255 Chair: But the previous Government, Sir Ian, used to have regular reviews, but they found they cost a lot of money.

Sir Ian Magee: Yes. There are reviews and reviews. We recommended that there should be reviews, particularly of the big spending agencies, which goes to a point that you raised with the union representatives at the last session. Both the departmental Select Committee and your own Committee, Chairman, have a locus when a new non-departmental public body is created if, as we are recommending, it sets out a clear business plan. Then you have something against which to measure it. It does not have to be at the detailed level. The quinquennial reviews were incredibly detailed in some cases; I underwent four of them and I think I’m choosing my words advisedly, really, because they were not just a drain on resources in terms of time, but also a drain on money resources. So there is that. The second thing is that these reviews will be most effective if they look at departments as well. One of the reasons that we are in the state that we are in is that, as I think we brought out in our own evidence, departments have sometimes been pretty ineffective in holding their arm’s length bodies to account. The evidence that we collected suggested that their interventions ranged on the one end of the spectrum from micromanagement with a number of different Directors General getting involved so that the agency was almost inhibited from doing its job properly, right the way through to almost benign neglect on the other, where the agency or non-departmental public body has taken on its own life, as it were, and where Secretaries of State get frustrated because a policy unit has built up within the non-departmental public body that appears to be mirroring and duplicating the functions within the department. If reviews go to address those sorts of points and if they are properly wide ranging and if they are focused so that your time is not wasted but is actually specific, then they will mean something.

Q256 Chair: But doesn’t a quinquennial or triennial review leave all these bodies under the cosh? Is that good for their morale and their effectiveness?

Professor Flinders: Well I think what is very bad for the morale of these public bodies is the process they have just been through, to be quite honest, because most bodies and the employees, which are the greater part of the public sector, have been left incredibly anxious and frustrated about where exactly they stand. So I think in terms of public morale, not doing this process again would be a good starting point. I do not think there is anything wrong with a creative tension; most public and private bodies I have been involved with will have some regular form of external friend questioning about their roles, fitness for purpose, etc. I do not think anybody would have any problems with that. I think the problem with the quinquennial reviews was that they were internal reviews and a lot of departments lack the support to know how to run them effectively. I think this goes back to this issue about the centre. The Civil Service College is changing; a lot of people have been critical about what it provided; support for training and sponsorship. The Institute for Government has filled an incredibly important vacuum at the heart of government. It’s really about how can we build the skills and knowledge base that allow us to manage this arm’s length model better?
Q257 Chair: Is it a good idea to have a three-year review of the whole lot or would it be better, as the Institute for Government suggest, to have sunset clauses for each one so that there is a rolling review of different organisations at different times and it’s just a constant part of management of arm’s length public bodies?
Professor Talbot: I would completely agree with that, but I would also pick up on this point about the management; it is interesting we use the language of parent departments. If I can paraphrase what Sir Ian has said, I have researched this problem about the relationship between parent departments and arm’s length bodies in a number of different countries and the common problem comes up about either the parent department taking this liberal parent approach of, “Well we don’t have to manage that anymore because it has been set up as an agency” or whatever it has been called in different countries, or they continue to micromanage as if it was still part of the department. They find it very difficult to develop a more adult relationship, if I may say, between the agency delivering the services and the sponsoring department. That is a major problem. One of the problems there—and the literature on strategic management in diversified private sector organisations makes this very clear—is that if you have too many different sorts of relationships between your various satellite organisations and the corporate centre, it makes it incredibly difficult for the corporate centre to know what sort of managerial relationship it has with these different bodies, which is why, if you look at successful diversified corporations, most of them have a simple subset of relationships with their constituent companies so that they know exactly what sort of relationship they have with what sort of body. I think the work the Institute has done on highlighting the complexities for most government departments, having a range—the Institute said 11; I suspect it is an awful lot more than that—of different types of relationship, nobody knowing what the relationships are and who is responsible for what, makes it almost impossible for departments to actually operate this system properly.

Q258 Chair: Right, we must draw to a close, but can I just ask very briefly, should this business of reviews be in some way expressed in the Bill?
Professor Flinders: I think some acknowledgment that a regular review of some kind would be a matter of common good governance in most other countries would be very helpful. I think the Bill actually has a lot of work to be done before it is at a stage that it should be passed.
Sir Ian Magee: Yes.
Professor Talbot: Yes.

Q259 Chair: Yes, okay. And finally, just looking at the whole question of managing the transition, which we have quite substantially discussed already, in fact, and I don’t know whether we need to revisit this at all—I think we are actually done. You have been very, very helpful. Thank you very much indeed and if you have any further thoughts you want to add on paper, please do send them in. Thank you very much indeed.
Sir Ian Magee: Thank you.
Professor Flinders: Thank you.
Professor Talbot: Thank you.
Tuesday 23 November 2010

Members present:
Bernard Jenkin (Chair)

Charlie Elphicke
Robert Halfon
David Heyes

Greg Mulholland
Lindsay Roy
Mr Charles Walker

Examination of Witnesses

Witnesses: Matthew Sinclair, Director, TaxPayers’ Alliance, John O’Connell, Research Director, TaxPayers’ Alliance, and Tom Burkard, Centre for Policy Studies, gave evidence.

Q260 Chair: We are now talking about public bodies. May I ask our three witnesses to identify themselves for the record?
Tom Burkard: Tom Burkard, from the Centre for Policy Studies.
Matthew Sinclair: I am Matthew Sinclair, Director of the TaxPayers’ Alliance.
John O’Connell: I am John O’Connell, Research Director at the TaxPayers’ Alliance.

Q261 Chair: Could I ask everyone to speak particularly clearly as one of our witnesses has left his hearing aid in the hotel so we need to make sure that we are heard? Could I ask Mr Burkard to give a little background about what his book is about—“Inside the Secret Garden: The Progressive Decay of Liberal Education”?
Tom Burkard: “Inside the Secret Garden” is an analysis of the failings of British education in the sense in which it has been controlled by a professional elite with no pretence of any kind of democratic mandate for further philosophy and ideology.
Chair: Thank you. Somebody wants to ask the first question already.

Q262 Mr Walker: Can I ask the first question?
Chair: If you like.
Mr Walker: But not off the paper. Can I ask a question about waste?
Chair: So long as it’s not somebody else’s question.
Mr Walker: No, no it won’t be. You are very concerned about waste in the public sector as I am. I would just like to talk to you very briefly—it is not off the point, I think. You heard us talk about the use of lobbyists by the public sector, but there is a growing use of headhunters by the public sector. I mentioned a company last week called Saxton Bampfylde, but it could have been read across to any company. Let me just give you an example. Saxton Bampfylde have just done a recruitment job for the Appointments Commission. They said it was nowhere near that figure, but they won’t give me the actual figure. Could you touch on that because I am extremely concerned about this? These are significant sums of money and we need to know what’s going on.
Matthew Sinclair: I think the concern with headhunters, as with other consultants, is that they are looking for people to do what IBM used to do for IT professionals, which is no one ever gets fired for buying IBM. If they have had it, rubberstamp. If they have had this approval that this candidate has come from the headhunter, when they later get criticised, if something goes wrong they will be able to say, “Well we did everything we could. We got this headhunter. They told us this was the best candidate.” I think there is a huge risk that there will be, as you say, a propensity to use consultants in general, and particularly headhunters, more than is necessary as a way of legitimising decisions and protecting decisions against future scrutiny, which represent extremely poor value for the taxpayer.

Q263 Mr Walker: It is normally 30% to 40% of salary now. Saxton Bampfylde have been in touch with me in regards to a recent head they hunted for the Appointments Commission. They said it was nowhere near that figure, but they won’t give me the actual figure. Could you touch on that because I am extremely concerned about this? These are significant sums of money and we need to know what’s going on.

Q264 Mr Walker: I can’t prove this, but I think there is probably a really good idea who they want in many cases. The headhunter is probably notified who they want in many cases. In a sense John Cridland was laundered though headhunting firms. I am concerned we are seeing increasing use of headhunting firms across Whitehall, when actually the candidate they want is already known before the process starts, but in essence these candidates are laundered though headhunting firms and the taxpayer ends up picking up a significant cost in the form of the fees of these headhunting firms.
Chair: Eight months of salary.

Q265 Chair: Any disagreement Mr Burkard? No.
Tom Burkard: That’s outside my experience.

Q266 Greg Mulholland: Morning, gentlemen. If I could just go to the substance of the Government review, the simple figure is 192 bodies being abolished, a further 188 being merged and 171 being retained but reformed. Both your organisations have identified further bodies that you think should be abolished that have survived the review. A very
simple question, has the Government gone far enough here?

Matthew Sinclair: In our view the Government has not gone far enough. Particularly, we think they haven’t gone far enough in some of the relatively large spending bodies, which could have been abolished outright. That is where the biggest value in terms of savings comes, if you can find the body that spends many millions a year and cut them out entirely. Our view is that could have been done with a number of bodies that have multi-million pound budgets—the Carbon Trust, the Equalities and Human Rights Commission and several others could have been outright abolished. Some of those are under review as to their status and function. Our view is the Government could and should have taken a more robust approach to identifying bodies that are doing work—equally, some of the bodies that have had their responsibilities transferred. The Regional Development Agencies are being transferred into Local Enterprise Partnerships. In our view, that function would have been better off simply abolished.

Tom Burkard: In my experience, one of the problems we had was uncovered when we were doing our research on school quangos and cutting the Children’s Plan. We were looking at the problem from two angles. One, we were looking at it from the standpoint of the major school quangos, 14 of them in total. Second, we were looking at it from the standpoint of the various initiatives that these quangos were called upon to implement. One of the things that we feel is that probably the most difficult problem is the concept of cutting the bureaucratic spend. We are going to come back to accountability in a minute. This is a question particularly for the TaxPayers’ Alliance: do you fear that of those quango functions that are being transferred straight into Government Departments that the bureaucracy associated with them will just follow along?

Greg Mulholland: Do you think there is a flaw in the remit of the Government’s review in that, as I’ve said, some functions are simply being transferred to Departments; others are being retained in a merged or reformed organisation. But do you think the Government has failed to use the review to evaluate what functions the state should be performing in the first place?

Tom Burkard: I am not entirely sure. We certainly looked at the remit letters that were given to the heads of quangos by the Children’s Secretary, and we found that these were very sketchy and they really did not reflect the reality as to what the quangos were actually doing. In other words, the remit letters were very general and they left huge amounts of leeway for individual quangos to decide effectively that they could engage in as much mission creep as they wanted.

Q268 Chair: So the remit given to many NDPBs is simply too vague? That’s what you’re saying.

Tom Burkard: I would agree, yes.

Matthew Sinclair: I think if you were to look at the frame of the review, there are two issues. The first is the scale of the undertaking and the speed of it. That is very good news in terms of getting action early in the Government where there are willing to take bold action on this sort of issue. I think that did mean that they were too wary of asking, “Is this a function that should be pursued by Government?” rather than, “Is this a function that should be pursued by a quango?” Beyond that I think they excluded some bodies that should have been included. Bodies where there are definitional issues only that separate them from other quangos, like the Carbon Trust, which is a particularly important example if we are looking at the issue of accountability because it is by some margin—it and a few others like it—the least accountable of the public bodies.

Q269 Greg Mulholland: We are going to come back to accountability in a minute. This is a question particularly for the TaxPayers’ Alliance: do you fear that of those quango functions that are being transferred straight into Government Departments that the bureaucracy associated with them will just follow into the Department and there won’t really be any cut in that red tape?

Matthew Sinclair: Absolutely. I think there are some cases where it looks very much like these organisations will move desks but not lose the attached bureaucracy. In other cases they may be able to get more of a bureaucratic saving, particularly the Film Council. That is a case where they should have been asking more about whether that function was legitimate or not—whether funding the film industry is a good idea. In terms of saving on the bureaucracy of it, handing that off to the BFI is a reasonable way of cutting the bureaucratic spend.

Q270 Charlie Elphicke: Your reports on public bodies mentioned the problem posed by taxpayer-funded lobbying, which we finished up with in the last evidence session. What exactly are your concerns and how do you think they can be addressed?
Matthew Sinclair: Taxpayer-funded lobbying is extremely pernicious for a number of reasons. It biases political decision making in favour of those with existing political or bureaucratic power. It therefore acts to entrench the status quo and prevent new thinking, and it dilutes other democratic involvement, and therefore it will increase political apathy. It is a very bad thing. There have been some good steps taken in this regard, particularly in the Local Government Departments. That needs to be extended to other Departments. The hiring of lobbyists by central Government is fundamentally illegitimate. At the same time, they need to look at internal communications and political budgets. The other thing that needs to be done, which hasn’t been focused on enough, is other political spending. They can achieve this objective of driving their political interests by paying a lobbyist—by paying the Weber Shandwicks of this world—or they can do it by funding a campaign. For example, you are funding for charities like the Campaign for Better Transport or Demos. Our last survey suggested that the Demos think-tank was receiving over £500,000 a year. Huge amounts of money go into political groups, and that doesn’t fall within the rubric of lobbying but is still quangos using their authority and their budget to promote their political agenda, which in our view is again fundamentally illegitimate and action should be taken on that area as well.

Q271 Charlie Elphicke: Taking the example of the UK Film Council episode, would you highlight that as a case that is inherently undesirable?
Matthew Sinclair: I think there are lots of cases. One we’ve seen was that particularly unfortunate was the Regional Development Agencies and their presence at party conferences. They spent a lot of money—£250,000, that order of magnitude—attending party conferences in 2008. I think the only way you can properly interpret that is that they were there defending their role and their existence, which is not how they should be spending taxpayers’ money. The taxpayer has no interest in that.

Q272 Charlie Elphicke: So sponsoring an exhibition at a party conference, you would say is an abuse of public money?
Matthew Sinclair: I would say absolutely it is an abuse of public money.

Q273 Charlie Elphicke: Taking the case where a quango instructs a public affairs outlet like Bell Pottinger to press their case with public money, is that an abuse of public money?
Matthew Sinclair: It is absolutely an abuse of public money to hire lobbyists to promote their political interests.

