House of Commons

Committee of Public Accounts

Reorganising central government bodies

Seventy-seventh Report of Session 2010–12

Report, together with formal minutes, oral and written evidence

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Committee of Public Accounts

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Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume.
Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

Under the Public Bodies Reform Programme (the Programme), the Government is reducing the number of its arm's length bodies from 904 to between 632 and 642 by the end of the current Spending Review period. The closure of at least 262 bodies across government is the largest restructuring of public bodies for many decades, and will have a substantial and lasting impact on how public money is spent. The Cabinet Office is the department responsible for overseeing the Programme, and the main statute governing the abolition and reorganisation of bodies is the Public Bodies Act 2011. The Programme is intended to improve accountability for functions currently carried out at arm's length from Ministers and make spending on those activities more accountable to Ministers. It is also designed to result in substantial net financial savings of £2.6 billion in administrative spending by 2015.

The Cabinet Office told us it was on track to make £2.6 billion of administrative savings. However, we have substantial reservations about the robustness of the claimed £2.6 billion savings figure. It is based on incomplete and imprecise estimates from departments of the savings and costs they expect to result from closing arm's length bodies. Our key concerns are that:

- there is a risk departments are claiming savings which are actually cuts to services, when they should be including only genuine savings arising from administrative reorganisations;
- estimates of transition costs such as redundancy and pension costs are incomplete;
- the savings estimate does not fully take account of the ongoing costs to other parts of government of taking on functions being transferred from abolished bodies; and
- some departments have wrongly included wider savings from bodies being retained, rather than just administrative savings from bodies being abolished or substantially reformed.

The Cabinet Office has accepted that its savings estimate needs to be reassessed, and we welcome its undertaking to 'rebase' its estimates in order to provide us with a revised administrative savings figure in April 2012. We will expect the revised savings estimate to address the concerns outlined above.

We acknowledge that the Cabinet Office and departments have put much effort into getting the Programme up and running. They have made good initial progress, in particular by ensuring the successful passage of the Public Bodies Act and reviewing over 900 bodies in order to decide which need to be reorganised. This means the Programme is on course to bring spending closer to Ministers and deliver significant cost savings. However, the Cabinet Office now needs to focus on managing the Programme effectively to ensure progress is maintained. It needs to give departments a clearer lead on issues common to all reorganisations, especially complex matters such as transfers of pension liabilities, and to challenge departments on their progress in managing costs and realising

the asserted benefits of reorganisations.

Departments have decided on the form of individual reorganisations themselves without clear direction from the centre, leading in some cases to inconsistent treatment of bodies with similar functions. There needs to be greater coherence in how future reorganisations are conducted and clear criteria to guide decision making about the structures that bodies should adopt.

We are concerned that departments may not be getting the best value for money from the sale or transfer of assets of bodies being abolished. Some of these bodies, such as the regional development agencies (RDAs) and British Waterways, have significant asset holdings and it is vital that maximum value from the disposal of such assets is secured for the taxpayer.

Our examination of the Programme has taken place early in its implementation, and we will revisit it to see if savings have in fact been made and other objectives achieved. However, before then the Cabinet Office will need to develop a clear set of measurable objectives, supported by reliable information, against which the actual impact of the changes can be evaluated. Without these, it is difficult to see how we or the Cabinet Office will be able to judge the overall effectiveness of the Programme.

On the basis of a report by the Comptroller and Auditor General,[1] we took evidence from the Cabinet Office, the Department for Business, Innovation and Skills and the Ministry of Justice on changes to arm's length bodies across government.

1 C&AG's Report, *Reorganising Central Government Bodies*, HC 1703, Session 2010-2012

Conclusions and recommendations

1. **We have substantial concerns about the robustness of the Government's claimed £2.6 billion administrative savings figure.** The Cabinet Office told us it was on track to make £2.6 billion of administrative savings from closing bodies by the end of this Spending Review period, and to lower administration costs by £800 million to £900 million annually in subsequent years. However, the Cabinet Office also recognised that it needs to 'rebase' its administrative savings estimate and we welcome its commitment to provide us with a revised savings figure in April 2012. The Cabinet Office must ensure that this rebasing exercise provides more complete and accurate estimates of expected savings and costs in the following areas.

