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Committee

Smaller Government: Shrinking the Quango State

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Additional written evidence

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The Committee Name

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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Written evidence from Christopher N Banks CBE

BACKGROUND

In common with many business people who become involved in public service, my motivation has been to use the skills I have developed and the experience I have accumulated (for example as MD of Coca-Cola GB and Chairman of my own business) to help improve the efficiency and effectiveness with which public services are delivered; and in so doing contribute in a small way to improving our country.

My particular focus has been on helping young people and adults, irrespective of background or abilities, to achieve their potential. As a founding member and subsequently Chair, of the Learning and Skills Council, I was closely involved in its establishment, management, abolition and transition to successor bodies. I hope that my comments will add a practical perspective which complements others the Committee will have received.

I remain intent on making a contribution and currently chair the Public Chairs Forum (PCF), a network of Chairs of public bodies committed to improving public service delivery (www.publicchairsforum.org.uk). I offer these comments, however, in a personal capacity and not on behalf of other Chairs.

EXECUTIVE SUMMARY

This submission focuses on the process used to reform Arms Length Bodies and considers that:

- A more transparent and engaged process is likely to lead to better results—this is not happening at the moment, and is set against a backdrop clouded by counterproductive rhetoric.
- The Government needs to ensure service continuity as some ALBs manage big sums of money and perform important functions. This means that effective management of transition is very important—focusing on future performance as well as on closing down.
- The people aspects of these changes are crucial—but have been absent so far.
- Chairs and non-execs have a key role to play. Government should use them and make sure they remain in post to lead and support the transition.
- The Boards of remaining ALBs should be reformed to ensure they are representative, to reinforce neutrality and to increase public confidence.

KEY POINTS

1. There is an assumption being made that Quangos are a bad thing and therefore the number of them should be reduced. But before deciding what sort of organisation or structure is appropriate, the starting point has to be decide the objectives that need to be achieved and the work that needs to be done to achieve them. By starting here, government will be best placed to evaluate the most efficient and effective way to organise itself in order to deliver these objectives—whether it be through re-organised ALBs, taking services back into departments, or stopping the delivery of this function altogether. It will make it easier to develop a system with clear focus, tailored to achieving the end goal.

2. The principle of using the three tests outlined by government in conjunction with the nine value for money questions detailed in the spending review framework document seems appropriate to me. Again, rather than focusing on how many public bodies should be abolished, it is instead an opportunity to consider whether the right organisation is in place to get these things done. The creation of the Office for Budget Responsibility by the new Coalition Government demonstrates that the Government understands that there are circumstances when putting a function at arm's length can increase public confidence.

3. My experience in the private sector (and the inherited wisdom) is that the majority of mergers (maybe as many as 70%) fail to deliver the benefits envisaged when they are planned. All too often, instead of $2 + 2 = 5$ (which may have been in the business plan), the result is $2 + 2 = 3$. Sometimes, this may be because the strategic rationale is not sound. But more often than not, people issues and in particular culture issues are cited as the reason for failure to achieve the business result.

4. The process so far appears to be carried out without much focus on people issues. The anti-quango rhetoric prevalent in the media coupled with the uncertainty created by the recent leaked document to the Telegraph on 23 September 2010 are unhelpful. Transparency in the process is important, provided that there is an element of control to ensure affected organisations are informed of key decisions before information is put in the public domain.

5. Communication and engagement with ALB heads throughout the process is crucial in order to alleviate uncertainty and enable management to provide leadership and direction to staff. This will help to ensure performance within public bodies is not affected.

6. There can be a sense of tokenism in engagement with ALBs in the current decision-making process. One longstanding Chair recently told me he had the impression that the Government's version of involving an ALB in the decision about its future appears to be telling it that it is being reviewed and that they will be told of the outcome at the end of process. Chairs understand the need for cuts in the current climate and want to make a positive contribution to the reforms.

7. Chairs of Public Bodies are able to offer unique insight and expertise on the potential to reorganise or restructure their organisations and there is no doubt that government could benefit from tapping into this when deciding whether an ALB should be merged, abolished or reabsorbed into a department. Involving the Chair and non-executives may prove invaluable as they have a detailed understanding of their organisation and its workings yet are able to adopt more objective, independent approach than members of the executive team. The PCF has been supporting Chairs by encouraging them to think radically about alternatives to their current organisations, including publication of a useful guide "Alternative models of delivery". You can find a copy at: <http://www.publicchairsforum.org.uk/alternative-models-of-service-delivery-report-%e2%80%9326-july-2010/>

8. According to the recent Institute for Government report "Read before burning", Executive NDPB's alone (a sub-set of ALB's) are responsible for the management of £42 billion in the delivery of public services. The scale of the potential changes is unprecedented, so it is vital that the reductions in overhead costs achieved by mergers, abolitions and changes to new arrangements are not wiped out by deterioration in the service delivered.

9. Transition management is therefore crucial in minimising the disruption caused by changes to the structure and remit of public bodies. It is important for departments and ALBs to pay as much attention to legacy bodies as to successor bodies and new arrangements, because they will continue to be the delivery bodies until handover. Ensuring departments have equal responsibility and vested interest in both parts, although more challenging, is vital.

10. The continuity of management and the non-executives is very important during any restructuring. Internal focus is very easy at these times, and the non-executive plays an important role in ensuring the CEO remains focused on the customer. Attention should be paid to retaining management and non-executives during these periods.

11. Whether the abolition of public bodies will lead to increased accountability depends very much on what the new arrangements are, but if there is a genuine desire to increase accountability, it should be made very clear where this should sit from the offset.

12. In order to improve the accountability and effectiveness of remaining public bodies, Chairs and their boards continue to be appointed through open competition to ensure political neutrality. Boards should be constructed to reflect the communities which they serve and should properly fulfil their role of scrutiny as well as for strategy.

13. Chairs of Public Bodies should be encouraged to share best practice within their organisations via member organisations like the PCF. There needs to be rigorous control of remit, purpose and objectives of all future arrangements, to avoid mission creep and to hold public bodies to account.

14. I believe the work of the PCF with Chairs on their key role through the series of impending transitions is important; particularly in ensuring staff are helped through the inevitable uncertainty. By bringing Chairs together to share best practice, running seminars and producing publications specifically focused on these issues, the PCF is able to improve the efficiency and effectiveness of public services. The PCF is running a joint seminar with the Institute for Government which will consider strategies for managing transitions. As an outcome of this meeting, it is our intention to publish a comprehensive guide for ALBs and departments on closing down, merging and restructuring organisations.

October 2010

Written evidence from Karamjit Singh CBE, the Social Fund Commissioner

EXECUTIVE SUMMARY

- I believe that overarching government tests for whether a public body should continue to exist should focus on impartiality, specialist function, value for money, transparency and whether the public body serves a useful function, undertaken in the public interest. In addition to the popularly used term "quango" there are a number of other terms that will better describe the varied types of organizations that fall into this category. I have tended to use the term "public body" and "arm's length body" in my submission.
- Before a decision is taken about the possible merger, abolition or absorption of a particular public body, it is vital to: establish a real understanding of what that public body does and whether it is necessary; include value, proportionality and cost effectiveness in any assessment; consider