Q274 Charlie Elphicke: Where members of the quango board itself are financially conflicted and stand to benefit financially if the lobbying were to be successful, would you say that is an abuse of public money?
Matthew Sinclair: I would say that is particularly abusive of public money.

Q275 Charlie Elphicke: Do you think that should be an offence?
Matthew Sinclair: I think that the best thing to do would be simply to look at the example of things like the Byrd Amendment in the United States. The Byrd Amendment isn’t complete and isn’t sufficient, so you wouldn’t want to drop it wholesale into British statute—you would want to be stronger than the Byrd Amendment, which was watered down in Congress—but something along the lines of the Byrd Amendment simply to prohibit lobbying with taxpayers’ money would be a very good thing.

Q276 Charlie Elphicke: Should it be regulated or banned?
Matthew Sinclair: Banned.

Q277 Robert Halfon: Just to give another example, the Information Commission, which has come under fire in recent weeks for lack of doing what it is supposed to do, has, it emerged through a written question that I tabled, spent between £10 million and £13 million on PR and internal communications over the last few years. Do you think that is an abuse of taxpayers’ money?
Matthew Sinclair: I think a substantial portion of that will have been an abuse of taxpayers’ money. There is a need to maintain communications within staff; if that is running a corporate intranet and things like that, it is part of running an organisation, but I would expect that a substantial portion of that is being spent on PR and publicity, and is illegitimate and is an abuse of taxpayers’ money.

Q278 Robert Halfon: Do you think that it should be banned completely?
Matthew Sinclair: I think that is harder to ban. With external PR, you have a clear, identifiable amount and you have expense on political consultancies. Internally it is harder to police, but that obviously doesn’t mean that it can be neglected, because otherwise you just encourage people to bring this in-house. I think that will be a matter for proper monitoring through spending and HR transparency, and trying to stop it. I am not sure how one would do that.

Q279 Chair: Perhaps use of the Civil Service code.
Matthew Sinclair: Perhaps.

Q280 Mr Walker: Do you think recruitment to senior public posts should be more transparent—the most senior posts—bearing in mind that it is normally the great and the good applying for these jobs, and the chosen candidate emerges, who invariably is part of the great and the good, but we never get to see who he was up against. We may not even need the names, but it would be nice to know who made it down to the final shortlist of four so we can check that the taxpayer got best value for money.
Matthew Sinclair: There is some grandstanding, but I think Senate scrutiny as in the United States is still the kind of thing that we would want to have. I think that it is a matter for proper political scrutiny to look at who is being appointed to these bodies before they
Matthew Sinclair: I think the problem with the argument that the quango model allows us to get people of real expertise to run these organisations is that you have people whose expertise is in running quangos, not people who have technical expertise in the particular area they are working in. There are plenty of examples of people running through numerous quangos; the Charity Commission would be one of them. There are people whose expertise is in being a quangocrat. We then dispatch them to Brussels a lot of the time. That puts the lie to the idea that quangos are really about sourcing expertise and about getting people who really know the industry, because often I think they don’t.

Matthew Sinclair: In our experience, I think that some organisations are run better than others and that reflects well on their leaders. I think that—

Matthew Sinclair: I think that over time Ofgem has been one of the better-run quangos. I think that they have been relatively open and have done a relatively good job at running the market. I think the unfortunate thing is that they have been saddled with a policy agenda that is widely contradictory. I think that is one example I would say of a quango that probably does need some kind of independent regulation and is relatively well run.

Matthew Sinclair: I think the main inhibitor to moving some of these bodies out of the public sector is a sense that Government should do something about that. There is a sense that there is a problem with school food so Government should be doing something about that, whereas obviously the pressure for better school food should have been coming from the media, from the charitable sector and from parents. The problem was largely the result of central Government interference in the first place. The Equalities and Human Rights Commission is essentially campaigning to defend the Human Rights Act, and that political campaign is properly the objective of civil society groups, not of Government. There is a sense that if something is important Government should get involved. I think that is what causes a lot of these bodies to be created when they shouldn’t.

Matthew Sinclair: I don’t want to be churlish, because when there have been previous promises of a bonfire of the quangos over a number of decades, they have amounted to less, so it is not the most egregious failure to build a proper bonfire after you’ve promised one. I think there hasn’t been a sufficiently aggressive fire. The value for money side of it is important. In the context of things like the welfare budget, it can be easy to look at it and think the amounts are small, but they are not, because these are amounts that don’t play into ordinary household budgets—ergo any saving you can make here lessens the pain of the fiscal adjustment and is very important. Anyone who has tried to put together a package of cuts that would add up to a substantial amount—certainly we found this—without getting rid of some of the larger quangos, which are the ones which haven’t been touched—as you say, haven’t been hit enough in this review—will find it very hard to make those sums add up without putting what may be an untenable burden on household budgets. That is why more of these quangos need to be abolished.

Matthew Sinclair: Possibly.

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Q285 Lindsay Roy: Ironically there is a high degree of conservatism here.

Matthew Sinclair: Possibly.

Q286 Robert Halfon: Originally, when the quango cull was announced it was heralded as the bonfire of the quangos and there would be huge value for money for the taxpayer, and it seems to be more like lighting a damp box of matches in some ways. The Government seem to have moved away from value for money to it all being about accountability. What is your view about that?

Matthew Sinclair: I don’t want to be churlish, because when there have been previous promises of a bonfire of the quangos over a number of decades, they have amounted to less, so it is not the most egregious failure to build a proper bonfire after you’ve promised one. I think there hasn’t been a sufficiently aggressive fire. The value for money side of it is important. In the context of things like the welfare budget, it can be easy to look at it and think the amounts are small, but they are not, because these are amounts that don’t play into ordinary household budgets—ergo any saving you can make here lessens the pain of the fiscal adjustment and is very important. Anyone who has tried to put together a package of cuts that would add up to a substantial amount—certainly we found this—without getting rid of some of the larger quangos, which are the ones which haven’t been touched—as you say, haven’t been hit enough in this review—will find it very hard to make those sums add up without putting what may be an untenable burden on household budgets. That is why more of these quangos need to be abolished.
Matthew Sinclair: There’s an open secret isn’t there? coming out of their taxes. That grant money isn’t new money; it’s give it back to a politically or bureaucratically sensible to take businesses’ money in taxes and then Development Agencies is look at this and say, “Is it Government should have done with Regional Partnerships is money chasing money. What the and they do. So what you have with Local Enterprise author area—at the county as opposed to the district small; they’re not. Most Britons live in a local authority area—at the county as opposed to the district level—that is larger than most Swiss Cantons, which are effectively self-governing. Local authorities aren’t that small. Most of the public live in big counties, and if they need to co-ordinate, they can talk to each other and they do. So what you have with Local Enterprise Partnerships is money chasing money. What the Government should have done with Regional Development Agencies is look at this and say, “Is it sensible to take businesses’ money in taxes and then give it back to a politically or bureaucratically selected few in grants?” All they do is recycle that money. That grant money isn’t new money; it’s coming out of their taxes.

Matthew Sinclair: In terms of the tapping of EU funds, first, councils are doing it, so there is a duplication there. Councils don’t need European offices, but a lot of them have European offices. To the extent they don’t have them, that’s because someone else in the council is doing that. If they’re being used as a device to chase EU money, they’d be a lot better off acknowledging that and setting up regional EU-chasing bodies, not churning billions of pounds of British taxpayers’ money through them. The amount we’re putting into these bodies—the billions pounds of funding they’re receiving—is a very large solution to a very small problem of how you get hold of EU grants.

Q290 Robert Halfon: Do you agree that LEPs will be the Diet Coke version of the Development Agencies—a bit lighter but full of quango rubbish nevertheless?

Matthew Sinclair: They’re Diet Coke you’ve spilled all over the table. They’re milder, but they’re also going to be messier.

Q291 Robert Halfon: As far as the transition costs go, some of these quangos have been merged into Departments, as has been discussed. Do you think those transitions costs will be big and that we won’t save money for the taxpayer at all?

Matthew Sinclair: It will depend on what you’re trying to do with the quango. If you’re abolishing it, they’ll be relatively small; you’ll have redundancy but that will quickly be recouped over time. If you’re trying to create new bodies, that’ll be when it’s really expensive because that’s when you have to establish the new bureaucracy—and expensive in terms of ministerial time as much as anything and getting these things established. One of the reasons why it is important to look for bodies you can abolish outright is because that reduces the burden they impose on everyone else—Departments, Ministers, businesses—and you also take out those administrative functions. Every quango has its office and its HR department, and that’s one of the reasons why getting rid of some entirely is particularly valuable compared with getting rid of a small fraction of the number in budgetary terms.

Tom Burkard: If I could add one thing to that, my feeling is that one of the biggest obstacles to the abolition of quangos, or shall we say more precisely the functions that the quangos fulfil, is political. To give legitimacy to the process of downsizing the operations of the quangos, as opposed to the quangos themselves, the Commons Select Committees have a big role not only in determining what the operation of the quango is so they know exactly how to go about dismantling it, but in giving a certain amount of legitimacy to Ministerial-like actions, as it were. If you take a look at what has happened in education, so far Michael Gove has implemented a pretty large percentage of the recommendations that we have made, both in terms of cutting quangos and cutting initiatives, but it has come at a huge cost as we have seen over Building Schools for the Future. I believe that if this process were done in a more measured way, with Commons Select Committees evaluating quangos and initiatives both and deciding which ones they could recommend to go, the whole process would be much more orderly and would have much greater potential to offer long-term savings as opposed to just churning things as we often have now.
Q292 Robert Halfon: My final question is about democratic accountability of quangos.
Chair: I think we’re moving on to accountability later on.
Robert Halfon: Just a quick one because I have to go. Previous witnesses have said you can’t make quangos accountable. Could we not have a model, just as we’re going to be electing other authorities, police commissioners and so on, where you can make these bodies where people stand for them and would have some kind of mandate?
Matthew Sinclair: It’s difficult to imagine how you would do that on a national level because a national referendum is an extremely expensive thing. You have 1,148 of the things and it just becomes untenable. For some roles, that could be worthwhile. You can equally have a short form of it through parliamentary scrutiny of the bodies that are coming up and then you can have important scrutiny through transparency.
Chair: Right, we’ll move to Mr Heyes on the question of accountability.
Q293 David Heyes: One of the things that has happened under this rhetoric that we’re culling quangos is that lots of functions have just been moved back into Departments to be controlled by civil servants, which is a little ironic when at the same time the Government is claiming to be culling the Civil Service. It looks a bit like senior civil servants are making sure that they have functions under their control to justify their continued existence. We’ve talked about accountability a number of times already. Is it not a serious concern from the point of view of accountability that what has happened as a result of what the Government has done, ostensibly in the name of accountability, has served to reduce accountability?
Matthew Sinclair: I don’t think so. You don’t have that ability to blame an outside body when things go wrong. It is not possible for the type of thing that happened to QCDA recently to happen if these things are within a Department. That doesn’t mean that being within a Department solves the issue or is the right solution for every body, but it would be wrong to say that quangos are more accountable than Departments. Departments are clearly more accountable; they have a political accountability that quangos, in the main, do not.
Q294 David Heyes: I don’t think Mr Burkard agrees with you. He was nodding in assent to what I was saying.
Tom Burkard: Let’s put it this way: the QCDA example that was quoted was certainly an example where the quango officials were the ones who had to fall on their swords and obviously the Ministry went unscathed. It is difficult to say how much this was due to personalities, because one looks at what happened to Estelle Morris the first time this problem reared its head. She did the honourable thing, but unfortunately, when it was Ed Balls who was the Secretary of State, he made sure that it was the quangocrats who went. So it’s not possible to make any official judgments as to how the form of organisation is going to affect accountability, even though I strongly believe that, ultimately, Ministers should take responsibility. The example of Ed Balls and the QCDA demonstrates that sometimes they don’t, and that is a political question.
Matthew Sinclair: It showed that quangos have been used as a tool to evade that accountability, which is the danger. Had that role have been within the Department, you wouldn’t have had that ability, ergo it would increase accountability.
Q295 Chair: So it allows Ministers to pass the buck?
David Heyes: Indeed yes, but what about my point about these being opportunities for senior civil servants to re-pad their Departments? On one hand it’s being culled to some extent and this bringing in of formerly external functions allows them to—
Matthew Sinclair: It doesn’t increase the net justification through bureaucracy; it may shift it into Departments, but it’s not increasing it, so I don’t see problem there. If you’re no longer justifying a quango, you’re slightly justifying a Department more. I don’t particularly see the harm that does.
Tom Burkard: One of things it brought to mind is that the QCDA, along with most other education quangos, was a shadow organisation within the Department, which worked with the quangos, so there was a duplication of effort here as well. This is one of the reasons why I feel that, once again, the process of getting rid of quangos is something that has to be conducted with consultation outside of the Minister and the Civil Service, because they are very much interested in it and I don’t think they can be relied upon to give disinterested judgments in terms of the abolition of quangos and absorbing them into the Department.
Q296 David Heyes: But that’s an argument to say this whole process has been too rushed.
Tom Burkard: I would tend to agree with that, yes. The fact that the thing was rushed has a lot to do with political necessity to show that something has been done, but the fact that it was rushed also meant that an awful lot of bodies that probably need a lot more scrutiny haven’t received that kind of scrutiny. The process of reorganising business and trying to minimise the amount of political work that is being done in quangos is something that should be thought of as being done over the life of a Parliament, or perhaps even two Parliaments, because if we try and rush it, we are not going to find a lasting solution.
Matthew Sinclair: The rush is worthwhile. The real problem with the delay is that it becomes a tool for it never to happen and, yes, it means that it hasn’t been completed—there are still bodies under review, there are still bodies that haven’t been dealt with that should have been dealt with—but that means you do it again. The rush has meant that a lot of stuff has happened.
Q297 Chair: Well, not a reduction in cost, which is what your organisation’s about.
Matthew Sinclair: It’s led to a substantial reduction in quangos and some reduction in cost. There have been bodies taken out. The Sustainable Development Commission, for example, has had its funding cut outright, so there have been reductions in cost.
Q298 Chair: But not as the result of a quango cull. That was the result of a cut in budgets. Tom Burkard: Well, that was part of the quango cull and part of that effort. It was part of the cut in budgets. The rush and the fact that you haven’t been able to get all of them mean, do it again. There’s no reason why we can’t have another round of quango cuts in a few years.