- Departments should include only genuine savings arising out of administrative reorganisations in their revised savings estimates, to avoid claiming savings which are actually cuts to service levels.

- Departments need to provide more complete estimates of the transition costs associated with closing bodies, such as redundancy and pension costs. The Cabinet Office accepts that transition costs could be as high as £900 million, but it needs to ensure more work is done to identify and account for them fully.

- The administrative savings estimate needs to account for the ongoing costs to other parts of government of taking on services or functions previously performed by the abolished bodies. Some £400 million of the claimed £2.6 billion administrative savings have not taken into account the costs of functions being transferred to other organisations, because departments have not yet estimated these costs.

- Departments should count only administrative savings that come from reorganising bodies, and not wider savings from bodies that will continue to exist. Around £500 million of the £2.6 billion savings has been wrongly classed as savings under the Programme, as it relates to savings from bodies being retained without substantial reform.

2. **Departments have been left to decide on the form of individual reorganisations without clear central direction, at the expense of overall coherence across government.** Some reorganisations of individual bodies have led to anomalies in the treatment of bodies with similar functions. For example, the General Teaching Council for England is becoming an executive agency responsible to Ministers, while two other education regulators will remain at arm's length from Ministers. Decisions on closing or reorganising bodies need to be more consistent. The Cabinet Office should in future give a stronger lead to departments and set out defined criteria which clarify the appropriate structures to be adopted for bodies with particular functions.

3. **The Cabinet Office has not fully got to grips with managing the overall Programme, including key risks common to all departments.** The Cabinet Office's main focus to date has been on getting the Public Bodies Act passed, but it needs to improve its coordination and management of the overall Programme now that the

legislation is in place. The Cabinet Office recognises it must get on top of common issues affecting all reorganisations, such as pension transfers and managing the costs of closures effectively. The Cabinet Office should provide clear guidance to departments on handling important common risks and issues and take a more active role in challenging departments on their progress in controlling costs.

4. **Departments must secure the best value for money from the sale or transfer of abolished bodies' assets.** Some of the bodies being abolished, in particular the eight regional development agencies (RDAs), have significant assets which need to be disposed of in a way that results in maximum value for the taxpayer. The disposal process can be long and complicated. For instance, it may involve transferring assets to another body before final sale or, as in the case of British Waterways, transferring them indefinitely to a charitable trust with arrangements to secure continuing benefits to taxpayers. However, we are concerned that departments are not following the whole asset disposal process through to ensure that best value is being realised from the sale or transfer of assets. The Cabinet Office must set out in more detail what actions it is taking to ensure departments extract the best value for money from all asset disposals; and departments must provide clear information on the proceeds of asset sales arising from closures of bodies, including the gains and losses ultimately made, so that we and others can assess in a transparent way whether best value has been secured for the taxpayer.

5. **It is not clear how the Cabinet Office or others will be able to judge the overall effectiveness of the Programme.** Departments have not set out how they will assess the effectiveness of changes made to their bodies and the ongoing effectiveness of services transferred to other organisations, including whether asserted benefits such as improved accountability to elected representatives are being achieved. The Cabinet Office should develop and publish a clear set of measurable objectives against which it and others can assess the impact and effectiveness of the Programme, and of moving services to other organisations. It should incorporate those objectives into the evaluation criteria for its triennial reviews, so that changes made to individual bodies also have clearly defined objectives against which the actual impact of those changes can be assessed.

1 Administrative savings and wider value for money

1. The Government intends to reduce the number of its arm's length bodies from 904 to between 632 and 642 by the end of the current Spending Review period in 2014-15.[2] The Cabinet Office is the department responsible for coordinating and overseeing the abolition of these bodies, under its Public Bodies Reform Programme (the Programme).[3] The Cabinet Office claims that the primary benefit of the reorganisations will be increased accountability. Better accountability is expected to result from bringing functions which are currently carried out at arm's length from Ministers into departments or local authorities, where they will be more directly under the control of elected representatives.[4]

2. The changes are also intended to generate financial savings from lower administration costs. The Cabinet Office's current estimate of the net administrative savings is £2.6 billion over this Spending Review period, after one-off transition costs have been deducted. These savings would be followed by estimated recurring savings in administration costs of £800 million to £900 million per year after 2014-15.[5] The Cabinet Office told us the Programme was on track to deliver both the expected £2.6 billion administrative savings by the end of the Spending Review period and the recurring annual savings in subsequent years.[6]

3. However, we have serious concerns about how robust these expected savings figures are, since they rely on departmental estimates of costs and savings which are incomplete and imprecise. We therefore welcome the Cabinet Office's recognition that departments need to 'rebase' the savings they expect to make from closing their bodies, and its commitment to undertake this rebasing exercise so it can provide us with a revised administrative savings figure in April 2012.[7] The following paragraphs set out our particular areas of concern, which the rebasing exercise will need to address in order to arrive at a satisfactory revised estimate of administrative savings.