- whether all or any of the organization's functions are being undertaken efficiently and effectively elsewhere; consider whether the function should be visibly independent of government and evaluate what impact abolition may have on stakeholders.
- Any evidence based assessment of whether abolition is appropriate should include a structured process of consultation.
 - When comparing the costs and benefits of merger or re-absorption, consideration should be given to whether the functions are closely aligned with another public body or particular government department; the distinct culture and structure of the particular body or department with which the quango could be merged or absorbed, and whether a cost/benefit analysis indicates that successful merger or re-absorption is a viable option
 - Where the work of a public body duplicates the work of others there may be scope for the merging of functions. There may also be a case for those public bodies with expertise in a given field, and with a proven track-record of delivering value of money, to have their remits extended at the expense of those delivering an analogous function at a much higher unit cost.
 - Some arm's length bodies provide public services, including those offering independent grievance resolution and/or independent non-partisan expert advice which also play an important role in promoting public confidence. It is a fundamental tenet of administrative justice that citizens should have recourse to an independent grievance process.
 - Careful consideration needs to be given to those areas and activities that are identified as best operating at arm's length from direct Ministerial responsibility, and there should be clarity about the reasons for this.
 - Abolishing public bodies performing a specific function could see those functions being absorbed within the sub-division of a government department. This may appear to be a superficially attractive course of action but potentially also negates savings, in that it could actually cost more in administration and set-up costs, could erode expertise, and remove clear mechanisms of accountability.
 - It will be most effective to target any cuts at those public bodies with the highest proportion of expenditure and the greatest potential for efficiency savings.
 - An effective business model for any public body should include the following characteristics:
 - an organizational structure with as few layers as possible;
 - processes that are proportionate and able to deliver core functions effectively and efficiently;
 - clear lines of accountability to government and across a range of stakeholders that include service users and taxpayers;
 - transparency of reporting systems; and
 - an appropriate level of scrutiny.
 - To minimise disruption and costs caused by changes to the structure and remit of public bodies it will be important to: focus on ensuring that the process for key senior appointments is appropriately resourced and receives attention; ensure staff and external stakeholders are informed; seek to harmonize cultural differences between organizations and promote areas of common ground; set clear performance milestones for and conduct regular reviews of public bodies; share best practice from similar bodies, and ensure that service delivery to the required standard is seamless throughout the change process.

FOREWORD

I am responding to the Public Administration Select Committee's (PASC's) issues and questions paper "*Smaller Government: Shrinking the Quango State*". I reply in my capacity as Social Fund Commissioner, having been appointed as an independent statutory office holder by the Secretary of State for Work and Pensions to head up the Independent Review Service (IRS)¹ which (across Great Britain) provides an external review of Jobcentre Plus' decisions on applications to the discretionary Social Fund. Payments from the Social Fund are targeted at some of the poorest and most vulnerable citizens in our society. During 2009–10 the IRS, which has a current headcount of 106 staff, reviewed around 50,000 decisions at a unit cost of £99 per case.

I support the Coalition Government's plans to review the number of arm's length bodies and appreciate this is one of the central elements in the Government's constitutional and spending reform programmes. I support the Government's commitment to increase the accountability of public bodies and to ensure value

¹ The Social Fund Commissioner's statutory duties and powers are set out in primary legislation at section 37 of the Social Security Act 1998 and include appointing Social Fund Inspectors and other staff as he thinks fit; arranging training as appropriate; monitoring the quality of Inspectors' decisions; providing advice and assistance as appropriate to improve standards; and reporting annually to the Secretary of State for Work and Pensions.

for money in public spending. I believe this is necessary because our society is constantly changing and public bodies should undergo—as should Whitehall departments and other organizations—regular assessments which test their continued relevance and contribution within a challenging financial background.

The IRS continually seeks to keep its resources and processes under review. During the last year, we have developed more flexible ways of working that retain the quality standards that have always underpinned the work of the organization. This is against a backdrop of continually increasing casework levels. We are currently conducting a “root and branch” organizational review to identify further efficiencies and will refine this following the outcome of the Comprehensive Spending Review.

Although supportive of the Government’s review of arm’s length bodies, I would like to stress that it is important to ensure that the right questions are asked; that priority is given to services identified as being essential by citizens and in particular those front line services focused on or used most heavily by poor and vulnerable citizens; and that the right checks and balances are implemented, in order to help maintain appropriate levels of transparency and accountability. Overall, it will also be important that any changes which occur assist in promoting public confidence in those public bodies that either remain or emerge as part of this process.

I welcome this opportunity to submit evidence to the Select Committee because this inquiry is taking place at a crucial time.

THE CONSULTATION QUESTIONS

1. *How should the Government decide which public bodies should be abolished?*

1.1 The recently published report by the Institute for Government² notes that the popular term “quango” is loosely defined and covers a very wide range of arm’s length bodies which vary in size, function and scope. Some are independent bodies carrying out statutory functions; some are advisory bodies; some are tribunals with jurisdiction in a specialized field; and others are regulators. There is likely to be a correspondingly wide range in the performance of individual bodies and in their overall cost to the tax payer. This level of diversity makes direct comparisons difficult. Before a decision is taken about the possible abolition of a particular public body, it is vital to establish a real understanding of: what that public body does; whether it is necessary; whether it has tangible value; how proportionate and cost effective that work is; whether all or any of the organization’s functions are being undertaken efficiently and effectively elsewhere, and the impact that abolition would have on stakeholders. The typology put forward in the Institute’s report is helpful in this respect.

1.2 I am mindful of the value that certain public service functions have for service users (particularly the poorest and most vulnerable users) where, for example, financial or legal issues are concerned. The resulting challenge for government will be to achieve a balance that realizes required savings, yet retains functions that have an important public benefit.

1.3 Careful consideration needs to be given to evaluating those areas and activities that were positioned at arm’s length from direct ministerial responsibility in order that they were perceived as being demonstrably non-politicized; and in order to maintain public confidence through fair and accessible independent mechanisms. The use of smaller arm’s length bodies can also help provide specialist functions and a high degree of expertise in a given field, which may be more difficult to achieve as part of a sub-section of a much larger department.

1.4 I believe that there are inherent risks in abolishing bodies that currently provide an independent tier of decision making and grievance resolution. This action could, in effect, exclude some important aspects of decision making from independent review and scrutiny. It is a fundamental tenet of administrative justice that citizens should have recourse to an independent grievance process. This plays an important role in promoting public confidence.

1.5 The process adopted by government should be structured and have a consultative element. Not adopting such an approach risks eroding confidence in the purpose and fairness of such a process. Other risks related to a less considered approach are:

- transferring functions may negate potential savings, by generating set up and transitional costs;
- erosion of valuable expertise in a given area; and
- weakening lines of accountability and visibility for related functions, as they compete for attention within a wide range of departmental concerns and priorities.

² *Read before burning: Arm’s length government for a new administration*, Institute for Government, July 2010

2. *Are the three criteria outlined by the Government the correct ones? Should there be others, for example an additional value for money criterion?*

2.1 I believe that overarching government tests for whether a public body should continue to exist should focus on impartiality, specialist function, value for money, transparency and whether the public body serves a useful function, undertaken in the public interest.

2.2 Value for money and current performance should be key considerations in any government review of individual public bodies. The Institute for Government's recent report on arm's length government³ makes the following comments:

based on historical experience, an excessive focus on the number of bodies will be unlikely to yield long-term improvements to arm's length government, and it neglects the fact that ALB spending is concentrated in just a handful of larger bodies.

3. *How does the Government decide whether a public body that fails the tests should be merged, abolished or reabsorbed into department?*

3.1 Based on the tests mentioned above, key considerations will include:

- value for money in relation to process costs of potential merger and the ongoing operational costs;
- the impact that any option would have on the service provided, expertise, public confidence, stakeholders, delivery, realizing tangible benefit from economies of scale, and the extent to which particular functions must be seen to be impartial and independent from government;
- when comparing the costs and benefits of merger or re-absorption, whether the functions are closely aligned with another public body or a particular government department;
- the distinct culture and structure of the particular body or department within which the arm's length body could be merged; and
- whether a public body duplicates the work of other arm's length bodies or existing government departments. There may be scope for the merging of functions where there is clear overlap, or to extending remits at the expense of those delivering an analogous function but with much higher operating costs.

4. *Is the process for deciding which public bodies should be abolished sufficiently transparent?*

4.1 This question raises two distinct considerations: how to ensure sufficient transparency for the general public and also for the body under review. For some public bodies there is likely to be continuing public interest. This may heighten the importance of managing the media reaction as carefully and positively as possible, and openly engaging with stakeholders (including staff from the body under review) ahead of abolition. To facilitate an evidence based assessment of whether abolition is appropriate, it will be important to give any public body under review the opportunity to make their case for retention. There are of course risks, and the recent (presumably unauthorized) disclosure of information relating to arm's length bodies being reviewed will not have enhanced confidence.