Q299 Lindsay Roy: So how can we develop a more robust approach to determine whether a quango should continue or be downsized, or whether it should be abolished, and how do we monitor the key outcomes and ensure that the positive developments have continued?

Tom Burkard: The outcomes are very difficult to measure because, to be quite honest with you, the outcome of a lot of the quangos we studied is extremely hard to judge. In terms of ensuring that we have a fair and uniform method of evaluation, as I said earlier, we need a much better system of having public information available on all the activities that the quangos engage in. To give you an idea, when we were conducting our report on school quangos, it took us an enormous amount of time to dredge up the ministerial remits and the parliamentary Acts that, shall we say, legitimised the activities of the quango, and of course, all the various programmes they have been involved in. To be quite honest with you, the difficulty we have here is that we are talking about a research programme that lasted a year and a half, working with people who had access to a lot of advice in terms of investigating Government activities. What hope do other people in this political nation in general have of trying to get a good grasp of what quangos are doing unless we have a means of reviewing their activities and have public information on their websites that gives a lot more information about their activities and their organisation?

Q300 Lindsay Roy: Triennial reviews in themselves are not particularly helpful unless you have robust measurement of outcomes and key objectives that can be gauged.

Tom Burkard: Take a look at the outcomes. The one example I would point out is that we had a good look at the evidence that was given by the Health Committee on various public health initiatives, and it turns out that the Committee was very scathing about the evaluation of programmes that were run. It’s much easier to evaluate a programme than it is an entire quango, which is involved in the integrated delivery, with many other organisations, of broad progress, but if you take a look at the programmes themselves, at least you have a hope of evaluating them. The evidence that the Health Committee came up with was that some of the evaluations were so weak that it was more or less a matter of just asking the people involved what they thought of them. The difficulty you have here is that when you have a lot of very small initiatives, some only involving a few million pounds, the cost of you doing a proper evaluation of these initiatives is prohibitive. You therefore have a real problem here in determining whether the money is being spent wisely, simply because you’re dealing with such a complex system of organisation and delivery of services. As I say, at the Centre for Policy Studies, we had a lot of arguments as to whether we had to analyse the problem from the standpoint of the organisations or the initiatives. We ended up doing both.

Matthew Sinclair: You cannot come up with a fix for the creation of quangos. They are created by a statute and it is very hard to restrain that. What you can do is try and create the conditions such that they don’t serve the functions that they shouldn’t be serving, so they aren’t able to be created too quickly too easily and avoid scrutiny. Ergo what you need is strong parliamentary scrutiny of their appointments to run them and their budgets while they are in operation, and then you also need spending transparency such that they can be properly scrutinised. A few quangos aren’t even subject to Freedom of Information requests. As long as there are bodies outside the realm of proper scrutiny, that allows improper spending to continue and then it will essentially be a political task to control the growth of quangos, because the only way you can control it in the end is to campaign against or say no to individual proposals. There is not a fix that can limit their number because of the way they are created.

John O’Connell: More regular parliamentary scrutiny will stop quangos doing things out of their remit. That was one of the big problems with the Audit Commission—they perhaps started creeping outside their remit—and more regular accountability would perhaps put a stop to that.

Q301 Lindsay Roy: So without taking a comprehensive review of all quangos, what you are saying is by and large there needs to be a much greater rigour and a much more robust approach.

John O’Connell: Absolutely, not just budgetary to maintain value for money, but to stop mission creep.

Q302 Chair: But surely the tests that Francis Maude announced can be improved can’t they? You need to have some kind of method to evaluate whether a quango is justified or not.

Matthew Sinclair: You’ll struggle to find a uniform method. They’ve come up with this series of criteria; those criteria are very easy to fudge. It is very easy to come up with bodies where you really need independent advice where that advice could come from outside Government. It is very easy to come up with these kinds of justification. For that reason, the limits on quangos need to be proper scrutiny and criticism of them when they go beyond bounds or when they have been created without good reason. It will be a change in political attitudes, so when they create a new quango now, generally a Minister will be asked in the media, “Are you creating another quango?” That change in the political dynamic will probably be what restrains the number of quangos over time, not an attempt to set some kind of rule as to when they can be created.

Chair: Interesting. Mr Roy, are you finished?

Lindsay Roy: Yes, thank you.
Q303 Mr Walker: The delicious irony of this is that, having spent the last 15 years creating quangos that mess up all our constituents’ lives, we've created a quango that's messing up our lives called IPSA, so we are reaping what we sowed, and deservedly so on occasion. You are concerned about the use of public money. Are you satisfied that it is as an effective use of public money for IPSA, for example, to advertise and recruit an £85,000 Communications Director?

Matthew Sinclair: It’s quite clear that IPSA have lost control of costs to a certain extent. However, they have been put in a very difficult position, which means that they are being asked to do a job where they will have a lot of unavoidable communications work. They will have a lot of people asking them questions. It does look like costs have got too out of hand in each individual area, but it is not one fundamental error. It is a lot of failures to control costs properly.

Q304 Mr Walker: You will be aware that the Speaker’s Committee for the Independent Parliamentary Standards Authority, which I am on— it is another sort of Committee—has strongly suggested that their running costs of £6.5 million are completely over the top and they should move it towards £2 million, which the House of Commons Fees Office, with all its faults and flaws, was achieving. Would you see a significant reduction in IPSA’s running costs as something that they should be looking to achieve?

Matthew Sinclair: They should absolutely be looking to reduce their running costs yes.

Q305 Mr Walker: Yes, Mr Burkard, do you have view on IPSA?

Tom Burkard: I think I will defer to Matthew here.

Q306 Chair: But if parliamentarians were to come forward with a substantive cost-saving option for IPSA, is that something that the TaxPayers’ Alliance would support, even if it meant a return to something more of allowances rather than itemised expenses?

Matthew Sinclair: The relatively low-cost way of controlling this problem is transparency. One suggestion that came out was that all purchases would be made through a card that would automatically log and publish the expenditure. The only effective policing of the problems around expenses is public scrutiny, and it roughly worked in Scotland. They have a minor kerfuffle each year, but they’ve never had a major scandal because it was never secret for an extended period. That’s how the problem has built up in Westminster. Windsor and Maidenhead Council publish their energy usage almost minute by minute and people spot when the lights are on. That’s not costing them a lot of money; that kind of thing is very cheap and very effective compared with the bureaucratic control side of it, which is much more expensive and much more prone to being captured by biases once an organisation has worked for too long with the same groupings, because it is much more prone to regulatory capture.

Chair: Thank you very much indeed for your contributions to our Committee’s hearing today. It has been extremely useful and it was helpful that we had some people from outside the system, rather than just people inside the system, giving us their views. Thank you very much indeed.
Written evidence from Professor Matthew Flinders, Department of Politics, University of Sheffield

1. The global financial crisis and the specific pressures on public spending in the United Kingdom have forced the Coalition Government to review the structure of the state and the role played by quangos. The Public Administration Select Committee’s (PASC) inquiry into quangos therefore represents an incredibly timely opportunity to cultivate a mature and balanced discussion regarding the use of quasi-autonomous public bodies within the British administrative system.

2. Most academic and journalistic accounts of the role played by quangos within British governance have tended to create more heat than light.

3. This memorandum attempts to respond to this situation by daring to suggest that quangos, as part of a reformed governance system, may actually help revitalise public engagement in politics. They can therefore be examined as one element of a broader debate concerning the “Big Society”.

4. A commitment to launch a “cull of quangos” has been part of every government manifesto since the early 1970s. The general pattern, however, has been a small amount of “cosmetic pruning” (inevitably involving the abolition of advisory bodies and the amalgamation of small executive bodies) followed by an expansion of the general sphere of “delegated governance”.

5. Nobody knows exactly how many quangos exist. This reflects a number of definitional debates and the British constitution’s inherent preference for “muddling through”. A review of all quangos (ie non-departmental public bodies (NDPBs), special health authorities, non-ministerial departments, public corporations, “floating bodies” that have simply been created, etc.) was undertaken in 2004 in response to a previous PASC report but the results were never published due to political concerns about the number of bodies that were identified. The British state has been “walking without order” for some time.

6. The PASC should not therefore restrict its inquiry to executive NDPBs.

7. The Coalition Government has already announced the abolition of a number of quangos. Three tests have been outlined by the Government—is the function technical; does it need to be politically impartial; and do facts need to be determined transparently—in order to decide which bodies should be abolished. These will be enshrined in the Public Bodies (Reform) Bill.

8. These criteria are far too broad and leave huge areas of discretion (and therefore confusion). This was clear from the leaked Cabinet Office memo that was published by The Telegraph on 23 September 2010. This suggested that 177 quangos had been identified for abolition, four for privatisation, 129 for amalgamation into just 57 bodies and 94 quangos would be “kept under review”. The lists of “births, deaths and marriages” reveal very little in terms of consistency or a clear rationale. For example, it remains unclear why the Human Fertilisation and Embryology Authority is earmarked for abolition, despite its technical knowledge and expertise, at exactly the same time as the new Office for Budget Responsibility is being established.

9. The criteria are therefore under-developed and the review process for deciding on how any quango sits against these tests remains opaque. The specific process for reviewing quangos, how the review process is constructed in terms of members, the role of representatives of the organisation in question within the review process and particularly how the procedure varies for cross-border public bodies needs to be clarified.

10. The document published in The Telegraph on 23 September 2010 had been leaked to the press and should therefore be treated with caution. However the contents of the document combined with the previous reports of the PASC does point to a more fundamental weakness at the centre of British governance.

11. As the Institute for Government’s Read Before Burning report highlighted in July 2010, the use of quangos as a tool of governance is not in itself a problem. Quangos exist in all advanced liberal democracies around the world. The real problem stems from the lack of any clear governing framework or set of principles that regulate the use and role of quangos. A clear set of principles and organisational forms would facilitate the use of these bodies within a coherent and transparent framework. The question is therefore whether the Coalition Government has the energy or capacity to address this deeper basic problem. This would involve the design of probably no more than four formal organisational categories. All existing bodies would then have to be designated within a specific form (for which the appointment, accountability and audit procedures would be clearly set out) and new bodies would be established as a specific form of organisation within this framework.

12. The long-term financial savings of reforming quangos will only be realised if measures are taken to prevent the ad hoc creation of new bodies in the future. In this context the Minister for the Cabinet Office’s statement that the Government supports an enhanced role for select committees in the decision to create new bodies in the future is a welcome development—but one that must be tied to a more coherent governance framework.
13. Designing the specific organisational forms and deciding how existing bodies should be re-classified would essentially require a thorough administrative “Spring clean” but the results would be significant in terms of increasing economic efficiency, reducing the complexity of delivery chains, clarifying lines of accountability, and improving the strategic capacity of ministers (many of whom have no idea how many or which quangos they are actually responsible for).

14. The current confusion and opacity reflects the fact that the capacity of the Cabinet Office to oversee and regulate the creation of quangos, as well as offer advice and support to departments, has been gradually hollowed-out in recent decades. The Haldane Report of 1918 recognised the need to support departments and monitor the role and number of quangos. The Anderson Committee of 1942, however, found the number and range of quangos “bewildering…it is impossible to deduce, either from existing practice or theoretical considerations, any general rule on the matter”. As a result the committee recommended the creation of both a centrally maintained and comprehensive list of quangos. It also recommended the establishment of a central team of officials whose role would be to disseminate guidance and “best practice”, provide training on specialist roles such as departmental sponsorship, and generally prevent the ad hoc proliferation of quangos that had occurred in the past. These recommendations were never fully implemented. The Machinery of Government division within the Cabinet Office was gradually run-down throughout the 1990s and today not even the small “Agencies and Public Bodies Team” exists. A central strategic unit should be established to provide strategic monitoring, guidance and support across Whitehall.

15. This process of mapping the state should be undertaken in a careful and considered manner. Media demands for an immediate “bonfire of quangos” should be rejected and (most of all) those serving within quangos should not find out the fate of their organisation through the media. Ten of thousands of members of the public serve on the boards of quangos at the local, regional and national level for absolutely no financial remuneration. As Lord Nolan discovered in the mid-1990s, only a tiny proportion of those individuals serving on the boards of public bodies (usually the chairperson) actually receive a significant salary for their service. Contrary to the media caricature, the board of a quango is not a place to go to make money.

16. In light of the fact that the majority of appointees view their work on the boards of quangos as a pro bono contribution to public life the committee might consider the issue of incentives and appointment procedures. In recent years the role of select committees in relation to a range of the most senior ministerial appointments to quangos has increased dramatically. The latest stage of this rapidly changing relationship was the Chancellor of the Exchequer’s announcement last month of his intention to give the Treasury Select Committee a statutory veto over ministerial appointments to the new Office for Budgetary Responsibility.

17. The growing role and capacity of select committees in relation to ministerial appointments may help assuage public concerns regarding transparency and accountability. At the same time, however, three related issues and anomalies (politicisation, regulatory overlap, and complexity) demand attention.

18. The opportunity for a select committee to question a minister’s preferred candidate under the pre-appointment scrutiny procedure creates a danger that the individual will be drawn into broader party political arguments. The unfortunate politicisation of candidates, as the experience of the current Children’s Commissioner for England, Dr Maggie Atkinson, before the Education Committee in October 2009 arguably demonstrated, is an issue that risks deterring talented individuals from applying for vacancies. The lesson from legislative confirmation hearings in other countries is that many candidates walk away from appointments because they feel that the appointments process is simply abusive. This is generally linked to aggressive committee appearances in which applicants are asked about their personal life and asked hostile questions about their background.

19. The relationship between the regulatory scrutiny of ministerial appointments (by the Commissioner for Public Appointments) and the parliamentary scrutiny of appointments (by select committees) remains unclear. Many of the positions that fall within the remit of pre and post-appointment hearings are already subject to the rules and procedures of the Commissioner and it is therefore unclear what the “added value” of the parliamentary stage brings to the process.