4. The Cabinet Office needs to ensure the revised administrative savings estimate includes genuine savings arising from administrative reorganisations only, and not cost reductions from reduced activities or service cuts. Treasury guidance states that administrative savings derived from reorganisations should be kept distinct from reductions to programme and capital spend.[8] The Cabinet Office has a separate estimate of £30.4 billion for the wider cost reductions coming from lower programme and capital spending by bodies, such as funding cuts to universities and social housing construction.[9] Consequently, the revision of the £2.6 billion savings estimate should include only those administrative savings which result from

2 C&AG's Report, Figure 3, p 17

3 C&AG's Report, para 1.5

4 Qq 55, 99; C&AG's Report, paras 2.1-2.2

5 Qq 1-2; C&AG's Report, paras 3.2, 3.4

6 Qq 56, 58-59

7 Qq 23, 26-27

8 C&AG's Report, para 3.11

9 C&AG's Report, para 3.3

closing or reorganising bodies, and should exclude programme cuts to activities or service levels.[10]

5. The Cabinet Office believes departments will achieve the administrative savings they have claimed because the amount of expected savings is being taken out of departments' administrative budgets.[11] However, all that this indicates is that departmental budgets are being reduced by the extent of claimed savings – it does not guarantee departments will make genuine savings in practice, and leaves open the possibility that departments could compensate for failing to do so by cutting activities or services. The Cabinet Office receives regular reports from departments on how they are achieving their administrative savings, and said it was challenging departments to ensure they deliver those savings.[12] However, the Cabinet Office also needs to challenge departments to demonstrate the validity of their administrative savings, by providing evidence of savings made against a clear baseline.[13] The Cabinet Office has promised to give us fuller detail on reporting of savings as the Programme proceeds, and we will expect to see clear evidence that genuine savings are being made.[14]

6. More complete estimates of the one-off transition costs of closing bodies, such as redundancy and pension costs, are needed. At the time of the National Audit Office's investigation, departmental estimates of transition costs came to £425 million. However, the NAO found that this figure covered just 51% of all staff affected by the Programme, and calculated a more complete estimate of transition costs of at least £830 million.[15] The Cabinet Office has now estimated transition costs to be between £600 million and £900 million. It accepts, however, that there is still much work to do to identify transition costs fully, and then to account for them to Ministers and to Parliament.[16]

7. The Cabinet Office and departments have not identified all of the ongoing costs to other parts of government of having to absorb functions previously performed by arm's length bodies. This means that the saving to the public purse of abolishing these bodies has not been properly accounted for, because all departments should have netted off from their savings figures the costs of ongoing functions to be delivered elsewhere in government. In total, £1 billion of the £2.6 billion administrative savings are planned to come from abolitions which transfer functions to departments, local government or other public bodies. Some £400 million of the £1 billion savings figure has not been adjusted for the costs of transferred functions from abolished bodies. However, some departments have accounted for such costs correctly, and £600 million of the claimed savings has been appropriately reduced by the costs of transferred functions.[17]

10 Qq 1-6

11 Q 147

12 Q 19

13 C&AG's Report, para 3.16; Qq 132-133

14 Q 19

15 C&AG's Report, paras 4.2, 4.5

16 Qq 52-53

17 Qq 15, 24; C&AG's Report, para 3.9

8. An example of functions which have been transferred to other parts of government is the services previously delivered by the eight regional development agencies (RDAs). The Department for Business, Innovation and Skills (BIS) told us that 500 of the 2,700 staff formerly employed by the RDAs have transferred to other government departments. For example, staff have transferred to the Department for Environment, Food and Rural Affairs (Defra) and the Department for Communities and Local Government (DCLG) to work on areas such as local rural development and European Regional Development Fund payments.[18] Some other functions previously performed by the RDAs may be picked up by other government or wider public sector bodies, such as local authorities, or by the RDAs' successor bodies, the local enterprise partnerships (LEPs).[19]