5. *How can the Government ensure that the abolition/merger/re-absorption of public bodies result in long term savings?*

5.1 It is important to take a long term view of wider government objectives and adopt a realistic view of whether integrating public service organizations and functions is tenable in the longer term. Clear accountability mechanisms should be established and regular reviews conducted. An open and constructive relationship between the public body and its sponsor department should help to maintain focus on long-term savings. The Institute for Government⁴ report highlights the diversity of existing practice in these relationships. An important element here is the quality of leadership, both within the sponsor department and the public body, and that both parties are able to handle these relationships with the requisite maturity.

6. *How can the Government minimise the disruption and costs caused by changes to the structure and remit of public bodies?*

Steps taken to minimise disruption and costs might include:

- ensuring that key appointments to public bodies attract the appropriate investment of attention and expertise from the sponsor department;
- keeping staff and external stakeholders informed throughout the change process; including regular consultation;
- recognizing from the outset the cultural differences between organizations and the need to harmonize these; whilst also identifying and reinforcing areas of common ground;

³ Tom Gash et al, *Read Before Burning: Arm's length government for a new administration*, Institute for Government, July 2010, p52

⁴ *Read before burning; Arm's length government for a new administration*, Institute for Government, July 2010

- clear milestones and regular progress reviews;
- sharing best practice from similar projects in the public and private sectors; and
- ensuring that service delivery to the benchmarked standard remains seamless throughout the change process.

7. *Will the abolition of public bodies lead to increased public accountability?*

7.1 Much will depend on the accountability framework that is being implemented. The abolition or merger of some public bodies should underline, for all public bodies, their important duty in relation to public accountability; as well as those who are undertaking the reviews. By reducing the number of public bodies it is assumed that one result should be that it will be clearer to members of the public which particular bodies should deal with specific issues. This should lead to increased public accountability, if it is linked to more transparency about roles and remits.

8. *How could the Government improve the accountability and effectiveness of remaining public bodies?*

8.1 It will be important to establish an effective business model that includes the following characteristics:

- an organizational structure with as few layers as possible;
- processes that are proportionate and able to deliver core functions effectively and efficiently;
- clear lines of accountability, both to government and across the range of stakeholders that include users and taxpayers;
- transparency of reporting systems; and
- an appropriate level of scrutiny.

8.2 Periodic reviews, perhaps every three years as a minimum, should be a key to improving accountability and effectiveness. To promote public confidence, reviews should ideally be carried out through independent mechanisms, such as select committees. Putting this framework in place introduces potential to identify and deal with, at an early stage, a range of performance issues: including scope for efficiency savings. The review framework would also help to focus ongoing attention on whether functions carried out by a particular public body are contemporary, whether that the body in question is best placed to deliver them and whether any growth in the scale or scope of a body is grounded in a clear business case.

8.3 Continued transparency is crucial to ensure the right degree of accountability to government and the tax-payer, and to ensure public confidence. Ideally, all public bodies should produce and make publicly available annual reports, which should include information about their remit and functions, their performance against key targets and (where appropriate) operating unit costs. This information should be easy to access and presented in ways that make it meaningful to service users.

8.4 Public bodies should seek and take account of public feedback, in order to promote an ongoing process of reviewing their own effectiveness.

8.5 I believe that a strong relationship between the public body and the sponsoring department is vital. This should be underpinned by a Memorandum of Understanding which highlights respective roles. This would be agreed at the outset and supported by regular and direct interaction between the parties involved.

October 2010

Written evidence from the Appointments Commission

1. INTRODUCTION

1.1 The Appointments Commission exists to build better boards for the public sector through the attraction, appointment and development of the best possible people. We are responsible for a wide range of public appointments to health and social care bodies sponsored by our host department, the Department of Health. The Commission also provides recruitment services to NHS foundation trusts and government departments across Whitehall and delivers a comprehensive induction programme during the first year of appointment.

1.2 Established in 2001, the Commission has developed the expertise required to support the Department of Health, NHS partners and government departments across Whitehall in making independent and transparent appointments, as well as promoting robust governance arrangements to strengthen public confidence, accountability and transparency. Significant policy changes within health and social care mean the Commission will be abolished in April 2012 but until then we will continue to play an important role in supporting good governance arrangements across the public sector.

2. THE RESPONSE

2.1 The Coalition Government's *Programme for Government* set out the intention to reduce the number of public bodies, with the twin aims of cutting costs and strengthening accountability. The Public Bodies (Reform) Bill will set out proposals to provide ministers with greater powers to abolish, merge or transfer the functions of public bodies.

2.2 The Commission has focused this submission on the areas in which we are acknowledged experts. It is important that the governance implications of the reforms are considered to ensure that good governance is not compromised. Six principles that should be taken into account when strengthening governance arrangements for public bodies, drawn from the 2010 publication *Healthy NHS Board: Principles for Good Governance* which the Commission helped to develop, are set out below. These principles underpin the comments in this response. Governance should:

- 2.2.1 Command public confidence and clearly specify roles and responsibilities;
- 2.2.2 Provide accountability through independent scrutiny, constructive challenge and transparency in decision-making;
- 2.2.3 Provide financial stewardship, safeguard public funds and manage potential conflicts of interest;
- 2.2.4 Ensure effective public and staff engagement;
- 2.2.5 Promote equality and diversity; and
- 2.2.6 Follow a fair, transparent and rigorous process in making appointments to boards or committees.

3. GOVERNANCE CONSIDERATIONS

3.1 The governance implications of transferring functions into departments and for public body mergers are considered below.

Departmental absorption of ANDPBs

3.2 The key role of many public bodies, such as advisory non-departmental public bodies, is to give impartial advice and information to ministers. It is important that the actual and perceived independence of this advice is secured under the new arrangements if public confidence is to be maintained.

3.3 The status, internal structure and "identity" of any public body function that is transferred into a department will have to be clear, together with arrangements to ensure that ministers are able to access impartial and objective advice. For example, openness and transparency about the membership and terms of reference would provide the public with confidence that ministers were receiving expert advice on a range of subjects affecting public life and importantly, that this advice was impartial. To promote stability and support continuity of expertise into the new arrangements, the existing board or committee members could be transferred.

3.4 In the longer term, membership will need to be refreshed. We believe it is important that there is a proportionate, open and transparent process based on merit for making future appointments to those public bodies that may be absorbed into departments.

3.5 Our experience of supporting non-executive and committee members in the health and social care sector shows that robust induction, training and ongoing appraisals for members is crucial to ensuring that they are able to contribute effectively. It is important that appropriate training and induction arrangements are put in place for new members responsible for discharging the functions of absorbed bodies.

Departmental absorption of ENDPBs

3.6 From our experience, executive non-departmental public bodies (ENDPBs) have benefited enormously from having strong and visible boards with both executive and non-executive members. Recent research has found statistically significant evidence to show good board governance in the public sector makes a real difference to performance, particularly with regard to the better use of resources.⁵

3.7 Bringing skills and expertise from other sectors, notably from the private sector, the independent oversight and scrutiny provided by Chairs and non-executives has strengthened public accountability, particularly around assuring that public funds are being used effectively. Where current ENDPB functions are to be absorbed into a department, it will be important that every effort is made to retain the specific skills and experience of non-executives to support the successful transfer of functions and to provide an ongoing benefit of independent scrutiny and external expertise and perspectives.

3.8 As with advisory bodies, new members of these bodies should have access to appropriate training and induction arrangements.

⁵ Storey J. The intended and unintended outcomes of new governance arrangements within the NHS. SDO Research Project. 2010.

Mergers with other public bodies

3.9 The Public Bodies (Reform) Bill proposes strengthened powers to merge public bodies. This would lead to the abolition of certain public bodies with some or all of their functions being merged with other bodies. Where appropriate, the reconstitution of the boards of those public bodies that are to absorb additional functions should be considered to ensure that the mix of skills and expertise of the board members, including the non-executive members, reflect the changes in the organisation's functions.