20. This concern regarding regulatory overlap flows into a broader concern about complexity. The governance of public appointments to quangos has possibly become congested in terms of institutions and processes. A vast range of independent appointment commissions now exist—House of Lords Appointments Commission, Appointments Commission, Office of the Commissioner for Public Appointments, the Civil Service Commission, Judicial Appointments Commission—without any little rationale for why differing powers have been granted to different commissions. My concern is that processes have become too slow and cumbersome—a “maelstrom of complexity”—to the point that public appointments are becoming unattractive to the very people the public sector needs to recruit.

21. If the gap that has apparently emerged between the governors and the governed is to be closed then new opportunities and arenas of public engagement will have to be cultivated. Public service on the boards of public bodies at the local, regional and national level provides a way in which large numbers of people who have little interest in either standing for elected office or partisan party politics more generally can make a contribution to society. Quangos therefore offer a degree of democratic potential that has not been acknowledged or fully explored within debates about the “shrinking state” and the “Big Society”.


Written evidence from the Institute for Government

EXECUTIVE SUMMARY

— Current reform efforts need to be based on sound business plans if savings are to be delivered. Government and Parliament need to monitor these closely as past experience suggests that reorganisations do not necessarily lead to savings. Reorganisation alone will not deliver the scale of savings required as much ALB spend is passed through to third parties.

— The Government has an opportunity to implement changes in the way in which it deals with remaining ALBs to secure greater public confidence and better performance. Those changes alone are not enough and the Government should use its proposed legislation to introduce a simpler and more robust taxonomy for ALBs based on the freedom they need from ministerial intervention to ensure public confidence in the performance of their functions.

INTRODUCTION

The IFG published a report in July 2010, Read Before Burning, which made a number of proposals for better governance of arm’s length government going forward. We believe that the proposed Public Bodies Bill offers an opportunity to rethink the relations between government and these bodies; put governance onto a more robust and consistent basis and develop the skills and capabilities in both government and remaining ALBs to ensure better results in the future. Our evidence therefore concentrates on Question 8 on the committee’s list.

Questions 1–2; 4–6

The Government has made a clear political decision that fewer government functions should be performed by bodies established at arm’s length from government. That is a legitimate political choice. Where the Government is taking a pragmatic look at ALBs it needs to ask, as for any government function:

— Whether the function needs to exist at all?
— Whether the function could be performed better/more cost effectively elsewhere?
— Whether abolishing the body will deliver acceptable results at a sustainable lower level of cost?

IFG research and earlier work suggests that the process of closure and reorganisation will need to be tightly managed in order to deliver savings and realise potential benefits. Explicit business cases are needed to determine the costs and benefits associated with each reorganisation. Business plans should show how savings will be made and what happens to functions. There are considerable legacy costs in organisations which may entail substantial upfront expenditure eg pensions liabilities, IT costs, estates. There are also risks that need to be managed around loss of expertise from specialist organisations. The Government should make sure it learns the lessons of past rationalisations.

Work commissioned from the National Audit Office (NAO) shows that the bulk of money is spent by a few arm’s length organisations, with 80% of executive NDPB spending concentrated in just 15 bodies; and 75% of that is not spending on the NDPB itself but is passed on to third parties in the form of grants or is used to fund public services. While there may be scope for some streamlining of administrative functions and reductions in overhead costs, significant savings will also depend on reductions in these programmes whether they continue to be performed by the ALB or are taken back inside departments.

Read Before Burning proposed that PASC and relevant select committees should scrutinise business plans before the establishment of new ALBs. That recommendation was accepted by the Government. Given the current scale of reorganisation going ahead, we think it would make sense for both PASC and individual Select Committees to scrutinise the Government’s business cases for reorganisations to make sure they are sustainable and offer value for money.

1 Arms Length Body
2 Unpublished NAO research for the IFG. Figures refer to 2007–08.
Q3: Are the three criteria outlined by the Government correct? Should there be others eg VFM?

Read Before Burning did not offer an explicit alternative to the criteria set out by the Prime Minister for putting functions at arm’s length. However, it is implicit in our proposed new way of classifying bodies. The key issue for deciding to put a function at arm’s length is the degree of independence from day-to-day ministerial intervention needed to enable the body to command public confidence that it can perform its function in the public interest. Any decision to put a function at arm’s length needs to balance the loss in direct ministerial control against the benefit of demonstrable independence from political interference. That leads us to propose a modification of the criteria, with the following functions at arm’s length:

- Bodies which exercise constitutional oversight of government and/or the political process;
- Bodies which set regulatory regimes, set standards and are independent watchdogs of government activity; and
- Bodies which are discretionary grant-givers, enforcers or are responsible for the long-term stewardship of public assets.

The significant difference from the Prime Minister’s criteria is that we put less emphasis on technical expertise and more on the need to give independence to bodies which need to command public confidence in their ability to scrutinise government and to develop regulatory or standards regimes. This is an elaboration of the PM’s third criterion on independent determination of the facts. We do not see any necessary reason why technical functions should be put at arm’s length from government, unless that is necessary to command public confidence. They may be more suitably put into executive agencies, which are effectively business units of departments. As our report makes clear, we do not think it makes sense to regard advisory bodies, with no executive functions, as part of the arm’s length landscape.

Q7: Will the abolition of public bodies lead to increased public accountability?

We do not think rationalisation of the arm’s length landscape will necessarily improve accountability. Indeed there may be a trade-off between the relative transparency of decision-making in an ALB, with a Board and Chief Executive publicly answerable for decisions, and more direct ministerial accountability. The Institute is addressing these issues in work due to be published later this year on ministerial accountability.

Q8: How could the Government improve the accountability and effectiveness of remaining public bodies?

We think it is vital that the Government uses the opportunity presented by radical reform of ALBs to put all remaining public bodies onto a more robust basis going forward. Our report, Read Before Burning, published in July, set out potential actions under four major headings:

- Changes to ensure ALBs are set up and managed on a more stable footing;
- Changes to develop skills in ALBs and departmental sponsor teams;
- Changes needed to build public confidence; and
- Implementation of a new and much clearer way of classifying public bodies that relates form more closely to function and ensures governance reflects the degree of freedom the body needs to perform that function.

These recommendations flow from the principal findings of our research. That revealed a muddled picture that had evolved over time, with like bodies having different governance and freedoms. There is a lack of transparency over the numbers, budgets and functions of bodies, and bodies’ own websites are poor at making clear their relationship to departments. Many bodies had been unreviewed for a long time, and had acquired new roles. Others suffered from micro-management by departments, with unnecessary duplication of functions. There was little investment either in the sponsorship function within departments, or in preparing new appointees to ALB boards for their role. It was too easy to set up new ALBs—but too often in the past reductions of numbers of ALBs had focussed on the long tail of advisory bodies without getting to grips with the few big bodies which spend the lion’s share of the money and employ most of the people. More generally, the lack of any central capacity on ALBs, whether in the Cabinet Office, Treasury or in a lead department, meant there was little means of sharing best practice, departments managed like bodies in different ways, and the Office of the Commissioner of Public Appointments did too little to ensure public confidence in the impartiality of the appointments process.

We think the Government should address these deficiencies which will be essential to ensure that it gets best value out of remaining arm’s length. Our report makes specific recommendations under each heading.

(a) Changes needed to ensure ALBs are set up and managed on a more stable footing

We have three major recommendations under this heading. The key aim is to make sure that ALBs are only set up when there is a good business case, and that they do not outlive their usefulness and remain fit for purpose. The first recommendation, to give PASC a role in scrutinising the business case for new ALBs, has already been accepted by the Minister for the Cabinet Office. We also think individual select committees should scrutinise proposed changes in their department.
To guard against self-perpetuation and mission creep, we recommend that all new legislation for ALBs should contain a sunset clause, defining the expected time when a body should be wound up or subject to what we call a Governance and Performance review. It was clear from our research (and from government capability reviews which only touch tangentially on ALBs) that there is a need to have regular reviews of both the performance of individual ALBs and the way in which the relationship is being managed by the department. We suggest these happen every three to five years for bodies with a spend over £50 million. This would prevent the sort of situation revealed in my report on the Legal Services Commission, which had not been reviewed in 10 years since its establishment. Its role had changed significantly over that period and governance arrangements had not kept pace with the changes.3

(b) Changes to develop skills in ALBs and sponsor teams

Interviews with people on both sides of the relationship revealed a lack of skills and understanding of the public sector operating environment. Many people in ALBs complained about rapid turnover in sponsor teams, and, too often, newly recruited board members and Chief Executives, who had been appointed because of their private sector experience, were inadequately prepared for their new roles.

We think these shortcomings can be addressed by more systematic briefing and induction on recruitment to new roles both for people joining ALBs and moving into sponsor roles. Departments need to make sure that new appointees to ALBs understand the wider context of departmental business and sponsor teams need to provide specialist training on building and maintaining effective relationships. Ministerial induction also needs to cover managing relationships with ALBs.

This greater focus on training and induction can be bolstered in two ways. The National Audit Office does relatively little systemic work on arm’s length bodies (focusing instead on problems in individual bodies such as the Equalities and Human Rights Commission and the Qualifications and Curriculum Authority). More thematic reviews by the NAO of ALB functions, such as grant allocation and benchmarking efficiency would both help transfer best practice and help more effective performance management. The NAO has started to do this, with its recent report on performance management of ALBs. At the same time, and as recommended in the Institute for Government’s report, Shaping Up,4 we see a bigger role for the Cabinet Office in taking a strategic overview of arm’s length bodies and building capacity across Whitehall. This would give a bigger role to the Public Bodies team. If the Cabinet Office did not want to do this, an alternative would be to implement a lead department model.

(c) Changes needed to build public confidence

There is a real gap between public confidence in individual arm’s length bodies, where their independence from government is a source of credibility (as evidenced for example in the current Government’s desire to bolster public confidence in fiscal forecasts by establishing the Office for Budget Responsibility) and public and political concern about the “Government’s unelected, inefficient quangos” in aggregate.5 We believe the Government should address this in three ways.

First, the Government needs finally to implement the recommendation from an earlier PASC report to bring together and publish in one place a comprehensive overview of all ALBs, with details of their expenditure and the names of the departments and sponsor officials. This could be expanded to cover salary details and clear accountability arrangements.

Second, the Office of the Commissioner for Public Appointments should build on current work which is designed to ensure a fair and transparent process for individual public appointments by researching whether fair outcomes have been delivered in practice.

Third, all ALBs should be required to publish transparent information on their role, relationship to government, funding and performance, including their latest GAP review on their website in a standard format. At the moment, this information is very inaccessible.

(d) Implementation of a new and much clearer way of classifying public bodies

We see the changes outlined above as being necessary to secure better value, performance and public confidence in the arm’s length landscape, but not sufficient. The Government should take the opportunity it is creating through proposed legislation to clarify the tangled picture on status and governance, with bodies with the same or very similar functions having unlike status and governance. Our research identified at least 11 types of ALB; but we also found that over half so-called ALBs are in fact advisory committees with no independent budget or staff.

3 I Magee, Review of Legal Aid and Governance, 2010
4 Shaping Up: A Whitehall for the Future (IFG, January 2010)
5 Nick Clegg speech, 19 May 2010
In our report we propose a new much simpler taxonomy for ALBs, where the principal determinant of status and governance is the degree of freedom the ALB needs to perform its function credibly. This proposed new taxonomy differentiates between four categories of arm's length body:

- **Constitutional bodies**, which are accountable to Parliament, not ministers. These are the bodies which exercise constitutional oversight and need to be clearly protected against any form of ministerial influence. They would include the NAO, Electoral Commission and Parliamentary Ombudsman.

- **Independent Public Interest Bodies**. This category would include the regulators, the standard setters and the watchdogs of government activity, whose credibility depends on their decision-making being free from day-to-day ministerial intervention. Ministers would still remain responsible for the statutory framework in which these bodies operate, but Parliament would have to approve key appointments (as the Treasury has agreed for the Chair of the OBR), and would hold the Chief Executives and Chairs to account for the strategy they set and for individual decisions within that framework. This status would apply to bodies such as the economic regulators and competition authorities, the food regulation functions of the Food Standards Agency, the UK Statistics Authority and the Climate Change Committee. We have also proposed that this would be the appropriate status for the OBR, a view endorsed by the outgoing Chair, Sir Alan Budd, in evidence to the Treasury Select Committee in July.6

- **Departmental Sponsored Bodies**. This category would include the bodies where ministers want to stand apart from individual decisions, whether on grant-giving, enforcement or managing assets, and potentially appoint more dedicated expertise, but where the body should operate within a strategic framework set by the department. These would have a much closer relationship with the sponsor department, which would have the right to attend Board meetings. This category would include many of the current Executive NDPBs and apply to bodies such as the Arts Council, Health and Safety Executive, Higher Education Funding Council and Ofsted. This would also be the appropriate way of treating the proposed NHS Commissioning Board.

- **Executive Agencies**, which would continue as now.

This taxonomy modification would deliver two significant changes. First, the long tail of advisory NDPBs ceases to be regarded as arm's length bodies. This both corresponds to their actual status—as advisory committees to government departments—and also removes the temptation to cull large numbers of small bodies and create reform. Second, the anachronistic and confusing category of non-ministerial department disappears. These bodies migrate across the proposed new categories. Some, such as Ofgem, become IPIBs. Others, such as the Forestry Commission may become DSBs. Others, such as the National School for Government and the Export Credits Guarantee Department, would become Executive Agencies. It is interesting that the Treasury Select Committee has proposed that the only way of giving the OBR sufficient independence from the Treasury to perform its function is to make it a non-ministerial department, with a raft of protections laid out in primary legislation. In our view, NMDs have the least clear status of all ALBs and that status alone is not guaranteed independence; indeed many are managed like executive agencies. This illustrates the case for being able to slot a new body like OBR into a category of like bodies.

This new categorisation would give greater clarity to roles and responsibilities for remaining bodies; allow consistent implementation across government; enable ministers and Parliament to understand much better the degrees of freedom with which different bodies operate. These changes could either be implemented gradually, as individual bodies are reformed, or through the proposed new legislation.

The new taxonomy would impose an additional burden on Parliament. Parliament’s ability to hold public bodies effectively to account forms part of the separate IFG project on accountabilities, to be published by the end of the year.