9. BIS told us that because the LEPs will not be public sector bodies funded directly by central government, there were no arrangements to transfer staff from the RDAs to the LEPs in a way equivalent to the transfers of staff to Defra or DCLG.[20] However, LEPs will be funded partly by public money coming from local authorities, which will be constituent bodies of LEPs, and they will also have access to a small start-up fund of £5 million from BIS.[21] LEPs may choose to employ some people who used to work for the RDAs. BIS told us that in these cases there would be no restriction on individuals moving into work for an LEP while retaining a redundancy package from an RDA.[22] It was not clear from the evidence we heard whether the Cabinet Office or BIS had considered allowing RDA employees to transfer over to carry out similar functions in LEPs, in order to save redundancy costs.[23]

10. Some departments did not follow central guidance on what they were permitted to include in their administrative savings estimates, leading to inconsistencies in the types of savings claimed by departments. The Ministry of Justice noted that failures to follow guidance had led to a situation where departments' claimed savings were "apples and oranges".[24] Treasury guidance stipulates that only savings arising out of administrative reorganisations of bodies should be counted as part of the administrative savings total, and not wider savings or cuts to administration budgets. However, several departments have not followed this guidance in practice: £500 million of the claimed £2.6 billion administrative savings is expected to come from bodies being retained without substantial reorganisation, including the Health and Safety Executive and the Research Councils.[25] Meanwhile, Cabinet Office guidance specifies that savings from executive agencies should not be included, as they are part of departments; yet six departments have included savings of £74 million coming from executive agencies and non-ministerial departments.[26]

18 Q 13

19 Qq 87, 92-98

20 Qq 11-13

21 Ev 17

22 Q 93

23 Q 98

24 Q 23

25 C&AG's Report, paras 3.11-3.12

26 C&AG's Report, para 3.14

11. It is not clear whether departments are getting the best value for money from the sale or transfer of assets formerly held by abolished bodies. Some bodies have large asset bases which need to be disposed of in a way that maximises value for the taxpayer. However, there is a risk that the market price for many assets may be relatively low in the current economic environment, and as a result sales taking place now may not represent the best long term value for the taxpayer.[27]

12. The RDAs, in particular, acquired substantial assets to foster economic development and regeneration. As at 31 March 2010 the eight RDAs outside London owned development land and property assets with a book value of £512 million.[28] BIS told us that in overseeing the sale of RDA assets, it was being careful to avoid a "fire sale" and was adhering to government-wide value for money rules under which it cannot sell assets below market price.[29] In 2010-11 the RDAs sold land and property assets with a book value of £25.9 million for £29.6 million, and between April and September 2011 unaudited figures indicate the RDAs sold assets with a book value of £37.1 million for £37.7 million.[30]

13. BIS told us it had transferred assets worth £633.8 million from the RDAs to the Homes and Communities Agency for further development and ultimate sale over a longer time period.[31] Other asset disposals have involved transferring assets indefinitely to another body: for instance, the network of canals formerly run by British Waterways will be transferred to a charitable trust, with arrangements to ensure taxpayers continue to benefit from those assets.[32] Both British Waterways and the RDAs illustrate that the asset disposal process can be lengthy and complicated. However, we heard little evidence that departments are tracking and following the entire disposal process through in order to be assured that the best value is being realised from the eventual sale or transfer of assets.[33]

27 Qq 78, 86

28 Ev 17

29 Qq 80-81

30 Ev 17

31 Q 80; Ev 17

32 Defra, *A New Era for the Waterways: A consultation on the Government's proposals for moving inland waterways into a new charity in England and Wales*, March 2011, paras 2.5.1-2.5.2

33 Qq 82-86

2 Coordination and management of the overall Programme

14. The Cabinet Office is the lead department overseeing the Public Bodies Reform Programme. While the Cabinet Office coordinates the entire Programme, individual departments are responsible for managing the closures of their own bodies and delivering expected financial savings and accountability benefits.[34] There is also a Programme steering board which includes representatives from all departments affected by the Programme.[35]