4. ACCOUNTABILITY AND GOVERNANCE OF RETAINED PUBLIC BODIES

4.1 The Committee's inquiry document, *Smaller Government: Shrinking the Quango State* asks a specific question around improving the accountability and effectiveness of those public bodies that are to be retained. Ensuring that robust governance arrangements are at the heart of those public bodies will be crucial in ensuring they are able to meet strengthened requirements around transparency and accountability and that they are equipped with the systems and have an organisational culture that enables them to respond effectively to a more robust and regular reporting and review regime.

4.2 To promote accountability and transparency, we would recommend that a unitary board continues to form the basis of the governance model for those public bodies that will continue to exist. This involves the board being comprised of an independent non-executive Chair and at least a balance of executive and non-executive members, or a majority of non-executives.

4.3 It is likely that the Public Bodies (Reform) Bill will lead to a significant reduction in the number of public bodies and, in turn, the number of public appointments that will need to be made. To safeguard accountability and transparency, it will be important that there continues to be a rigorous, open and fair process for appointing Chairs and non-executives to those public bodies that are retained, with appointment clearly based on merit. We see an important role for the Cabinet Office in ensuring a cost-effective, coordinated and streamlined approach to public appointments across government.

4.4 Governance has a key role to play in promoting accountability, transparency and value for money in the new public body landscape. The principles for good governance set out in paragraph 2.2 are transferrable across the public sector and would provide a solid foundation upon which governance arrangements for retained public bodies could be built.

5. CONCLUSION

5.1 This response has concentrated on highlighting some considerations around the governance and accountability arrangements that will need to be considered as the public body landscape is reformed.

October 2010

Written evidence from BDO LLP

EXECUTIVE SUMMARY

- The challenge of the reform agenda cannot be underestimated, and an informed understanding of the non-departmental public body (NDPB) landscape is needed.
- NDPB reform has the potential to be an unsupported government agenda, given the lack of expertise within public sector organisations for fundamental organisational review.
- Departmental sponsoring bodies and NDPBs should consider a strategic review approach to NDPB reform.
- The strategic review should encompass a fundamental business appraisal, which distinguishes core from non-core functions of the organisation and assess the NDPB and its functions against strategic organisational objectives.
- Options for organisational reform should be more diverse than an "abolish-keep" spectrum; the public sector could look towards the private sector for models and the expertise to do this.

1. INTRODUCTION

1.1 BDO is pleased to have the opportunity to submit written evidence to the Committee's inquiry into *Smaller Government: Shrinking the Quango State* and welcomes the Committee's examination of this important issue.

1.2 BDO is the UK's 6th largest accountancy and audit practice and part of the world's fifth largest accountancy network. We employ over 2,600 staff across 14 offices in the UK. We partner with a number of public sector organisations across a number of sectors. These include the National Lottery Commissioner, The Meat and Livestock Commission, Epsom and St Helier University Hospitals NHS Trust; Hartlepool Council, and the London Borough of Hillingdon. We are also an approved supplier to the Audit Commission and a member of Buying Solutions Management Consulting and Accounting Services framework.

1.3 As a firm working with a number of public sector organisations (including a number of local councils and NHS Trusts), we are alive to the need to drive value for money across government activity. The scale of the challenge of NDPB reform cannot be underestimated. There are 742 “Arms Length Bodies” (defined as organisations that are part of the state but do not operate within traditional departmental structures by the Institute for Government Report “Burn Before Reading”). In total these bodies account for almost 13% of government expenditure receiving £63.5 billion of government funding.

1.4 Our submission focuses on our experience and understanding of NDPBs and the lessons learnt from both the private and public sector. We would welcome an opportunity to give oral evidence to the Committee and are happy to provide additional information.

2. Question 1: *How should the Government decide which public bodies should be abolished*

2.1 BDO agrees in broad terms with the Government’s analysis of the lack of accountability and of strategic purpose of NDPBs. Indeed, we see this as a threefold challenge:

- Lack of accountability—NDPBs operate (with good reason in many cases) at arm’s length from government, which can in many cases be used as an excuse for them to define their own remit and avoid meaningful accountability for their use of public resources;
- Many NDPBs lack the internal expertise and incentive to exercise best practice cost control; and
- The remit of NDPBs are often well defined at their creation, but do not evolve through their existence. This means many are left with a lack of clarity of purpose, which can often lead to duplication between bodies in strategic objectives and resources (a notable example of this is the Carbon Trust and Energy Savings Trust). The absence of sunset clauses in framework agreements means there is often no regular opportunity to address these issues.

2.2 Central government, in our view, faces two fundamental options. First, there could be an immediate cull of a number of bodies, driven almost entirely by a cost cutting imperative. Whilst value for money should underpin the entirety of government activity, this could be a blunt tool in assessing the reform of NDPBs.

2.3 Research conducted by the National Audit Office (NAO) shows that nearly 80% of NDPB expenditure is located in just 15 NDPBs, with just seven executive agencies employing more than three quarters of all agency staff.

2.4 It is clear that a more focused and strategic approach is needed to evaluate how and which NDPBs to reform, and a broader assessment than just value for money is required.

2.5 The second option is to undertake a strategic review of NDPBs to assess the fundamental business operations and identify duplication with other bodies. This could lead to a refocusing of a number of bodies and a streamlining of the NDPB landscape.

2.6 The future NDPB landscape—democratically accountable to ministers—should satisfy at least one of the three criteria set out by the Prime Minister:

- Efficient technical operations;
- Political impartiality; and
- Transparency in operations and accountability.

The challenge of reform

2.7 The challenge for government will not only be in assessing which of the NDPBs to reform, abolish or merge, but how.

2.8 In many respects, this will be an unsupported reform agenda within government. There are limited tools and expertise both within NDPBs and within their sponsoring departments to deliver:

- the sort of analysis needed for a strategic review of these bodies; and
- more crucially, the reform of these bodies.

2.9 In terms of the challenge there are, however, strong parallels to be drawn with strategic reviews in the private sector. Indeed, a range of private sector organisations use the strategic review process to determine business restructuring needs and priorities.

2.10 However, fundamental differences with the private sector approach must be noted, most obviously the objective and metric of profit and loss does not apply.

2.11 The purpose and objectives of NDPBs are often complex and can change over time, with multiple outputs and outcomes that are often difficult to measure.

Question 3: *How does the Government decide whether a public body that fails the tests should be merged, abolished or re-absorbed into department?*

Strategic Review Process

3.1 Any process to assess the reform of NDPBs must understand the strategic drivers for change. We see these as the following:

- Driving value for money and efficiency throughout the organisation to contribute to deficit reduction;
- Increasing democratic accountability across Whitehall;
- Increasing the effectiveness of organisations, through decentralisation and leveraging external expertise, including that from the public sector; and
- Yielding the flexibility for departments and spending teams to respond to budget cuts.

3.2 A strategic review must take heed of these strategic imperatives and draw in a fundamental business appraisal process to determine an action plan for the organisation. This process is explained further below.

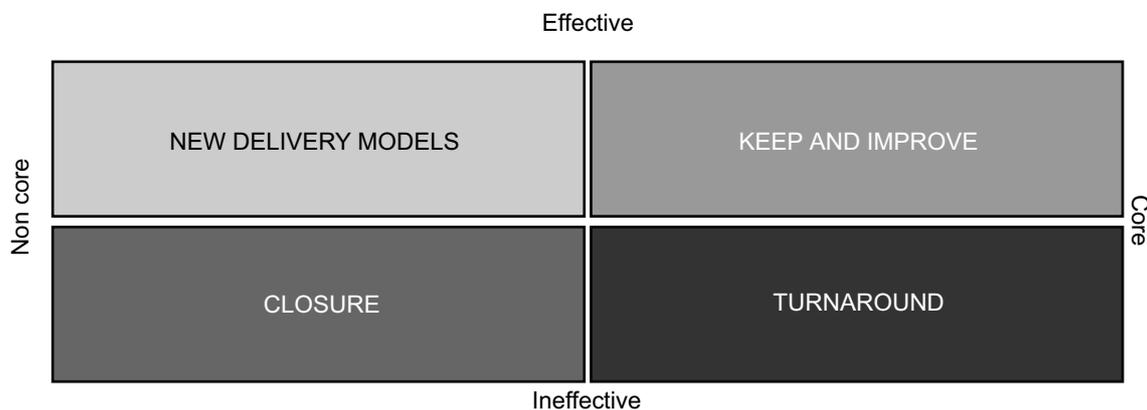
Fundamental Business Appraisal (FBA)

3.3 The concept of the FBA is simple and based on assessing a public body or service they offer against two key variables:

- How core it is to delivering departmental objectives; and
- How effective it is at delivering its objectives.