*September 2010*

**Written evidence from Prospect**

**INTRODUCTION**

1. Prospect is a trade union representing 122,000 professionals, managers and specialists across all sectors of the economy including defence, agriculture, heritage, energy, transport and communications. We represent 37,000 members in the Civil Service Departments, Agencies and Non Departmental Public Bodies including in 63 of the bodies covered by the Government’s announcement on quango reform on 14 October.

6 “I found the report from the Institute for Government Read before Burning, which, as I am sure the Committee knows, is a report about what it calls arm’s length bodies, very helpful. It actually mentions the OBR in this report and it suggests that there should be a category called an independent public interest body with not total independence but a fair degree of independence, one from the top in terms of independence, and that would seem rather a good model and rather a good category for the OBR to fit into. That is my personal view on this matter so as I have thought about it further I thought that was a very neat way of categorising bodies and rather a good place to put the OBR.” Sir, Alan Budd, evidence to the TSC. IFG has also submitted evidence to the committee.
2. As identified in our submission to the Select Committee on “Good Government” in the 2008–09 Parliamentary session, we have genuine and longstanding concerns that central government does not do enough to maintain and develop the specialist capacity on which it depends to deliver key functions. The targets set by the Spending Review for cutting jobs intensify our concerns and, unfortunately, the so-called “bonfire of the quangos” has done nothing to alleviate them.

Q1 How should the Government decide which public bodies should be abolished?

3. Prospect deplores the fact that the announcement on 14 October was made with little or no consultation with experts and users. In our view each of the proposals for abolition should be fully and properly scrutinised, setting out for each public body:

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- What it actually costs;
- What functions, if any, will transfer elsewhere;
- The genuine net cost or saving from abolishing each body, after accounting for the costs of redundancy and delivering services elsewhere;
- An independent analysis of the net wider economic, social, cultural or other costs of abolishing each public body; and
- The need for continued access to expert/scientific advice.

Q2 Are the three criteria outlined by the Government the correct ones? Should there be others, for example an additional value for money criterion?

4. The criteria put forward by the Government create the scope for confusion. They appear to imply that technical expertise, political impartiality and transparency are mutually exclusive attributes. In Prospect’s view they are not, and neither do they apply exclusively to the functions carried out by Non-Departmental Public Bodies. In any event, it would seem that these criteria have been applied only in a very superficial manner to the decisions announced on 14 October.

5. Prospect would not oppose consideration of value for money as an additional criterion in assessing the continuing value of Non-Departmental Public Bodies, as set out in our response to question 5. However, there should also be a broader assessment of public value, along the lines identified in Q1. The Forestry Commission, which is the subject of provisions in the Public Bodies Bill enabling future privatisation, is an interesting case study as is the Audit Commission, discussed later in this submission.

What it actually costs

There is no definitive valuation of the Forestry Commission estate. Whilst the cash flow from sale of timber can be quite easily quantified, the value for tourism, ecosystem services such as water and renewable energy, and cultural services such as education and recreation, is simply not known.

What functions, if any, will transfer elsewhere

Undoubtedly some functions would continue, including sale of timber. In addition, there may be a private market for some recreational and other commercial activities. However, breaking up the Forestry Commission estate is likely to reduce the range and scale of these activities and others, notably long-term research, would simply not be undertaken by the private sector. For example:

**Biosecurity and sustainability**: Forestry Commission research is at the forefront of maintaining all tree stocks and wood health within the UK. Disparate organisations/companies would not see it as part of their remit to organise and fund the research needed to maintain the UK’s ability to grow our own wood stocks.

**Contribution to carbon reduction**: Forests make an important contribution to the UK’s environmental objectives, including by acting as a significant mechanism for sequestration and storage of carbon dioxide. Forestry Commission researchers are investigating the effects of changing forest management strategies and their impact on CO2 mitigation. Again, this work would not be funded by private forest owners.

The genuine net cost or saving from abolishing each body, after accounting for the costs of redundancy and delivering services elsewhere

The Forestry Commission is already engaged in a programme to streamline its functions, which will include staff redundancies, and undoubtedly some savings will result from this. However, core services of forest management are already undertaken at a high level of efficiency, working closely with private contractors, and this would be impeded by fragmentation. It is very difficult to quantify the costs of reduced public access in financial terms, though there will certainly be adverse implications for health and education. Equally whilst abandoning research programmes may produce a short-term financial saving, the longer-term detrimental impact on ability to mitigate and adapt to the effects of climate change is more difficult to cost.
An independent analysis of the net wider economic, social, cultural or other costs of abolishing each public body

The work of the Forestry Commission brings broad economic, environmental, social and health benefits:

**Scale:** Forest management is a capital-intensive business where efficiencies rise quickly with scale. Up to 80% of Forestry Commission operations are already carried out by private businesses acting as contractors, where the Commission’s scale of operations means that contractors can justify investment in capital equipment because they achieve high levels of utilisation by moving equipment between forests and regions. Timber production and forest management already have a high level of private-sector involvement and are highly efficient.

**Support for the wood processing industry:** The UK wood processing industry is one of the most modern and efficient in the world. This is because the Forestry Commission guarantees security of supply, albeit at current market rates. This enables processors to invest in new technology and in market innovation in the knowledge that they have secure supplies of raw material. By contrast, private sector landowners typically reduce sales when prices are low and flood markets at times of high prices, so that processors have little security of supply. This has been a major problem even in countries such as Sweden, and is one of the reasons for Scandinavian investment in UK wood processing.

**Wildlife conservation:** Although forests occupy just 9% of the UK land area they contain 25% of areas designated for their wildlife. They are highly important for biodiversity in the UK. Many plant and animal wildlife species need extensive areas of habitat. Breaking up the forest estate so that different management regimes operate across small areas of forest is likely to have a major negative impact on biodiversity.

**Support for local economies:** Although there is no definitive assessment of the value of public forests to tourism, it was evident that the impact of the Foot and Mouth Disease crisis of 2001 on forest closures had devastating consequences for many local tourist businesses. Anecdotal evidence from the Forest of Dean suggests that tourism businesses dependent on the forest generate cash flows around 400% greater than the forest itself generates from timber sales.

**Social health and education:** The public forests attract around two million school visits each year, supported by rangers and by infrastructure such as forest classrooms. This may be the only opportunity that many of those children will have to experience applied science and technology or to see wildlife management. Benefits to health include exercise, escape from pollution, mental well-being and rehabilitation. The Forestry Commission works proactively in partnership with other organisations to support access for all, including the disabled and less mobile.

Continued access to expert/scientific advice

In addition to long-term research, as outlined above, the Forestry Commission provides expert advice in areas such as:

**Water management:** Most forests are managed with little or no input of pesticides and fertilizer. In areas such as Thetford, water from aquifers under farmland has to be mixed with water from underneath the forest to make it usable without treatment to remove nitrates and pesticide residues. Forestry Commission research has improved the quality of run-off and local land stability. Research into the effects of land usage on water tables and water infrastructure is continuing and will contribute to better understanding of how our water usage and supply is likely to change as our climate continues to change.

**Renewable energy and materials:** The current structure of the Forestry Commission allows strategic management of a large public landed estate, much of it located in areas where wind and hydro energy is commercially viable. The capacity for utility companies such as E.ON to deal with a single landowner with a high level of technical and engineering competence means that the public forests attract investment in renewable energy schemes.

6. In summary, application of these broader criteria demonstrates that an evidence-based assessment does not support privatisation of the Forestry Commission.

Q5 How can the Government ensure that the abolition/merger/reabsorption of public bodies result in long-term savings?

7. In Prospect’s view it will be very difficult for the Government to do this. Nearly 80% of Non Departmental Public Body expenditure is made by just 15 organisations. Much of the money spent cannot realistically be reduced simply by abolishing a body: 65% of NDPB costs are in grants that are passed on to others, for instance to fund university research, skills training, legal aid and other core government functions.

8. Furthermore, some public bodies deliver savings through the work they undertake, such as the Audit Commission delivering financial probity and the Environment Agency and Natural England providing environmental protection. Failure to do this would have both a financial and broader societal cost.
9. Science advisory committees account for nearly half of all arms length bodies, but most do not have their own budgets: they simply offer a way of bringing expert advice to policy makers at a lower cost than through consultancy contracts. For example, two key pesticide advisory bodies (the Advisory Committee on Pesticides and the Pesticides Residues Committee) received just £66,000 of government funding in 2008–09. Pollution experts on the Air Quality Expert Group (AQEG) are paid a nominal fee, far below usual consultancy rates, to attend meetings and carry out a considerable amount of work between meetings at no cost to government. If AQEG is abolished this support will be lost and the cost of obtaining expert scientific advice on air quality will rise significantly. It is also likely that the nature of the advice will change as Departments under severe financial pressure will pay for specific pieces of advice, rather than being able to call on it on a continuing basis. Undoubtedly this will reduce flexibility and agility of response.

Q7 Will the abolition of public bodies lead to increased public accountability?

10. The case of the Audit Commission quite clearly demonstrates that abolition will reduce public accountability, not increase it. The Audit Commission currently has responsibility for auditing the accounts of local government bodies and the NHS in England, but it is not simply an auditing body. It provides significant advice to public bodies on improving the way they operate, and also operates the National Fraud Initiative to assist councils in preventing fraud. The Audit Commission was created during the last Conservative administration to ensure that public audit was not wholly placed in the hands of private sector companies whose control and governance is unrestricted by the democratic process.

11. During its existence the Audit Commission has taken the lead in the identification and examination of a number of high profile issues resulting from malpractice in local authorities. Between 1985 and 1986 32 councillors in Lambeth and a further 47 in Liverpool were banned from office and surcharged as a result of illegal activity over rateable incomes. The Audit Commission also discovered the hugely fraudulent behaviour of members of Westminster Council between 1987 and 1989. These practices were uncovered as a result of those being audited having no control over the appointment of auditors. By contrast, the ethical approach of private sector audit companies has recently been criticised by the Financial Reporting Council’s Professional Oversight Board. In addition, there are salutary lessons from privatisation of other core business functions such as IT, and R&D: Government must retain its intelligent customer to ensure delivery of good quality, affordable services from the private sector.

12. Since 1996 the Audit Commission has run the National Fraud Initiative, which has traced £614 million in fraud over that period, including £215 million in 2008–09 alone. It is unclear from the Secretary of State’s announcement whether or where this work will be continued, and if it is to cease how the lost revenues from fraud detection will be made up.

13. The Audit Commission also provides a service of performance analysis for local authorities, housing authorities and fire and rescue services. One recent piece of work into fire and rescue services in England highlighted the severe risk to service provision that would arise if there was major industrial dispute given that cover for fire and rescue services is provided by the army, whose forces are heavily stretched by the operational deployment in Afghanistan. The team that undertook this work has already been subject to a redundancy exercise. Staff are in the process of leaving the Audit Commission with total closure of this function scheduled for January 2011. This decision was not subject to Parliamentary scrutiny.

14. Despite all this and in advance of the Government’s wider announcement about the future of Public Bodies, in August the Secretary of State for Communities and Local Government announced the abolition of the Audit Commission on the basis of a claimed annual saving of £50 million. This saving has not been substantiated. In particular there are major financial implications in relation to pensions and redundancy costs.

15. The Audit Commission has a funded pension scheme, separate from the Principal Civil Service Pension Scheme, with current assets of around £620 million. It is funded at a healthy 97% of liabilities on an ongoing basis. However, if the Audit Commission is closed pension liabilities of around £800 million will immediately crystallize. As the scheme has no Treasury Guarantee the options appear to be either to take the scheme’s assets and liabilities into the public purse, causing a deficit to the Treasury of in the region of £200 million, or to cast the members of the scheme (both working and pensioners) onto the mercy of the Pension Protection Fund. This would mean that the Government as employer would be the first user of this safety net.

16. There will also be significant liabilities accruing from making contractual redundancy payments—which are not linked to Civil Service redundancy terms but are much more in line with the Audit Commission’s private sector comparators. These far outweigh the reserves available to the Audit Commission. Prospect’s estimate is that the funding gap amounts to around £50 million. Again there would be an immediate detrimental impact to the public purse.

17. External stakeholders have recently indicated a high level of concern about the closure of the Audit Commission and the potential sale of its audit practice. The Financial Reporting Council stated that further concentration of work in the hands of the big four audit companies was unhealthy, whilst the Institute of Chartered Accountants in England and Wales (ICAEW) stated that the abolition of the Audit Commission would undoubtedly increase the cost of public audit.
18. Regrettably the nature of the Government’s announcements and unfortunate Ministerial statements have clouded the debate. Many of the public bodies identified for closure are run at little cost to the taxpayer and provide government with high quality advice and information. The examples we have given of the Forestry Commission and Audit Commission, both larger bodies with key functions, demonstrate that the issues for consideration are more complex than may at first appear.

19. In Prospect’s view these examples clearly illustrates the need for a more robust framework to ensure accountability. Our proposal is that when a public body is identified for closure, there should be a transparent consultation to assess its value and continuing requirement for the functions undertaken based on the criteria proposed in response to Q1. Consultation responses should be published and made subject to scrutiny by the Select Committee who should, as in any other inquiry, have the ability to examine witnesses and make a balanced recommendation and to publish their findings.

November 2010

Written evidence from the Public and Commercial Services Union (PCS)

INTRODUCTION

1. The Public and Commercial Services Union (PCS) is the largest trade union in the Civil Service (with over 300,000 members). We are submitting our views to the select committee because of our key position as the largest trade union representing staff working for Non-Departmental Public Bodies (NDPBs).

2. We would be happy to supplement this written submission with oral evidence or further written evidence.

3. Our members and representatives in NDPBs have a wealth of information and understanding about the organisations, what they do, why their functions are important to the economy and to society, why it is important that those functions continue, and what the impact would be if they didn’t. We have illustrated our points with examples from these organisations, and would be very happy to follow up with further detailed evidence.

4. A major concern we have about the process of deciding to abolish NDPBs is that there has not been sufficient consultation of those that provide and use their services, which we suggest is a further reason the select committee would want to hear more detail.