15. The Cabinet Office assured us that the Programme was on course to close the expected number of bodies and that it was "in a good place to enter the next Spending Review with an administrative burden that is less than it was".[36] The Programme has already involved a significant amount of work to date, with departments reviewing over 900 bodies and deciding which need to be reorganised, as well as consulting on and legislating for the resulting changes.[37] The Cabinet Office has also passed a major piece of legislation to govern the closures, the Public Bodies Act, which took over a year – longer than it had anticipated.[38] Now that the legislation is on the statute book, the Cabinet Office recognises it needs to concentrate on identifying and managing key risks to the Programme's implementation in order to ensure progress is maintained.[39]

16. One area of concern is the coherence of current reorganisations, and the Cabinet Office's role in providing clear direction on the form that reorganisations should take. Some reorganisations of individual bodies have resulted in inconsistent treatment of bodies with comparable functions. For example, the Department for Education is bringing the regulatory functions of the General Teaching Council for England into a new executive agency in order to increase accountability for those functions, while two other education regulators (Ofsted and Ofqual) will remain at arm's length from Ministers. The Department of Health has also decided to keep regulatory bodies, including the Care Quality Commission and Monitor, as arm's length bodies.[40] The Cabinet Office told us that decisions about the reorganisation and form of the education bodies were matters for the Department for Education. It went on to explain that while it could "ask questions" about individual reorganisations, such decisions were normally determined by individual departments and Ministers.[41]

17. The Cabinet Office needs to put greater emphasis on identifying key issues and risks affecting all reorganisations, so it can provide clear guidance on how to handle common issues. The Ministry of Justice observed that, from a departmental perspective, the Cabinet

34 Q 36

35 C&AG's Report, para 5.5

36 Q 59

37 Q 124

38 Q 117

39 Qq 26, 54, 114

40 C&AG's Report, para 2.4

41 Qq 137-140

Office had done well at providing guidance on overall risk management and issuing implementation check lists. However, it also said that the Cabinet Office and Programme steering board now needed to focus on particular areas which will be common issues for all departments.[42] One example is the transfer of pension liabilities from bodies being abolished. This is a complex and technical issue affecting many reorganisations, and clear central guidance needs to be provided to departments so they know how to handle pension transfers appropriately.[43]

18. The Cabinet Office also needs to ensure departments are managing the costs of reorganisations effectively, if departments are to achieve the financial savings they expect from closing bodies. More accurate estimates of costs and savings from the rebasing of administrative savings should assist departments to plan for and manage costs effectively. As part of its role to keep the progress of the Programme on track, the Cabinet Office needs to challenge departments on their cost management and require evidence that departments have achieved savings from abolishing bodies. However, the NAO found that the Cabinet Office is not able to assess whether departments have made genuine administrative savings as a result of closing bodies, because it does not have consistent information from departments which would allow it to separate reductions in administration costs from wider reductions to programme and capital spending.[44]

19. The implementation of the Programme is still at an early stage, and evaluations of the Programme will need to be made at a later point to see if its objectives have been achieved. However, the Cabinet Office has not set out how it proposes to judge the impact or effectiveness of the Programme or how it will know if the Programme's benefits have been achieved.[45]

20. Some benefits of the Programme such as financial savings should be relatively easy to quantify and measure, but others such as improved accountability are not as straightforward to evaluate. The Cabinet Office told us that Ministers believed the benefit of bringing activities and decisions closer to elected representatives was "self-evident" and did not require a set of accountability metrics.[46] However, it would be useful to have some way of knowing whether the primary benefit expected of the Programme has been met, even in a simple form. For example, the Department for Communities and Local Government is tracking a basic count of the number of functions being transferred from its arm's length bodies to come under ministerial control.[47]

21. The Cabinet Office was not able to explain to us how it is assessing the effectiveness of the Programme in a broader sense. As we have noted, the Programme involves the largest restructuring of public bodies for many years and will have significant impacts on many areas of public spending. Consequently, we would expect the Cabinet Office to set out how it will monitor the impacts and outcomes of the Programme and assess these against its