3.4 By analysing against these variables on a matrix (such as that illustrated below), decision makers are able to clearly focus on making rational decisions based on which quadrant the organisation or service is determined to fall within.

3.5 The grid below illustrates the broad course of action highlighted as a result of this analysis. Services that are core and effective should be retained and possibly improved, whereas ineffective non-core services should be stopped. It may be appropriate to transfer non-core but effective functions into new delivery structures that sit outside of the departmental family. This may be in the form of a direct sale, or a new structure that operates on a mutual or not for profit basis. This can create value for the Government with the proceeds of sale or transfer of appropriate debt into the new structure, and for the public through the continued provision of non-core functions.



3.6 Ansoff’s matrix (used to analyse products and markets) and the BCG matrix (used to analyse products according to growth rates and market position) are established analytical tools to aid decision making in private sector organisations. The FBA applies similar principles in the public sector. FBA techniques have been used to great effect in NHS organisations.

3.7 A strategic approach to organisational review must encompass the following process.

3.8 There should be objective analysis of what the NDPB actually does—its core and non-core functions. There are important differences in how this methodology is applied in a public sector context, given the lack of a profit rationale for organisational functions.

3.9 Therefore an analysis of how business functions meet the strategic, and indeed the political, objectives of the organisation must be agreed up front. This will be a challenging undertaking, and must be agreed with the sponsoring department or NDPB in advance. In particular, evaluation criteria for determining core and non-core and effective and ineffective functions will need to be agreed with the department or organisation.

3.10 In addition to the development of criteria, an objective scoring mechanism should be developed with the NDPB (or the functions within the NDPB) so functions can be scored against the criteria.

3.11 These functions must also be mapped against the NDPB's delivery objectives. This analysis can then be used to make recommendations on potential options for future arrangements.

3.12 The FBA is a tool to help segment different functions of a NDPB and thereby facilitate objective thinking about what an organisation actually does compared to what it should do and provide an audit trail of the process. We have found that the act of defining separate functions and allocating them to a quadrant is a useful exercise in itself.

Question 5: How can the Government ensure that the abolition/merger/re-absorption of public bodies result in long term savings?

What to do next

4.1 The FBA process will highlight broad options for reform. These are complex and should be more sophisticated than a simple abolish/maintain spectrum. Options for reform range from organisational improvement to organisational wind-down, and encompass a gamut of activities.

4.2 Organisational improvement or turnaround may require:

- Establishment of a forward looking business plan with strategic objectives and imperatives agreed between the body and sponsoring department;
- Systems realignment between organisations or with the department to introduce greater efficiencies into back office functions; and
- An operational improvement strategy to ensure inefficiencies are identified and driven out and organisational processes are streamlined.

4.3 Care must be taken when implementing decisions to stop certain activities. Especially where there is value that can be preserved either to the Exchequer through a sale or divestment process, or to the public through the continued provision of a service via a more innovative structure, such as a mutual or collective ownership arrangement.

4.4 It is at this stage of reform where stronger parallels can be drawn with the private sector. Indeed, ministers and sponsoring departments could 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.

4.5 It may be appropriate to merge organisations or functions and/or bring them back into departments to create fewer larger bodies. The FBA approach can be flexed to look at functions across departmental boundaries to identify overlap and duplication.

October 2010

Written evidence from Campaign for Science and Engineering (CaSE)

INTRODUCTION

1. The Campaign for Science and Engineering (CaSE) is an independent advocacy group which campaigns for the scientific and engineering health of the UK. We are funded by hundreds of individuals and over 80 organisations in the science and engineering sector. We focus on the importance of science and evidence in government, public funding for research, private-sector research and development, and science, technology, engineering, and maths education.

2. Independent scientific advice is a vital tool for government. In an increasingly complex world, where science and technology play more and more central roles, concepts such as “risk” and “harm” are best assessed by experts. This is true of a range of policy areas—from health to defence, transport to agriculture.

3. Government may well need to bear in mind a range of considerations when making policy, such as public opinion, cost, or manifesto promises. But good scientific advice is essential for understanding the possible impacts of policies. When decided policy conflicts with scientific advice, it should be clear and transparent to the public what the advice nevertheless was, and that other considerations were prioritised—as it is a government's right to do.

4. The BSE crisis is often cited as an example of poor interaction between scientific advice and politics. Without scientific analysis, we may never have known the human impact of the disease. If we had the analysis sooner, lives and money may have been saved. Interpretation of such risk must be done professionally.

5. The episode also highlighted the importance of such advice being politically independent. There may be occasions when scientific advice is politically unwelcome, such as when it contradicts government policy or statements.

SCIENTIFIC ADVISORY COMMITTEES

6. The Government has an extensive network of bodies, known as Scientific Advisory Committees (SACs), which provide advice. Examples of these are the Committee on Radioactive Waste Management, the Advisory Group on Hepatitis, the Advisory Group on Microbiological Safety of Food, and the Advisory Council on the Misuse of Drugs (ACMD).

7. Members of SACs are not employed. They are usually eminent researchers or other figures who have extensive experience of their field and choose to give their time and expertise for the good of public policy while, in parallel, pursuing their private or public careers.

8. SACs are supported and facilitated by a secretariat. The activity and role of SACs is governed by the Code of Practice for Scientific Advisory Committees (CoPSAC). The Government Office for Science has recently launched a consultation as part of its updating of CoPSAC. Individual SACs may, in addition to CoPSAC, have their own Codes of Practice.

INDEPENDENCE

9. The role of SACs was highlighted by the events of November 2009, when Professor David Nutt was asked by the Home Secretary to resign from his post as Chair of the ACMD. The resulting controversy was not primarily about the quality or otherwise of Prof Nutt's work, but over whether it was appropriate for a minister to publicly attack and dismiss an independent scientific adviser.

10. Many scientists, including those who may have disagreed with Prof Nutt's assessment, were concerned that the dismissal could set a precedent. If expert advisers can be dismissed on the basis of their advice, then their independence is undermined. They and their colleagues may feel pressured to say what politicians want them to say, not follow potentially damaging lines of inquiry, or be more or less forthright than they otherwise would be in their statements. Independent-minded experts may be less willing to serve on SACs, potentially harming the quality of advice available to government.

11. In response, the Campaign for Science and Engineering and Sense About Science, in concert with leading scientists, drafted a new document: "The Principles for the Treatment of Independent Scientific Advice". It was endorsed by a large number of former or current scientific advisors, and their names are available here: <http://www.senseaboutscience.org.uk/index.php/site/project/421>. An altered version of the Principles was eventually incorporated into the Ministerial Code earlier this year.

IMPLICATIONS OF NDPB REFORM

12. A number of SACs are being abolished, reformed, or reconstituted. These include the Expert Advisory Group on AIDS and the Joint Committee on Vaccination and Immunisations, which are being reconstituted as a Department of Health/Public Health Service committee of experts.

13. Many SACs are being retained. There are three classes of justification given for such retention.

- Retention on grounds of performing a technical function (eg Animal Procedures Committee).
- Retention on grounds of performing a technical function which should remain independent of government (eg Advisory Council on the Misuse of Drugs).
- Retention on grounds of impartiality (eg Administration of Radioactive Substances Advisory Committee).