SUMMARY

— PCS disagrees with the Government’s policy of abolition of NDPBs as part of public sector cuts to tackle the deficit, and instead proposes an alternative strategy.
— We are concerned about the process of abolition, in particular the failure to assess and evaluate the impact or to allow Parliamentary or public scrutiny of the decisions.
— We challenge the assertion that cutting NDPBs will increase public accountability: we believe this will worsen it.
— We explain that far from reducing costs, there will be serious economic, regional and social impacts from abolition.

CUTS

5. The Government plans to cut the number of NDPBs as part of its plans to reduce the deficit by reducing the level of public expenditure.

6. PCS disagrees with the Government’s assertion that it must reduce the level of public expenditure in order to tackle the deficit.

7. We propose an alternative strategy: we should collect the tax that is uncollected, avoided or evaded; we should create jobs rather than worsen the economic situation by cutting them; and we should use the nationalised bank assets for public good. If this strategy was followed public services would not need to be cut.

8. We don’t accept that it is necessary to abolish NDPBs as part of public sector cuts. (Q1)

PROCESS

9. The Government has already begun the process of abolishing NDPBs before publishing the draft legislation to enable abolition, and before there has been proper assessment or consultation. Ministers have made announcements disparaging organisations while announcing their abolition, without having carried out proper and transparent evaluation.
10. In preparing this submission we have concentrated on organisations where abolition has been announced to illustrate our concerns about the process and the impact. However, we don’t know which other organisations are also to be abolished using this same flawed and hasty process: all we have to go on is a leaked list of organisations under consideration.

11. The Government has failed to do an equality impact assessment of the proposal to cut NDPBs, despite this being a legal duty.

12. The Government has failed to do economic or regional impact assessments, although there will be economic and regional impacts of the abolitions.

13. In the decisions made so far on which NDPBs to abolish, the Government has failed to consult users and providers, leading to flawed decisions which have not taken account of the full functions carried out by the organisations.

14. The process for deciding which NDPBs should be abolished has not been sufficiently transparent because of the failure to properly assess, evaluate and to consult (Q4).

15. The Government proposes to introduce legislation to abolish public bodies without Parliamentary scrutiny. Many of the organisations whose abolition has been announced were set up by primary legislation, but no opportunity has been allowed for Parliamentary scrutiny of proposals to abolish or merge them.

16. Because the process of decision-making has not been transparent, it is difficult to know how decisions to abolish NDPBs have been reached. However, it appears that many of these decisions are open to challenge using the Government’s own criteria: technical operations; politically impartial decision-making; determining facts transparently.

17. Clearly a number of NDPBs perform important functions which should be politically impartial. Several independently scrutinise government progress, for example the Sustainable Development Commission told the Government in 2009 that though they had made significant steps they were not on course for meeting their carbon emissions target. It is important that the Government receives advice, even when that advice might be unwelcome or unpopular.

ACCOUNTABILITY

18. One reason the Government has given for its decision to reduce the number of NDPBs is to increase public accountability. We challenge this proposition (Q7), (Q8).

19. NDPBs are already accountable to ministers of their parent or sponsoring departments, and they are also accountable to Parliament through the National Audit Office, Public Administration Select Committee, and the Comptroller and Auditor General who ensure that they spend public money for that purpose it is granted to them.

20. Some NDPBs have further specific channels of accountability. For example RDAs, as well as being accountable to the Business, Innovation and Skills Department, are accountable to Parliamentary subcommittees for each region.

21. Accountability would not be increased by abolishing NDPBs. The statutory duties and functions and other important roles they carry out will be transferred or taken up elsewhere. In some cases these functions will be transferred into central government. In others they will be transferred to the private sector, the third sector, or elsewhere.

22. Many of these changes will severely decrease accountability. Instead of a clear line of accountability from the NDPBs to the minister, the involvement of non-government or non-public sector organisations will create a loss of clarity about who provides what and who is accountable to whom.

23. Accountability in local government would certainly not be improved by the abolition of Standards for England. This body oversees the way local authorities deal with complaints about their councillors and investigates the 20% of complaints that local authorities cannot do themselves. If this function disappears, and if the Government goes further and abolishes the code of conduct for councillors and the system under which local authorities investigate complaints, then the public will have no way to hold councillors accountable for any misdeeds.

24. The abolition of the Audit Commission will mean that auditing will be done by private sector auditors. It will no longer be done by an accountable public body. The Audit Commission looks at local services working together to provide high quality and cost effective services and enables the public to compare value for money from area to area. If abolished the public will lose this route for holding local government accountable.

25. There is no evidence that accountability is being considered in the decisions the Government is making about the abolition of NDPBs.

26. Departments are currently deciding who will take up the functions of organisations that are to be abolished, but it is not clear that they are evaluating and considering issues of accountability: they are certainly not doing so transparently.
Costs and Impact

27. The Government gives cost as one of its primary reasons for the abolition of NDPBs. The inquiry asks about the implications of abolition and changes in terms of disruption and costs (Q6).

28. We challenge the assertion that there will be cost savings. Even if there were some savings in the short term (which itself is doubtful), there will not be long-term savings once account is taken of the full impact of abolition (Q6).

Abolition process costs, impact and disruption

29. The cost of the process of abolishing NDPBs includes the costs of redundancies, relocation, excess fares, retraining and recruitment.

30. Estate management costs will be significant, as decisions to close offices or move result in being left with premises which are hard to shift in an unfavourable property market, or being left with leases with large penalties for cancelling. For example the outstanding lease on Becta’s premises, refurbished in 2010–11 at a cost to the Department for Education of £3 million, will cost the department £4 million between 2011 and 2018.

31. The latest estimate of windup costs for Standards for England is £15 million, set against an annual budget of £6.4 million.

32. There are numerous staffing impacts from these abolitions, merger or other changes, including loss of expertise, impact on staff morale, uncertainty and stress, impact on terms and conditions.

33. Management, unions and staff will be dealing with complex negotiations. Harmonisation of terms and conditions is made more complex by having terms and conditions that vary considerably between NDPBs and departments and across the Civil Service. There are legal obligations to carry out collective and individual consultation and complex transfer rights under legislation and agreements. There will be full or part transfer of functions, necessitating examining the percentage of an individual’s work in a particular role before deciding where to allocate them, and this is just one example of much detailed work to be done.

34. In addition to the impact on staff, there will be disruption to the provision of public services in all organisations facing abolition or change, from organisations that are very new, for example the Young People’s Learning Agency has only been in existence for five months since it was created in a reorganisation, and now faces further disruption, to other organisations which have well-established contacts and have built up a wealth of expertise and experience in their field, for example the Independent Living Fund established in 1988 which advises on and champions ways to enable severely disabled people to live independently and now face the loss of these assets.

The impact costs

35. There is an impact on the economy, regionally and nationally, and on the ability of this country to deal with the deficit.

36. The level of skills in the workforce is crucial in economic recovery. However, the abolition of education and qualifications bodies will have an impact. Employers need consistent qualifications and confidence in the standards of these qualifications.

37. If the Qualifications and Curriculum Development Agency (QCDA) is abolished the loss of a coordinated approach to qualifications could lead to anarchy in the field, making it difficult for educational institutions or employers to be certain of the value of qualifications that learners or potential employees present to them.

38. QCDA developed the Qualifications and Credit Framework. Designed to help to present qualifications in a way that is easy to understand, and which facilitates and rationalises the recognition and measurement of achievement, it has a big part to play in meeting the requirements of the Leitch Report to ensure that the country has sufficient numbers of people with the right skills to meet the challenge of the coming years. In the current economic climate, its benefit to employers and employees and the economy is of particular importance. It is essential this work is continued and built upon, however it is not clear how that will happen if QCDA is abolished.

39. A key example of national and regional impact is what would be lost if the Regional Development Agencies (RDAs) are abolished.

40. RDAs play an important role in bringing economic prosperity to all English regions, using economic expertise to encourage growth in the important regional industry sectors. An independent report by Pricewaterhousecoopers in March 2009 found for every £1 spent by the RDAs £4.50 was put into the local economy by other sectors.

41. RDAs lead development, provide help with new business start-ups, and support enterprise and new businesses. RDAs focus on skills development to meet the needs of regional economies.
42. Business leaders, local authorities and regional economists have all expressed concerns about the abolition of RDAs. There will be a considerable impact on inward investment, regional marketing, and research and development if these changes go ahead. In addition the Government has halted several large projects supported by RDAs which would have increased long term economic prosperity in regions.

43. The Government has stated that regions such as the north-east are over reliant on the public sector, and it wants the private sector to flourish. The abolition of RDAs will hinder the development of private sector industries in these areas, where a strategic approach to economic regeneration is required. As a result of the abolition of these organisations regional economies will suffer.

44. The loss of RDAs and the positive role they play will be exacerbated because there will be no Government Office Network (also being abolished as a separate measure) to fall back on.

45. Abolishing the RDAs could put at risk European funding which aims to help England’s most deprived areas, costing hundreds of millions of pounds. It has not yet been decided how to manage the programme after the abolition, and the European Commission has made it clear that the change could mean targets are not met and the funding could be lost in regions that will be in even more need as a result of public expenditure cuts.

46. The abolitions will have an impact on local areas and regions. One example is that abolition of the three education bodies employing over 1000 people will have an impact on the wider West Midlands economy as these high-quality jobs are lost from the area, and will hit Coventry particularly hard, with Becta and QCDA being among the largest local employers with 750 staff between them.

47. The Government said in the June budget that it would have regard to the impact of cuts on areas of the country which most rely on the public sector employment. However, many of those areas are likely to be affected by the loss of jobs as a result of abolishing NDPBs (on top of other job cuts coming out of the spending review).

48. The abolitions will have an impact on the rural economy, hampering rural regeneration.

49. The Agricultural Wages Board plays an important role in attracting and retaining skilled workers. If it is scrapped there is likely to be a race to the bottom amongst rural employers, which will exacerbate the skills and labour shortages, threaten the viability of agriculture and have a major impact on the rural economy.

50. Many of the organisations facing abolition save the Government or the public sector money, including the Sustainable Development Commission, National Policing Improvement Agency (NPIA), education bodies and many others.

51. Costs for schools will increase if they have to carry out the functions provided by Becta, General Teaching Council and QCDA. For example, with its capability for creating economies of scale in ICT provision, Becta plays a key role in ensuring schools are able to get more for less.

52. There is a strong case for maintaining a central source of ICT expertise on cost grounds. A Becta agreement with Microsoft that greatly reduced the number of licenses schools are required to buy will not be renewed in December 2010, and there is no guarantee any other organisation(s) will be able to replicate this agreement, resulting in significantly higher potential costs of operating system and software licences for schools.

53. The abolition of the Agricultural Wages Board will mean that farmers will have to negotiate pay and understand employment law, meaning increased costs and bureaucracy for them, and potentially costs from the harm done to industrial relations in the industry.

54. There are costs to carrying on the work done by NDPBs that will be abolished if their functions continue elsewhere.

55. However, there will be even greater impacts and costs from not carrying out them out after abolition.

56. For example, there will be costs in corruption and waste if organisations such as the Audit Commission and Standards for England are abolished.

57. Standards for England was set up to ensure standards in local government, and if it is abolished the problems of corruption that led to its establishment are likely to recur meaning long-term costs rather than savings. The problem is exacerbated by the abolition of the Audit Commission, which will no longer be in place to prevent local fraud, corruption and financial irregularity.

58. In addition, if Standards for England and the ethical standards regime for local government is abolished the outcome could include variable and declining standards, declining public confidence in elected officials, and in national and local politicians, reduced access of the public to complaints mechanisms, and a loss of advice or consistency for local authorities on standards of behaviour.

59. Abolishing the Commission for Rural Communities will mean a loss of the important role it plays in the economic regeneration of rural communities, changes to Natural England and the Forestry Commission will endanger nature conservation work and the protection of vulnerable species and habitat, and abolition of the Royal Commission on Environmental Pollution will put the environment at greater risk from pollution.
60. The Sustainable Development Commission (SDC) plays a role in improving the efficiency and sustainability in the way government is run and how it decides what it does, and this will be lost, with resultant costs, if it is abolished.

61. In addition, the loss of the SDC will mean a loss of its crucial work in scrutinising government progress toward sustainability, helping towards progress in energy conservation and a low carbon economy and encouraging public debate on a whole range of climate and environmental issues.

62. If the General Teaching Council for England (GTCE) is abolished, there is a question about who will carry out the safeguarding functions of the GTCE independent of government in England (GTCs in Scotland, Northern Ireland and Wales are to continue). It will mean the loss of the independent professional body whose remit is to contribute to improving the standards of teaching and quality of learning and to maintain and improve standards of professional conduct amongst teachers in the interest of the public. This loss will impact upon standards in schools in England.

63. The GTCE’s Professional Standards Team have investigated over 4,000 cases of unacceptable professional conduct, serious professional incompetence or convictions for relevant offences, including manslaughter, fraud, accessing of inappropriate materials on school equipment, and grooming of minors.

64. The National Policing Improvement Agency (NPIA) provides critical national services to support frontline policing, helping the police to save money and operate more efficiently (eg by achieving value for money in procurement) and to improve the focus on serving the public and working towards a safer society. There is a danger that these will be lost if the NPIA is abolished.

65. Particular groups will feel an impact. From the abolition of education NDPBs young people and learners face a less safe environment, lower provision and access to resources, less help for teachers, less choice of schools and concerns about quality of examinations, curriculum and qualifications.

66. There will be an impact on some of the most vulnerable in society. The Independent Living Fund helps 21,000 people who are severely disabled to live independently. With administration costs of only £9 million a year (out of a total grant of £350 million) it plays a key role in saving the state money that would otherwise be spent on institutional care. If abolished many users and providers are very concerned that local councils will be unable to provide any more than basic support, because of financial pressures and the complexity of replacing a national service to individuals. Disabled people could lose their ability to live independently in their communities and take part in society as full and equal citizens.

67. The inquiry asks about improving effectiveness for remaining NDPBs after abolitions (Q8). We consider that the effectiveness of the whole of government should be considered, particularly as many of the functions from NDPBs that are abolished are likely to be transferred into central government or other parts of the public sector—areas that are subject to the Government’s cuts agenda. We are deeply concerned that the proposed cuts will have a major impact on the effectiveness of all of the public sector.