42 Q 36

43 Qq 49-51

44 C&AG's Report, para 3.16

45 Qq 101-103

46 Q 99

47 Qq 99, 102; C&AG's Report, para 2.13

objectives, in order to come to a judgement about how effective the Programme has been.[48] The recently introduced triennial reviews of arm's length bodies will also need to be clear about how the effectiveness of individual bodies will be assessed. Under the triennial review process, all bodies will be examined every three years to see if they should continue to exist. The Cabinet Office told us that the triennial reviews would involve challenging bodies to ensure they have enough money to do their job and be effective, but it is not clear what criteria or objectives will be used to evaluate individual bodies' effectiveness.[49]

22. The Ministry of Justice accepted that it was important to track whether better outcomes were resulting from the changes to its arm's length bodies, and undertook to do this.[50] Judgements about the impact of reorganisations on policy outcomes will vary according to the type of body concerned. Assessing the effectiveness of changes to some bodies, such as advisory bodies, may be subjective as outcomes could be difficult to identify and track. In contrast, for bodies with delivery functions, there may be clearer data on the impacts of abolishing or reorganising them.[51]

48 Qq 101, 103

49 Q 110

50 Q 113

51 Q 113

Formal Minutes

Monday 26 March 2012

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon	Fiona Mactaggart
Stephen Barclay	Mr Stewart Jackson
Jackie Doyle-Price	Austin Mitchell
Matthew Hancock	Nick Smith
Meg Hiller	Ian Swales

Draft Report (*Reorganising Central Government Bodies)* proposed by the Chair, brought up and read.

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

Paragraphs 1 to 22 read and agreed to.

Conclusions and recommendations 1 to 5 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Seventy-seventh 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 placing in the Library and Parliamentary Archives.

[Adjourned till Wednesday 18 April at 3.00pm

Witnesses

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Seventy-second Report	Services for people with neurological conditions	HC 1759
Seventy-third Report	The BBC's efficiency programme	HC 1658
Seventy-fourth Report	Preparations for the London 2012 Olympic and Paralympic Games	HC 1716
Seventy-fifth Report	Ministry of Justice Financial Management	HC 1778
Seventy-sixth Report	Department for Business, Innovation and Skills: reducing bureaucracy in further education in England	HC 1803
Seventy-seventh	Reorganising Central Government Bodies	HC 1802
Seventy-eighth Report	The Care Quality Commission: Regulating the quality and safety of health and adult social care	HC 1779

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 1 February 2012

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Jackie Doyle-Price
Matthew Hancock
Chris Heaton-Harris
Meg Hillier
Fiona Mactaggart
Austin Mitchell
Nick Smith
James Wharton

Amyas Morse, Comptroller and Auditor General, and **Keith Davis**, Director, NAO, gave evidence. **Gabrielle Cohen**, Assistant Auditor General, NAO, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Reorganising Central Government Bodies (HC 1703)

Examination of Witnesses

Witnesses: **Ian Watmore**, Permanent Secretary, Cabinet office, **Sue Gray**, Senior Responsible Owner, Public Bodies Reform Programme, Cabinet Office, **Sir Suma Chakrabarti KCB**, Permanent Secretary, Ministry of Justice, and **Martin Donnelly**, Permanent Secretary, Department for Business, Innovation and Skills, gave evidence.

Q1 Chair: Welcome. Apologies for starting late, but we were voting. Actually, if we are very smart, the next vote is at 5 pm, so we can try and keep it within the hour and a half. May I also say that we are conscious of looking at this whole area at an early stage of development? A lot of our questions, while we are looking at what you are doing, we will come back to, but we are hoping that both you and we can learn something from the process today. Finally, if I interrupt you, it is only because I feel that in an hour and a half I want to get through things, so the shorter you are in your responses, and the more you can focus on answering the question directly, the fewer interruptions and the quicker we can go through, so thank you very much all of you.

I think there is consensus about quangos, which someone described as being like the Forth bridge: every time there is a new Administration, they try and get rid of quangos, but then they reinvent others. There is consensus, and we are not challenging the policy. What we are interested in is whether you are going to get the savings—which we understand is a subsidiary purpose, but it is there—and whether you are being effective in how you are pursuing this. That is the focus of what we are trying to get at.

Let us start on the saving. When I read the Report, I thought, “How on earth are you distinguishing between an admin saving and a service cut?” I suppose I am really asking Ian and Sue this—you have set yourselves the target of £2.6 billion, but you look through this and a lot feels like service cuts rather than admin savings.