14. It is not clear what distinguishes these classes of committee from each other, or from committees which are being reconstituted. The Government should clarify both of these points, or risk an inference that committees which are reconstituted will not be required to be as impartial, independent, or technically competent as they formerly were—or as committees which are being retained in full on such grounds. It should also clarify the decision process by which these decisions are being made, and who is accountable for them.

15. The further issue of whether CoPSAC and The Principles for the Treatment of Independent Scientific Advice apply to reconstituted committees also needs to be addressed. This may partly be done through the ongoing consultation on CoPSAC. Discrepancies in how CoPSAC and The Principles apply to different SACs may create a multi-tier system of independence for expert advisers, which could damage independence as well as confidence in the system.

16. However, there may indeed need to be additional regulations in place for any SACs which become internal departmental bodies, as these committees are more at risk of informal political pressure from their host departments (this highlights the benefit of them having previously been NDPBs). The Government should consult carefully with the scientific community and the Chief Scientist over how it can ensure the actual and perceived independence of these bodies is above reproach. It is vital that the public sees independent advice from SACs as being truly impartial in order to achieve continuing trust and acceptance of such advice.

17. Some SACs have responsibilities to more than one department or government minister. If a SAC is being reconstituted inside a single department, it is important its access and lines of communication to other departments remain open and available.

November 2010

Written evidence from Sir Gus O'Donnell

APPEARANCE BEFORE THE PUBLIC ADMINISTRATION SELECT COMMITTEE

Further to my appearance before the Committee on 28 October, you asked for a note on the details of the financial and headcount savings associated with public bodies reform. I know that the Minister for the Cabinet Office, Francis Maude, has given evidence on this topic since my appearance and this note reiterates what Mr Maude outlined to the committee.

First of all I would like to emphasise the point we both made about accountability. The primary reason for the reforms to public bodies is to ensure that accountability rests in the right place—either with ministers, by bringing functions back into departments, or with local communities, by devolving functions to local government or moving them into the private or voluntary sector. We do, however, expect that 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.

As you know, the Chancellor announced significant measures in the spending review to reduce waste in Whitehall, and the administrative budgets of government departments and their public bodies will be reduced by 34% over the spending review period, saving £5.9 billion a year by 2014–15. The reforms to public bodies will make a contribution to these savings. Departments are still working through the implementation details of the proposed reforms and will need to allocate budgets to their public bodies accordingly. This process will need to be complete by the start of the next financial year. Nevertheless all costs, including redundancies, will be met from within each department's spending review settlement.

Previously, all spending on public bodies was accounted for from within departmental programme budgets. From April 2011 this will change so that the running costs of public bodies will be included within departments' administrative budgets, placing a much stricter savings regime on public bodies for the next spending review period than would otherwise have been the case.

For each of the announced changes, individual organisations will be working with their staff to make sensible plans about how the workforce will need to change, and until that work is developed further it is not possible to give accurate information about the level of headcount reduction. Where changes to public bodies are proposed that will have an impact on staff, the government and the public bodies themselves will of course work to ensure that appropriate implementation planning takes place and that staff are treated fairly.

We are looking forward to moving into implementation stage, and will be taking steps to ensure we can demonstrate our progress. The key milestones are set out in the Cabinet Office's draft business plan which was published on 8 November, copies of which have been provided to you.

During the session you also asked about the negotiations that we are having with the largest Government suppliers and I thought it would be helpful to set out the latest position. So far 15 MOUs have been signed and final negotiations are currently underway with four other suppliers and we are confident that MOUs will be signed with them in the near future. Once all MOUs have been signed and delivered, the overall in-year savings from this phase of the project are estimated to be in excess of £800 million.

December 2010

Scrutiny Unit—criteria for keeping or abolishing quangos

SUMMARY

The Coalition Government has recently completed its initial review of the number and type of public bodies (quangos) as part of its wider reform process to improve accountability and cut costs. It is using three criteria to decide which quangos to retain and which to abolish. The three tests (performing a technical function, requiring political impartiality and needing to act independently to establish facts) have not been publicly explained in any significant detail, and it is therefore difficult to assess how they have been used to produce a coherent review. This paper proposes a more detailed set of criteria under two key headings: activities requiring protection from political interference, and specialist/technical/strategically important activities. It does not recommend adding a separate value for money test, but does argue for the regular publication of standard, robust, cost data to improve transparency and encourage benchmarking between quangos.

OUTCOME OF THE PUBLIC BODIES REVIEW

Of the 901 quangos considered in the review, some 192 will be abolished outright and a further 118 will be merged down to 57. 380 will be retained as they are, with another 171 retained but due to be significantly reformed. The remaining 40 are still under review.

<i>Department</i>	<i>Abolish</i>	<i>Merge</i>	<i>Retain</i>	<i>Retain & Reform</i>	<i>Under review</i>	<i>Total</i>
BIS	21	6	20	1	9	57
Cabinet Office	7		6		2	15
CLG	17		5	1	1	24
DCMS	11	4	35		1	51
DECC	3		9			12
Defra	53		23	163	6	245
DfE	6		3		8	17
DfID			2			2
DfT	6		8	1		15
DOH	30		10			40
DWP	3	2	8		2	15
FCO	2		4		4	10
GEO	1			1		2
HM Treasury			1			1
HO	2	1	10		3	16
MoD	1		27		1	29
MoJ	29	105	209	4	3	350
Total	192	118	380	171	40	901

THE THREE CRITERIA

The Minister for the Cabinet Office and Paymaster General, Francis Maude, has told Parliament that:

We are committed to cutting the number of public bodies to increase accountability and cut costs. In future, each public body will have to meet one of three tests—does it perform a technical function, does it need to be politically impartial or does it act independently to establish facts?⁶

There has been no detailed explanation of the three criteria, which presents problems in analysing how suitable they might be in producing a rigorous and consistent approach to the reform of public bodies.

The final list actually includes one additional explanation for retaining quangos—transparency. This test was originally one of the three set by David Cameron in 2009 when he announced his proposals to reform quangos, but has since been rephrased as the test of independently establishing facts. The transparency test is therefore presumably the same as the independence test, but separate figures are given in the table below. The table therefore shows the reasons for retaining quangos on the four explanations given within the final list:

	<i>Technical</i>	<i>Impartiality</i>	<i>Independence</i>	<i>Transparency</i>	<i>No reason</i>	<i>Total</i>
Retain	102	115	5	152	6	380
Retain & Reform	1		3	1	166	171

1. *Does it perform a technical function?*

This is perhaps the criterion most open to interpretation, as it could be argued that most, if not all, public bodies carry out some kind of technical function. David Cameron has stated that in these bodies “the public needs to know that people with the right training, professional knowledge and specialist skills are carrying out the work”, and listed the Nuclear Installations Inspectorate, the Bank of England and OFWAT as examples of public bodies that met this test. Of these three, only OFWAT appears on the final quango list, and no reason is given for its retention.

Bodies adjudged to have passed this test include:

- BBC.
- UK Trade & Investment.
- The National Archives.
- Ordnance Survey.

⁶ HC Deb 9 June 2010 c313 <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100609/debtext/100609-0001.htm#10060953000025>

2. *Does it need to be politically impartial?*

In David Cameron's speech of July 2009 this test was specifically directed at quangos that distributed taxpayers' money, such as Research Councils. The test now appears to have become much broader to encompass a wider group of bodies, including:

- Research Councils.
- Committee of Standards in Public Life.
- Civil Nuclear Police Authority.
- Care Quality Commission.
- NHS Pay Review Body.
- Independent Police Complaints Commission.

3. *Does it act independently to establish facts?*

In David Cameron's speech of July 2009 and in Francis Maude's letter this test also refers to the need for facts to be transparently determined. David Cameron gave the example of the Office for National Statistics, but this does not appear on the final list. Only five quangos have been listed as passing this test, from DECC and Defra:

- Coal Authority.
- Committee on Climate Change.
- Committee on Radioactive Waste Management.
- Fuel Poverty Advisory Group.
- Science Advisory Council.