Written evidence from Tom Burkard, Research Fellow, Centre for Policy Studies

— In principle, NDPBs are wrong: no unelected body should have the rights to spend public monies, impose levies, make regulations which have the force of law, and use the courts to fine or imprison people who fail to conform.

— One of the principle reasons for the creation of NDPBs is to enable ministers to implement policies for which the Civil Service has little enthusiasm.

— However, NDPBs soon develop according to their own internal logic: most of the educational initiatives we have studied have involved ‘integrated delivery’ between a number of bodies.

— In recent years, some civil servants have blatantly usurped ministers’ functions by briefing against policy proposals. Any attempt to reduce the role of NDPBs which does not take the above factors into consideration will prove futile. We believe that Commons Select Committees should play a greater role in advising ministers: by broadening the base of political support for policies, civil servants would find it more difficult to act unconstitutionally.

— The remit of the PASC should be extended to oversee detailed reports on individual quangos submitted by the relevant Commons Select Committee.
1. In principle, NDPBs are wrong: no unelected body should have the rights to spend public monies, impose levies, make regulations which have the force of law, and use the courts to fine or imprison people who fail to conform.

From this principled position, we do not argue that all quangos should be abolished with all possible dispatch. Those which are merely advisory, and those which have negligible access to taxpayers’ monies, may in fact be worth saving. Nor should principle ever be pursued blindly when the consequences would be demonstrably disastrous. It will clearly take a lot of time to wind down NDPBs, and this needs to be done in a considered manner that does not entail needless expense, curtailment of essential public services, or adverse political consequences.

However, we do believe that there should be an automatic presumption that government business—especially when it involves the exercise of the above-stated functions—should always be conducted under the direct control of ministers. The coalition’s first two criteria for disbanding NDPBs do not make sense: there is no reason why ministers and their officials cannot deal directly with persons who have the ability to perform “precise technical operation[s]”. They do not need a highly-paid quangocrat to do it for them. Secondly, any time the Government gives my money to someone else, it is a political act, plain and simple. This feeling is widely shared; hence the overwhelming public sentiment against quangos.

2. One of the principle reasons for the creation of NDPBs is to enable ministers to implement policies for which the Civil Service has little enthusiasm.

When the TTA was formed in 1994, ministers hoped to circumvent civil servants in the DES who had blunted the effects of Kenneth Baker’s reforms. Following the publication of Reading Fever: Why Phonics Must Come First—a 1996 Centre for Policy Studies publication written by Martin Turner and myself—the TTA called us in for consultations on the curriculum they were drafting for initial teacher training courses. Our suggestions, which were quite radical (they were finally accepted in 2005) were duly incorporated. However, after the 1997 general election, the new curriculum was hastily dropped, and the TTA would not even reply to my e-mails. This demonstrates how quickly quangos will revert to consensual positions, and how resistant they are to ministerial innovations.

3. However, NDPBs soon develop according to their own internal logic: most of the educational initiatives we have studied have involved ‘integrated delivery’ between a number of bodies.

Once the initial purpose of a quango has either been achieved or forgotten, those involved will quickly find ways to insinuate the new quango into any government initiative which is remotely concerned with their original brief. In our review of the Children’s Plan, we found one initiative—the Family Intervention Project—which involved both the Home Office and the DCSF, 11 quangos, and countless charities and agencies in 150 local authorities. The principle of “integrated delivery” ensures that responsibility is diluted to the point of invisibility. And indeed, the confusion extends to those who staff our quangos: our investigations were seriously hampered by the difficulty we had in finding anyone who even knew that their quango had a role in a given initiative/let alone what the role was. Government business is already quite complex enough without having such duplicated effort and muddied lines of communication.

4. In recent years, some civil servants have blatantly usurped ministers’ functions by briefing against policy proposals. Any attempt to reduce the role of NDPBs which does not take this—and the above factors—into consideration will prove futile. We believe that Commons Select Committees should play a greater role in advising ministers: by broadening the base of political support for policies, civil servants would find it more difficult to act unconstitutionally.

Under these circumstances, it is understandable that ministers have the urge to create new quangos to execute their policies. We believe that the only way this kind of obstructionism can be overcome is to strengthen our representative bodies to ensure that they more accurately reflect both informed opinion and the will of the electorate.

In the first instance, we need to think more about limiting the role of government—the present level of control and regulation has clearly gone far beyond what is fit and proper in a free society composed of responsible citizens. Whenever possible, the functions it can and must perform should be devolved to local authorities, which in turn need to be something more than an administrative arm of central government.

The most important reform would be to grant Commons Select Committees a stronger constitutional role in advising ministers and shaping policy. They have the ability to act reflectively, without the pressures of daily government business. They can admit inconvenient truths, whereas ministers must be guarded lest they offend any more people than is absolutely necessary. Select Committees have the ability to call on a wide range of expertise and opinion, which lends authority to their recommendations.

We believe that such a move would help restore the prestige and the authority of Parliament. Francis Maude has made an important step in this direction by his remit to the PASC.
5. The remit of the PASC should be extended to oversee detailed reports on individual quangos submitted by the relevant Commons Select Committee

The Civil Service is not the appropriate body to advise ministers on the abolition of NDPBs, because they have an interest. We believe that Commons Select Committees should assume this role for quangos which are relevant to their brief, and that this should be done under the overall direction of the PASC, with each Committee entitled to request such documentary and oral evidence from both the relevant NDPB and the department as it may require.

November 2010

**Written evidence from the Cabinet Office**

1. Did you issue guidance to Departments on exactly what was meant by the four tests and how they should apply them? If yes, can you please send the Committee a copy?

The Minister for the Cabinet Office wrote to all Secretaries of State in June 2010 with an initial view on how the tests could apply to each department’s public bodies. Following this, Cabinet Office officials worked closely with officials in other government departments to support ministers to make decisions about public bodies that were based around the four tests whilst also recognising the unique circumstances of each department’s public bodies landscape. In some cases the Minister for the Cabinet Office met the relevant Secretary of State for a bilateral discussion about how the tests could be applied and, where questions remained, two wider ministerial meetings were held where ministers could discuss the application of the tests to those public bodies. No written guidance was issued.

2. In the Prime Minister’s speech of July 2009, his test of political impartiality was focused on bodies that distributed money. In practice its application has been much wider than this. When, and on what basis, was the decision to widen the definition of political impartiality taken?

It is true that many of the bodies being retained on the grounds of requiring impartiality are associated with the distribution of public money. However, distributing money is only one criteria in determining whether an organisation should be impartial, there are organisations like the Charity Commission, for example, where decisions must be impartial from government.

3. What steps has the Cabinet Office taken to ensure that the tests were applied consistently? Were departments required to submit their reasoning to the Cabinet Office?

Whilst it was important to apply the tests as consistently as possible across each department, it was also important to recognise any wider considerations that may have a bearing on the body’s future. Cabinet Office officials therefore worked closely with officials in other government departments to support ministers to apply the tests to their public bodies in a way that supported the policy aims of those departments. In some cases that meant that a decision could not be reached at that time—for example in the case of Ofwat, where the body is subject to a review.

4. Why has no reason have been given for the retention several bodies? For example: Competitions Appeals Tribunal, Equality 2025, Health and Safety Executive, Monitor, OFWAT, and Royal Mail Holdings Plc.

5. Similarly no reason has been given for the retention of the body which will be created by the following mergers: Certification Office and Central Arbitration Committee; Competition Commission and Office of Fair Trading; Postcomm and Ofcom; Gambling Commission and National Lottery Commission; UK Sport and Sport England; Pensions Ombudsman and Pensions Protection Fund Ombudsman; Serious Organised Crime Agency into the new National Crime Agency; and Crown Prosecution Service and Revenue and Customs Prosecutions Office. Could you please explain why this was the case?

6. Often when a body is being “retained and reformed” no reason is given for its continued existence. Examples include: Environment Agency, Equalities and Human Rights Commission, Financial Reporting Council, Forestry Commission, Homes and Communities Agency and Natural England. Why is this the case?

There are instances where the Government believes that the body passes at least one of the tests, but felt it was more appropriate for the description in the Written Ministerial Statement to focus on how the body would develop in the future. Equality 2025, for example, will take on the functions of other bodies, including some of the functions of the Disability Employment Advisory Committee.

Where a merger is proposed, the Government believes that the resulting bodies will pass at least one of the tests but, as the Written Ministerial Statement makes clear, the need to simplify and streamline the system means that merger is the right and the most efficient course of action.

For bodies being retained and reformed, the Written Ministerial Statement focuses on the reform that the Government believes is required to ensure that the remaining body will pass at least one of the tests.
7. How can the merger of two bodies by justified on accountability grounds in cases where the new body’s relationship with the sponsoring department does not significantly differ from that of the old bodies?

Accountability is indeed the main driver for the reform of public bodies. In many cases mergers will give clear accountability to one body for a particular activity rather than it being duplicated across many. The work also gives Government the opportunity to streamline the operation of public bodies and create efficiencies where it feels these can be achieved.

8. How will the government avoid the reforms weakening the visibility of functions current performed by public bodies, as they compete for attention within a wide range of departmental concerns and priorities?

(a) this not make it more difficult for stakeholder group to hold policy makers to account in these areas?

The Government considers that bringing some functions closer to ministers, for example by moving them into departments or creating an executive agency, will increase ministerial accountability for these functions. It will mean that stakeholders are better able to engage with ministers on these issues rather than negotiating via a third party. Other bodies will be moved closer to the communities that they serve: the functions of the Thurrock Development Corporation, for example, will be devolved to local government, meaning that local people can better understand and be closer to decisions that affect their everyday lives.

9. How will the government ensure that triennial reviews consider ways in which government sponsorship arrangements/the way it managed public bodies are inhibiting their effectiveness? Can you please update the Committee on the milestone relating to public bodies included in the Cabinet Office Business Plan? Specifically:

(a) How can the department have “completed” supporting departments in developing robust implementation plans (1.16.ii) when some bodies are still under review?

(i) What form has this support taken?

(b) Who was consulted when you conducted the review of terms and conditions of employees of public bodies which are to be reviewed (1.16.iii)? The Union said they had not heard of the review.

Cabinet Office will be issuing guidance to departments on the new triennial review process in the new year. This will include a “checklist” to help departments strike the right balance between departmental control and oversight and operational freedoms and flexibilities for public bodies. Separately, Cabinet Office will be revising its general guide for departments on public bodies which will include guidance, and examples of good practice, on sponsorship.

Departments are now working through the implementation of their proposals. Whilst some proposals are still under development—for example in terms of specific decisions about where functions will transfer—it is important that departments think early about how to approach implementation and the potential impact on the organisation’s staff.

As the Minister for the Cabinet Office set out on 3 November, departments are absolutely the best placed to lead this work. They have the greatest understanding of how to improve the accountability and efficiency of their public bodies landscape, and are taking forward reforms in the context of their broader business plans for the spending review period. Whilst the pace of change will vary, therefore, departments have been working with their public bodies and stakeholders to come up with sensible plans about how to deliver the reform programme.

Where it is considered it would add value, the Cabinet Office has been supporting departments to think about implementation, through our Public Bodies Working Group and Steering Board. Whilst implementation planning is proportionate to the scale of reform, the Cabinet Office has generally expected consideration of how to ensure robust governance arrangements are in place, timescales and milestones, risks to delivery, how to track benefits and how—as the proposals become more firm—ensuring that the costs of change are minimised and the savings maximised, in the context of departmental business plans and spending review settlements.

The Cabinet Office will continue to support this process by running thematic workshops for departments and pulling together existing guidance on implementation issues.

As the reform process develops it is important for Government to fully understand the appointments landscape in public bodies. The Public Bodies Reform Team has therefore been working with departments to collect information on the terms and conditions of public bodies’ board members. Similarly, departments have been working to ensure that the information they hold on the staff in affected bodies is comprehensive.

This information is of course sensitive, and will be used carefully by departments to make decisions about whether and how the workforce in each body needs to change. Plans for changes to individual organisations will be taken forward, in line with existing practice, in discussion with staff and trade unions.

10. The House of Lords Constitution Committee has recommended that Orders made using the Public Bodies Reform Bill [Lords] should be subject to the super-affirmative procedure. What it the Government’s position regarding this suggestion?
The Government values the expertise of the House of Lords Constitution Committee and this Bill will benefit significantly from their contributions throughout its passage through Parliament. In his closing speech to the House of Lords, Lord Taylor was clear that the Government would work proactively and constructively with Peers to ensure the Bill delivers on the Coalition commitment to reform public bodies while also meeting the expectations of Parliamentarians that it contains adequate safeguards, sufficient consultation requirements and is subject to appropriate Parliamentary scrutiny. This is why the Government has tabled a number of amendments that build in these additional reassurances to Parliament, while striking the balance that members of the public expect, that the public bodies landscape is quickly and fundamentally reformed.

Specifically regarding the Committee’s proposal that orders should be subject to the super-affirmative procedure, the Government has tabled amendments that substantively increase Parliament’s opportunity to provide scrutiny and also reflect the varying definitions of the super-affirmative procedure. The Constitution Committee’s report proposed that the Government replicate the procedure as set out in the Legislative and Regulatory Reform Act 2006. However, the Government believes the scope of that Act is wider and more significant than the Public Bodies Bill and so has sought to establish a form of enhanced affirmative procedure that balances the need for Parliament to scrutinise orders with the need for ministers to deliver part of the Coalition’s Programme for Government in a timely fashion in line with public expectation.

This new procedure allows for Parliament to determine whether an enhanced affirmative procedure is necessary. This procedure then builds in a longer period that allows for select committees to make recommendations, for the Minister to reflect on representations from Parliamentarians and for an affirmative vote in each house. The conventions regarding voting on statutory instruments are a matter for Parliament to consider.

11. Why does the Government think it is appropriate to have bodies which it believe need to be independent of Government (Channel 4, British Library, Committee on Climate Change, Gangmaster Licensing Authority, School Teachers Review Body . . .) listed in Schedule 7 of the Act? Does the Act not give the Government much more power than it needs to carry out the reforms it has identified in this review?