Ian Watmore: The £2.6 billion figure is the total savings that we are expecting this spending review from the bodies affected—

Q2 Chair: Admin saving? There is £33 billion or something—it is a much bigger figure.

Ian Watmore: At the end of the spending review period, we think that those savings will be running at about £900 million per annum and will therefore recur and recur. In each case, the Department had to set a test and consider whether the public body concerned should exist at all or whether the function needed doing, and if it did need doing, how best to do it. Often the decision in the latter case was taken to bring it in-house, or to put it into the wider sector. A number of arm’s length bodies had roles that had to continue, but they are continuing under the auspices of the central Government Department or, as in the case of National Endowment for Science, Technology and the Arts, for example, they were released into the voluntary sector. Many of the functions continue, it is just the body itself that was—

Q3 Chair: You set yourself that ambition of—I accept £800 million or £900 million a year—£2.6 billion in this Parliament of admin savings and as you read through the Report you think, “Actually, they’re not admin savings, they’re cuts.”

Ian Watmore: We did not set an explicit target, going in, on savings. The savings figure is the consequence of the review.

Q4 Chair: Okay, let me take it to the specific, which brings in Martin, because the RDA example is a classic one.

You are assuming, out of the £2.6 billion, from reading the Report, a lot of it—a third—is coming from Becta, which we all agreed years ago had had its time, and the RDAs, right? What you cannot work

out is, in the RDA savings, is it a service cut or is it an admin saving? I should like an answer to that question. Service cut or admin saving?
Martin Donnelly: Most of the saving going forward from the RDAs comes from the fact that we are employing significantly fewer people, so then the question is what are we doing, and it comes down to some policy decisions, which Ministers have taken, about what they replace the RDAs with—and it is looking at a different model of delivery. There is less programme spend overall over this period. In areas like business coaching for growth, we are delivering a service in a different way. There is not a one-for-one replacement between the RDAs and the bodies that will take their place. It is a combination, I would say, of doing things differently, doing less of some things and using, for example, online services.

Q5 Chair: I cannot remember the figures. It is a figure of some £600 million that you are assuming—I cannot remember the precise figure.
Martin Donnelly: £674 million.

Q6 Chair: From our point of view, all we want is clarity, and we want you to account for it properly. In a way, this is point one that we will flag up. Is that £674 million an admin saving? At the end of day, will you be spending £674 million a year less—I am assuming it is a year—on admin costs?
Martin Donnelly: That is the cumulative saving over the SR period, yes.

Q7 Chair: From memory—we had this discussion before you came in—the RDAs' budget was about £1.9 billion or £2 billion a year. Are you saying that abolishing them over this spending review period will only save—I do not know, have they gone, actually? They have gone, haven't they?
Martin Donnelly: No. They will go formally at the end of March and the remaining residual at the end of June.

Q8 Chair: Okay, so you have got two or three years, but despite that, at £2 billion a year, at the end of the spending review period, you will have only saved £674 million. Do I read that right?
Martin Donnelly: Over the spending review period they would have spent about £6 billion, if you are counting programme as well as admin. What we are doing here is looking at the specific admin saving and, essentially, that comes from the fact that they employed 2,700 staff in June 2010. About 500 of those are transferring to other activities and we have had 1,800 resignations and redundancies—essentially voluntary—and unfortunately about 350 compulsory redundancies. Therefore we have got about 2,200 staff-post savings, which will be a continuing saving, since about three quarters of the admin cost of the RDAs was staff, of very roughly £200 million a year.

Q9 Chair: Have you, in that, accounted for the cost of running the new regional intervention—what are they called?
Mr Bacon: LEPs—local enterprise partnerships.
Martin Donnelly: Yes, that is a net saving because the LEPs are not funded, essentially, from our Department. It is a different system.

Q10 Chair: No. From our point of view—your point of view—that really does not matter. That is the sort of thing that we bang on about here.

Q11 Stephen Barclay: How many people will be working for the LEPs when they are fully at strength?
Martin Donnelly: That is going to be a matter for each individual LEP. It is not something that we control or pay for centrally.