The Ministry of Justice is the only department to retain quangos on transparency grounds. Since it has retained other quangos on the grounds of technical function and impartiality, one can presume that it has used the term transparency to mean the independence test:

- HM Inspectorate of Prisons.
- HM Inspectorate of Probation.
- HM Land Registry.
- Official Solicitor.
- Prisons and Probation Ombudsman.
- Restraint Accreditation Board.
- Independent Monitoring Boards of Prisons, Immigration Removal Centres and Short-Term Holding Rooms (x147).

NEW QUANGOS

The government has proposed and created a number of new quangos which can be subjected to the same three tests. Perhaps the two most significant new bodies to have been set up are the Office for Budget Responsibility (OBR) and the Office of Tax Simplification (OTS), both of which were set up by the Chancellor of the Exchequer. Both bodies are currently staffed by Treasury officials and physically located in the Treasury building, leading to questions over their ability to act independently.

The OBR is responsible for making independent assessments of the economy, public finances and fiscal sustainability and therefore clearly meets the criteria of needing to be politically impartial. Because of the speed with which it was set up it is currently operating within terms of reference agreed with the Treasury, but legislation is due to establish it on a statutory basis later this year.⁷

The less well-known OTS has been created as an "Independent Office of the Treasury" to provide the government with advice on simplifying the UK tax system. Treasury Minister David Gauke has confirmed that the OTS is indeed a quango, and that it should be at arm's length to the Treasury because it will "provide independent advice in a technical area".⁸ It is funded out of existing Treasury and HMRC budgets so its independence (and the perception of independence) is perhaps more contentious.⁹

⁷ http://budgetresponsibility.independent.gov.uk/d/terms_of_reference_final.pdf

⁸ HC Deb 20 July 2010 c183 <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100720/debtext/100720-0001.htm#10072029000241>

⁹ <http://www.hm-treasury.gov.uk/ots.htm>

CRITICISMS OF THE REVIEW

The main problem with the review is that the tests have been insufficiently defined, and the explanations for each decision lack detail. These flaws mean that there is too much scope for inconsistency in the decision-making, both within departments and across government as a whole, and there is as yet no evidence to support each decision, making it difficult to make an informed assessment.

Technical function

The technical function test is particularly open to interpretation, and its application has resulted in a number of apparently inconsistent outcomes, including:

- Defra has proposed that the (Norfolk) Broads Authority should be retained on technical grounds, but also decided that British Waterways should be abolished and replaced with a charity along the lines of the National Trust.
- The Department of Health has proposed to scrap the Expert Advisory Group on AIDS (and transfer its functions into the department itself) while the Home Office has argued to retain the Advisory Council on the Misuse of Drugs on technical grounds.
- The Department for Transport has determined the British Transport Police Authority should be retained on technical grounds, while DECC has decided that the Civil Nuclear Police Authority has passed the impartiality test.
- The Department for Transport has also judged the Civil Aviation Authority to have passed the impartiality test (rather than the technical test).

Retained with no justification

Six quangos are set to be retained with no explanation of which test they have passed:

- Competition Appeals Tribunal (BIS).
- Equality 2025 (DWP).
- Health and Safety Executive (DWP).
- Monitor (DOH).
- OFWAT (Defra).
- Royal Mail Holdings Plc (BIS).

Another 166 have been identified as being retained but due for significant reform, but again without any explanation of which of the tests have been passed. The vast majority of these, some 160, are local drainage boards, but the remaining six bodies includes some of the country's largest and most controversial quangos:

- Environment Agency (Defra).
- Equalities and Human Rights Commission (GEO).
- Financial Reporting Council (BIS).
- Forestry Commission (Defra).
- Homes and Communities Agency (CLG).
- Natural England (Defra).

Satisfying multiple criteria

Only four of the quangos are listed as having met more than one of the criteria. It would have been helpful (and in line with the spirit of transparency) if each quango had been adjudged to have passed or failed each of the three tests. Each of the four quangos mentioned met both the technical and independence criteria:

- BBC World Service.
- Ofqual.
- Ofsted.
- UK Anti Doping.

Expert committees

Thirty quangos are to be abolished and reformed as expert committees within departments (19 within DOH, 10 within Defra and one in DCMS). They include a range of bodies such as:

- Advisory Committee on Pesticides (Defra).
- Expert Advisory Group on AIDS (DOH).
- Scientific Advisory Committee on Nutrition (DOH).

Francis Maude's leaked letter explains that these bodies are being moved on efficiency grounds, and that steps are being put in place to ensure their continuing independence, despite being brought within departments.

Temporary quangos

The list fails to identify those quangos set up when the government has stepped in to safeguard key services previously provided by private institutions, such as large banks and transport companies, or other bodies otherwise scheduled for future privatisation. It would have been sensible to highlight those quangos that are being retained on a purely temporary basis with a view to future liquidation or transfer back to the private sector. Examples include:

- London and Continental Railways Ltd.
- Royal Mail Holdings Plc.

Lack of detailed explanation

No explanations have been provided for the retention of quangos other than which criteria have been met. This makes it extremely difficult to understand the decision-making process underpinning the review, and potentially leaves some of the decisions open to further debate. For example:

- Defra has decided that the British Wool Marketing Board should be retained on technical grounds.
- CLG has retained the Architects Registration Board on impartiality grounds.
- DCMS has determined the Horserace Betting Levy Board should be retained on technical grounds.

Completeness of the review

Not all quangos appearing in the leaked list have been included in the final list, raising doubts about the completeness of the review. Three of the four quangos sponsored by the Treasury, for example, were listed as due to be retained on technical grounds in the leaked list (National Savings and Investments, Partnerships UK and the Royal Mint) but are missing from the final list.

REVISED CRITERIA

The fundamental reason for the existence of quangos is to allow necessary public functions to be conducted with some degree of freedom from ministerial control. There appears to be two key elements within this:

1. to provide protection from political influence; and
2. to allow greater operational freedoms to organisations involved in certain technical activities, thereby allowing departments to concentrate on their core policy functions.

The first criteria combines the government's current two tests of impartiality and transparency. In practice there is little real difference between those two criteria, and any body that passes the independence test must also pass the impartiality test. However, to ensure the test is applied accurately it should be broken down into greater detail and quangos tested against the individual components. Quangos may well pass more than one of these sub-criteria.

The second test would be aimed at identifying those bodies judged to be too specialised (or too extensive) to be properly carried out within a department itself. Judgments on this test would be particularly open to debate and could change over time, making regular reviews particularly relevant so that the test can be reapplied. Within this category it would perhaps be useful to identify which quangos are in public ownership on a purely temporary basis due to unforeseen circumstances.

Below are the two tests, together with their sub-criteria, together with examples of organisations that might meet each test:

1. Activities requiring protection from political interference:
 - (a) Distributing taxpayers' money:
 - Higher Education Funding Council for England.
 - Research Councils.
 - Big Lottery Fund.
 - (b) Generating empirical data/statistics:
 - UK Statistics Authority.
 - Office for Budget Responsibility.

- (c) Independence (and perception of independence) in providing advice and/or reporting to the public, Parliament and the government:
 - Office for Budget Responsibility.
 - Committee on Climate Change.
 - Food Standards Agency.
 - Health Protection Agency.
 - (d) Public appointments, standards and salaries:
 - NHS Pay Review Body.
 - Senior Salaries Review Body.
 - Committee on Standards in Public Life.
 - (e) Tribunals and appeals:
 - ACAS (Advisory, Conciliation and Arbitration Service).
 - Tribunals Service.
 - Independent Police Complaints Commission.
 - (f) Stewardship of National Assets:
 - British Library.
 - National Archives.
 - Museums and galleries.
 - National Parks.
 - (g) Banking and regulation:
 - Bank of England.
 - Competition Commission.
 - Ofgem, Ofcom etc.
 - Care Quality Commission.
 - Office of Fair Trading.
2. Specialist/technical/strategically important activities:
- Bank of England.
 - UK Trade & Investment.
 - Ordnance Survey.
 - Met Office.
 - British Council.
 - Royal Mint.
 - National Savings & Investments.
- (a) Temporary holdings:
- UK Financial Investments (manages the government's investments in The Royal Bank of Scotland and Lloyds Banking Group).
 - Great North Eastern Railways.
 - London & Continental Railways.