Schedule 7 lists all statutory bodies that were subject to the review and bodies that are still subject ongoing review processes, with the exception of a small number of bodies that are already planned to be subject to other legislation (for example the Health Bill). The purpose of Schedule 7 is to clearly define those bodies to whom the powers in the Bill could apply following the conclusion of further review processes. One of the reasons for the Coalition Government’s recent review process and plans to establish a triennial review process is to ensure the Government has a clear mechanism to re-evaluate the public bodies landscape and a legislative framework for making changes to statutory bodies. For example, where the conclusions of a future review propose that a statutory body should be retained but subject to reforms that will improve its efficiency and accountability there would not be a legislative vehicle without the Public Bodies Bill. The Committee can be reassured by the recent amendments tabled by the Government that where a function requires an organisation to remain independent, the powers in the Bill could not be used to affect that function. Similarly, the more stringent Parliamentary procedure set out in the amendments provides for additional scrutiny and an enhanced check on Ministerial power. It is certainly not the case that the Government can reform or even abolish public bodies on a whim, but it is important that additional changes to be made in the interest of efficient, effective Government could be implemented.

12. Why are only some bodies that were reviewed listed in the Act? How were decisions made?

A number of bodies that were subject to the review do not require legislation in order to make reforms. Other bodies, such as a number of health bodies, are already planned to be subject to other legislation.

November 2010

Written evidence from Professor Colin Talbot

IN DEFENCE OF QUANGOS:

why arms-length bodies are a vital part of our democratic system of public administration and what should be done to organise them better.

INTRODUCTION

This submission to the PASC is based on 20 years of research7 and practical experience of working on and with a wide variety of “arms-length bodies”—agencies or quangos—both within the UK and internationally. This work is detailed in a long series of publications, the most important of which are listed at the end of this paper.

7 For example, my colleague Professor Christopher Pollitt and I led two major comparative research projects a decade ago looking at “agencies” in the UK, Netherlands, Sweden and Finland (funded by ESRC) and in Jamaica, Tanzania and Latvia (funded by DfID).
This short paper will focus on so-called “executive” bodies—i.e., those primarily concerned with the delivery of various types of services and as opposed to advisory or regulatory bodies. The arguments regarding advisory and regulatory bodies are in some ways similar, and indeed even stronger with regard to the need for appropriate distance between elected politicians and specific judgements. But the main focus here is on “service delivery” agencies of various types, some of which combine delivery, advisory and regulatory functions (e.g., tax collection agencies).

**DEFINITIONAL ISSUES AND THE BIG PICTURE**

The governments’ review of quangos has concentrated almost exclusively on NDPBs, which are only one class of what the Institute for Government have chosen to call “arms-length bodies” (ALBs). There has been a great deal of international policy-maker and academic debate about how to precisely classify such bodies, but however they are defined it is obvious that all advanced democracies, and many other states too, make use of a variety of organisational forms that are outside of traditional “ministry” type structures.

In the UK, it is quite clear that some of the distinctions between classes of organisations are both blurred and often unhelpful. For example, by the mid-1990s the only major difference between civil service “Executive Agencies” and “Executive NDPBs” was their legal status—both had been reconfigured along “Next Steps” lines (more about which below under “managerial reasons”).

For ease I will use the term “arms-length bodies” or ALBs for the whole category and quangos or NDPBs for the specific sub-set which the Government have considered in their review.

I will concentrate in the paper on issues to do with why, and how, ALBs can best be established and organised rather than on the tests that should be applied as to whether the function they organise should be done by government at all. Most ALBs will still be with us after the current cull, and we should be thinking about why that is and how best to manage them, not just focussing on how to get rid of them, which has proved (yet again) far harder in reality than in rhetoric.

**POLITICAL REASONS FOR HAVING ALBs.**

There are numerous reasons why all OECD countries have a plethora of ALBs, the most fundamental of which have to do with the nature of representative democratic systems.

Political scientists have developed the idea of “losers consent”—the notion that for democracy to function those parties and voters who “lost” elections have to agree to go along with the decisions of the “winners”. They have to obey the laws, pay the taxes and abide by regulations they themselves may oppose. In order to maintain this consent an important aspect of public administration has evolved—the idea of a neutral public administrative apparatus that is simultaneously under majority democratic rule but also represents a more universal, apolitical, “public interest” that embraces both majority and minority.

All public bodies—from the civil service through to public corporations—embed this basic tension between democratic responsiveness and universal appeal to some extent, but with slightly different balances, often related to just how distant they are from direct political control.

Typically, for example, police forces and tax collection agencies are more “neutral”, at greater arms-length, from elected politicians than say education or health functions. But each has to balance democratic responsiveness against a more universalistic public interest.

As I have argued previously to this Committee, this creates what has been called a “conservator” role for public servants—sometimes having to defend public bodies against the inappropriate, illegal or unconstitutional exercise of political power. Public servants have to be able to say both “yes, minister” and “no, Minister”, appropriately.

As I said in oral evidence to the Committee, probably the most common public function in OECD countries to be organised on an ALB basis is tax collection, for very good reasons. A strong ALB status prevents elected politicians from “getting their hands in the till” (as still happens in some countries) or interfering in individual tax decisions to advantage or disadvantage individuals (see for example some recent reported cases in Russia). That is why HM Revenue and Customs and its predecessors were not only “non-Ministerial Departments” (NMDs) but also the only large public bodies in Whitehall established, like NDPBs, on a statutory basis. One of the reasons we have a relatively high level of tax compliance (as contrasted to countries like, say, Greece or Italy) is precisely because we have managed to maintain this clear “public interest” status of our tax collection system. In my view, these fundamental advantages of having varying degrees of “arms-length-ness” to our public bodies is too often neglected in debates, especially about quangos.

A related function of ALBs is to provide a degree of “check and balance” within the policy-making processes within Government. ALBs are often used as a means of bringing expert and/or independent opinion into decision processes, and in some cases (regulatory ALBs) even delegating some decision making to them. This sometimes includes, to use the tax example again, the detailed interpretation of laws.

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8 In my evidence to the professional Skills for Government Inquiry.
independent of direct political control. This is a neglected aspect of what in the USA is often called the “separation of powers” but is in reality the distribution and duplication of powers to ensure there are checks and balances against arbitrary exercise of power. This is a legitimate, and unavoidable, cost of democracy.

This aspect of ALBs often leads to confusion over the so-called “duplication” of functions between ALBs and Ministries. This arose, for example, the case of some of the larger executive agencies such as prisons, employment, and benefits. There was considerable debate over whether Ministries, or agencies, or both should have policy functions. In practice in most cases it was both, regardless of the formal arrangements, and for good reasons. Policy analysis driven by “delivery” agencies had a very different, and valuable, perspective to that driven by Ministry HQs, and both had strengths and weaknesses. It can be argued that Ministers are better served by hearing advice from both perspectives rather than just one or the other.

Finally, ALBs were created in the form of “Next Steps” agencies as a way of addressing the problem of diffuse accountability between Ministers at the top of departments and service delivery units, of various shapes, sizes and importance, within departments. The whole “Next Steps” philosophy—as applied to both agencies and executive NDPBs—revolved around the notion that having a direct “line of sight” between Ministers and various delivery bodies would improve the accountability of the latter to the former.

**Managerial Reasons for Having ALBs**

The “Next Steps” report (1988) set out cogently the reasons that Whitehall departments were generally bad at organising the delivery of those public services for which they had direct managerial responsibility. Mandarins tended to look upwards to Ministers and policy-making, rather than downward to delivery and performance. The chain of command within complex, multi-functional, Ministries often meant it was very difficult to really hold specific functions to account, or to steer them in required directions.

The solution adopted—Next Steps “agencies”—tried to overcome these problems by creating a new ALB form. Each agency had a Chief Executive who usually reported directly to Ministers, a foundational “framework document”, publicly reported key performance targets and business plans approved by Ministers, and crucially operational freedoms over internal organisation, personnel and financial arrangements. At the height of the Next Steps programme about 140 such agencies had been created, employing about 80% of civil servants.

Unlike NDPBs, agencies had no legal status separate from that of their department (which also in most cases had no specific statutory basin) and agency staff were still civil servants. But the agency principles above were soon extended to executive NDPBs and the differences between agencies and executive NDPBs narrowed considerably as a result.

The justification for all of this was that these “agenicified” ALBs could concentrate on “the job to be done” and adopt more flexible internal arrangements to achieve their aims. They would be freed from “one size fits all” constraints and give managers the freedom to manage, whilst be held tightly to account through performance targets and ring-fenced budgets. Similar arguments are currently being advanced in support of more autonomy for schools or GP commission consortia.

Unlike NDPBs, agencies had no legal status separate from that of their department (which also in most cases had no specific statutory basin) and agency staff were still civil servants. But the agency principles above were soon extended to executive NDPBs and the differences between agencies and executive NDPBs narrowed considerably as a result.

The Next Steps principles were not without their problems or critics (myself being one of the latter, hopefully constructively) but the underlying rationale of creating more focussed, clearly defined, organisations with clear remits, freedoms and responsibilities would, it was claimed, be both more accountable and more efficient and effective.

These principles seem to have been largely forgotten or disregarded in the current review of NDPBs. The argument that bringing functions back within Ministries from NDPBs will somehow “increase accountability”, for example, runs completely contrary to the idea that the Next Steps style reforms of executive NDPBs increased accountability and avoided the problems identified in the Next Steps report. It is entirely unclear on what this policy reversal is based.

**Radical Redesign or Administrative Tinkering?**

One of the problems with the somewhat rushed review of NDPBs by the current government is that it has failed to take a broader and deeper look at the whole landscape of ALBs and think seriously about the scope for reform.

There is a great deal of randomness and historical accident about what functions have ended up where in the British state. Why tax collection, benefits payments, prisons and job-centres should all be central government and civil service functions is unclear. In all these cases there are examples of radically different distributions of functions in different OECD countries that appear to work well. Equally, why some bodies are NDPBs rather than agencies, or indeed public corporations, is often unclear.

Tax collection is most often organised nationally, in a “strong” ALB form, but in Denmark it is organised through local government, which also distributes most benefits. The Government has decided to “nationalise” housing benefits, taking away from local government its single biggest benefits function without it appears any consideration of alternatives. The proposed mainly centralised, and on-line,
organisation for Universal Credit ignores some of the negative administrative lessons of the Child Support Agency, where remoteness and difficulty of access were major factors in stoking up resentment against the Agency.

In many countries prisons, for example, are split between national and local systems (and indeed we have two local systems in Scotland and Northern Ireland). There is a strong argument that for minor offenders on short-term sentences (the majority), having a strongly integrated local prisons and probation regime makes much more sense than a somewhat impersonal national system. I merely cite this as an example of where serious thought to radical alternative designs might be considered that perhaps would offer much better solutions to the problems public bodies are set up to tackle.

Governments have often shied away from really fundamental reviews of the whole system of public administration. When the “Next Steps” review was published in 1988, for example, it recommended that executive functions might be considered for agency, NDPB or public corporation status, or indeed abolition or privatisation. In practice, between 1988 and the mid-1990s only “executive agencies” were created and no functions were transferred to any other status, limiting the scope of the reorganisation of central government functions substantially. A few agencies were in turn privatised in the mid-90s, but they were mainly very small and were effectively replaced by new agency creations (eg EPA and MHS).

It is true that the Next Steps principles were later extended to executive NDPBs, and also applied internally within HM Revenue and Customs and Inland Revenue, but these were systemic rather than structural changes. There was no wholesale review of where functions should be located, or why, as part of the “Next Steps” process between 1988 and the mid-1990s.

PROBLEMS OF ACCOUNTABILITY AND MANAGEMENT

All of this is not to say that there are no difficulties about the “arms-length” model. ALBs offer a different model of both accountability and management and the two most common problems focus on these two dimensions.

The “Next Steps” approach focused on creating a new, much more direct, line of accountability between elected politicians and agency managers (and much of this machinery was later applied also to executive NDPBs). The whole paraphernalia of Framework Documents, Key Performance Indicators, business and corporate plans—all of which were usually signed off (at least formally) by Ministers—was meant to hold Agency Chief Executives directly accountable to their Ministers. It soon became apparent that this approach had limitations—firstly, for many small, politically unimportant agencies the relationship between Minister and Agency CE existed on paper but not in reality; secondly, in a few cases of larger, more politically salient agencies, the quasi-contractual relationship clearly broke down (eg the prisons crisis in 1996). Although these problems are not insurmountable, they do present challenges that have still not been fully addressed.

The managerial problems stem largely from the difficulties experienced in the centres of departments in effectively managing ALBs. Our research in a number of countries demonstrated some fairly common failings:

— the centres of ministries found it difficult to adopt an “adult” or “strategic” relationship with their ALBs, often either resorting to over-controlling micromanagement (the authoritarian parent) or a “hands-off” approach bordering on a lack of interest (the liberal parent);
— Ministries often had a bewildering set of different relationships with a myriad of different types of ALBs and understanding and switching between the differing requirements proved extremely challenging;
— Within Ministries there were often confusing and complex sets of relationships with ALBs, with multiple points of contact and attempts at “steering” various aspects of ALBs behaviour (eg by different functions within the Ministry—personnel, finance, operations, policy, etc);
— Problems of coordination and “turf-wars” between agencies with overlapping responsibilities often arose—it was not just in Britain that the issue of “joined-up government” came to the fore as more ALBs were created;

This is not a complete list, but it does suggest some of the difficulties.

CONCLUSION

ALBs are not perfect—like all other forms of public administration they have strengths and weaknesses. Nor are there any obvious universal formulae or prescriptions that would say when ALBs are an appropriate form of organisation as against any other.

A review which starts from the premise that ALBs are inherently “wrong” in some way is however itself deeply flawed. It ignores the very good reasons many ALBs were established in the first place. History demonstrates such “reviews” often deliver far less in reduction of ALB numbers and costs than at first envisaged. Moreover the trend has been for ALB numbers to grow again within a few years, as the original drivers for their creation reassert themselves.
The current government has shown itself willing to consider radical change in other areas (e.g., education, health and welfare benefits). It is a pity it has not considered a more thorough, principle-based, careful and long-term reform of the ALB landscape that just might deliver real, enduring, benefits.

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