VALUE FOR MONEY AS A POSSIBLE CRITERION

It is clear that quangos that provide poor value for money need to improve, but a value for money test should not be used to determine which quangos should be abolished; quangos that meet the other criteria should be kept as they have been judged to perform an essential function. What would be helpful, as the NAO has repeatedly argued regarding government as a whole, is more good quality, comparable management data that can be used to monitor and benchmark value for money, which can then be used to drive improvement.

In July 2009 David Cameron reaffirmed his commitment to introducing a standard set of cost measures to allow efficiency to be compared, but did not specify what those measures would be. In December 2009 Francis Maude committed the government to publishing efficiency data on a departmental basis¹⁰—it would make sense for the same metrics to be used across government. He stated that departments would have to report every six months on measures including average costs per square metre of property, staff absence rates and average staff costs. He also referred to department-specific metrics that could be compared internationally; this approach could also be applied to quangos if similar comparator organisations could be identified.

October 2010

Written evidence from Information Commissioner's Office

I am writing to correct certain erroneous statements that were made about the Information Commissioner's Office (ICO) in evidence before your Committee on 23 November. The uncorrected minutes of that session have just been posted on the Parliament website.

Questions 270–276 deal with the appropriateness or otherwise of tax-payer funded lobbying activity undertaken by “quangos”. The exchanges covered the engagement of public affairs consultants, exhibiting at party conferences, and other conflicts of interest.

At Question 277, Robert Halfon MP asked a question of the witness from the Taxpayers' Alliance that was based on a false premise and included misleading information. I quote the question and subsequent exchanges:

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.

The ICO is by no means an “example” of a public body engaging in lobbying, hiring public affairs consultants, exhibiting at party conferences, nor do we have any conflicts of interest. We do none of these things.

It is also wrong to say that the ICO has spent £10–13 million on PR and internal communications in “recent years”. In fact, the figure reflects the ICO's total spend on communications activities over 10 years—including the launch of the ICO itself and the implementation of the two Acts of Parliament it enforces.

As Information Commissioner, I have statutory duties under the Data Protection and Freedom of Information Acts to communicate to organisations and members of the public. Both Acts require me to promote good practice to organisations, disseminate information to the public and to report annually to Parliament. I am also obliged to raise awareness among organisations such as trade bodies, businesses and public authorities. Under the Data Protection Act I also have an obligation to produce codes of practice.

The ICO's Corporate Plan clearly states that our role is a dual one of education and enforcement, and that education is the most prominent of the two roles.

Given these facts, it can hardly be a matter of surprise that we spend a proportion of our budget on communications activities such as providing guidance on our website, producing reports and publishing statutory codes of practice, as well as internal communications.

Commenting on a supposed communications spend of £10–13 million “over the last few years”, the witness said “I would expect that a substantial portion of that is being spent on PR and publicity.” This assumption is incorrect.

¹⁰ http://www.conservatives.com/News/Speeches/2009/11/Francis_Maude_Delivering_a_better_public_service.aspx

I strongly refute the suggestion that the ICO's communications activity is a waste of taxpayers' money. Our services are in demand and the demand is growing as privacy and transparency rise high on the public agenda.

Please take this as a formal submission to your Committee, to be published in due course, I would hope, alongside the transcript of evidence. I would be happy to provide further information to the Committee should that be required.

November 2010

ANNEX A

Letter from the Chair of PASC to the Information Commissioner's Office

Thank you for your letter of 29 November expressing your concern about our evidence session of 23 November relating to the question asked by Mr Halfon about the Information Commissioner's Office expenditure on "PR and internal communications over the last few years." I should stress that the members of a select committee are responsible for their own questions. You may therefore wish to approach Mr Halfon directly about your concerns.

The Committee seeks to be fair and accurate in pursuing its inquiries. You have asked that your letter is taken as a formal submission in our Inquiry and I am happy to propose this to the Committee. If approved, the Clerk will arrange for it to be published alongside the rest of our evidence on this inquiry.

In the meantime, it would help the Committee if you could provide us with more detail about the spending at issue. I suggest that you provide us with a breakdown of the actual expenditure over the period (or if this is going back too far, then I suggest that you provide information over, say, the past five years) which could demonstrate a full and fair representation of the facts. I would be happy to put this to the Committee as well.

You may wish to be aware that, in due course, the Committee will also be considering the government's "transparency" agenda as part of our scrutiny on good governance. Your views on that and related matters will be very helpful. Such an evidence session could also provide the Committee with the opportunity to clarify issues such as this one.

I am grateful for your drawing your concerns to my attention.

Response from the Information Commissioner's Office to the Chair of PASC

Many thanks for your letter of 1 December. In response to your suggestion of further and better particulars about the ICO's spend on communications activities and in addition to the answer given in Parliament by Mr Djanogly on Monday 8 November, I will be able to provide a full analysis of the annual totals for the last six years and will forward this to you on Monday on my return from Brussels. Detailed information for the years prior to that period is no longer available. It is our practice to retain detailed information for the last year and the five years previous to that.

I hope the Committee will find this helpful.

Parliamentary written question tabled on 6 December 2010 by Robert Halfon MP

Robert Halfon: To ask the Secretary of State for Justice pursuant to the answer of 8 November 2010, Official Report, columns 59–60W, on departmental communications, if he will publish an itemised account of the amount spent by the Information Commissioner's Office on (a) internal and (b) external communications in each year from 2000–01 to 2009–10. [29612]

Mr Djanogly: The following table provides an itemised account of spending by the Information Commissioner's Office (ICO) on internal and external communications where information is available. Detailed information on expenditure is retained for six years. Therefore no figures are available before 2004–05.

The figures provided are based on actual invoices. Therefore they vary slightly from those given in the answer of 8 November 2010 which were based on the ICO's annual accounts, which are accruals rather than cash based. They do however reconcile. This information has been provided by the ICO.

ICO EXPENDITURE ON INTERNAL AND EXTERNAL COMMUNICATIONS

£ Cost headings	2009–10	2008–09	2007–08	2006–07	2005–06	2004–05
Annual report	44,341.81	46,667.04	39,240.22	35,198.62	27,510.74	34,917.04
Campaigns	53,229.88	364,208.48	73,322.35	163,727.44	(1)—	0
Media monitoring and press cuttings	24,697.73	28,243.96	53,048.77	39,607.04	22,936.96	26,822.89
Media relations	34,329.79	8,448.10	48,884.72	211.50	32,575.37	195,703.38
Conferences and seminars	74,397.59	70,093.91	36,102.48	24,774.25	86,647.06	31,915.58
Design and print	258,210.13	74,884.66	160,278.55	428,274.38	311,252.10	197,137.43
Distributions	103,439.92	135,313.21	140,680.08	106,485.05	78,617.80	50,306.88
Management fees ⁽²⁾	385,465.71	347,184.28	339,218.93	341,473.39	282,533.58	146,507.47
Online	220,059.42	245,837.90	271,303.94	434,735.87	236,190.32	196,223.54
Research	76,522.16	140,145.05	283,585.60	256,183.13	278,625.42	187,664.10
Internal communications	11,582.91	12,323.06	36,999.21	20,334.86	(3)—	(3)—
Total	1,286,277.0 5	1,473,349.6 5	1,482,664.8 5	1,851,005.5 3	1,355,222.0 0	1,067,198.3 1

⁽¹⁾ Represents a refund for a cancelled campaign.

⁽²⁾ Fees paid to professional partners and consultants, eg for running the ICO Press Office (in-house from 1 October 2010); and also to the Central Office of Information.

⁽³⁾ Not available. There was minimal expenditure on internal communications during 2005–06 and 2004–05 and what expenditure there was cannot be individually identified.

Official Report col 494W 13 December 2010