Q12 Stephen Barclay: What is your working estimate or what is the policy objective in terms of the number of people who will be working for LEPs when they are at full strength?
Martin Donnelly: We do not really have one because it is going to depend on what the LEPs want to do on the ground, and what they are prepared to pay for. We are obviously providing some other services centrally, such as work on inward investment, but the LEPs themselves are not a central Government responsibility, and we do not set a target—

Q13 Stephen Barclay: That is not my question. You are saying that there will be an administrative saving by abolishing one set of bodies, the RDAs, and in part replacing them with another set, the LEPs, which will have fewer staff. In order to come to some sort of working assumption about that saving, you must have a figure in mind as to how many staff will be part of that—I assume the 500 who have transferred from the 2,700, either entirely or in part.
Martin Donnelly: No. The 500 have transferred to do things such as ERDF payments, or to work on local rural development. They have gone to the DCLG or to DEFRA. The LEPs are an entirely separate locally-led non-governmental set of bodies.

Q14 Stephen Barclay: So none of the 2,700 staff that were at the RDAs will be reappearing in the LEPs.
Martin Donnelly: Unless the LEPs choose to employ some people who happen to have worked for RDAs.

Q15 Chair: From the point of view of the Cabinet Office—this is really important—the cost to the public purse re-emerges elsewhere in the public sector. Accepting this as a secondary objective of the whole programme, if we are to see an honest articulation of that, you need to be able to follow it through and tell us at the end of the day how much was saved in admin costs. That was the secondary objective. Do you agree with that?
Ian Watmore: I do, in the sense that if money goes down somewhere and pops up somewhere else, there has been no net saving. The point, however, is that in the overall spending review settlement, the reductions have been inked in by the Treasury. The expenditure will be progressively smaller year after year, and the more we can find savings through programmes such as this, the more we can genuinely protect the front line. In the Cabinet Office, as you know, we are closing two quite large organisations: the Central

Office of Information and the National School of Government—about 1,000 staff in total. The closure of those two bodies does not reappear in other places, and in fact I am funding the closure costs out of the administrative budget set by the Treasury, which is reduced. The money is not re-emerging in another part of Government; we are forcing it under the umbrella of spend that the Treasury has set for four years. It is appropriate to say that those are real reductions in admin spending.

Q16 Austin Mitchell: Are the regional development agencies still paying out the regional development fund?
Ian Watmore: I will let Martin answer specifically on that, because he is the expert. I think he made it clear that there is a difference between the money that goes on the administrative costs of the RDAs, and the moneys that the RDAs put out into the economy as programme spend. The programme spend decisions are separate from this.

Q17 Austin Mitchell: But the £1.9 million is the cost of administering the regional development agencies, the cost of firing 2,200 workers from the agencies, and the cost of the money that they were distributing. Some money—less, presumably—is still being distributed to the regional development fund.
Martin Donnelly: There is a separate issue about how much programme spending is going on economic development—it is about £2.7 billion over the SR period, as opposed to roughly £6 billion that would have been spent by the RDAs. We have set up different mechanisms. We have the regional growth fund, the enterprise zones and the foreign direct investment programme, which are working to deliver some of these programmes separately from the admin saving that we are making by not having RDAs.

Q18 Austin Mitchell: You are not comparing like with like.

Q19 Chair: We are going to move off this, but our point is that we want to be able to test you—I know the budget has gone, and they will have to find the money one way or another—on whether or not it is an admin saving, as you are attempting to do.
Sue Gray: Departments are providing regular reports to us, as we go through this implementation phase, on how they are achieving their savings. We will be challenging them and ensuring that they deliver those savings. We would expect to come back and give you fuller detail on that as it is happening.

Q20 Stephen Barclay: Can I come back to Mr Donnelly? I may have misheard: you said in June 2010 there were 2,700 staff in the RDAs and that 500 have transferred?
Martin Donnelly: Yes.

Q21 Stephen Barclay: Did 800 resign?
Martin Donnelly: 1,800 went through voluntary redundancy or resignation.

Q22 Stephen Barclay: So they have taken voluntary redundancy and it was compulsory for 350?
Martin Donnelly: Yes.

Q23 Chair: Let's take another example in Suma's area and maybe you can come back on it. You assert that you will save £1.4 million from the abolition of the Tribunals Council. They allege that it will be only £1 million. Where does the truth lie from your point of view and what are you guys going to do to check what the correct picture is?
Sir Suma Chakrabarti: We followed the guidance, basically. The guidance said to take the budget as your figure, so that is the figure that is in there. The AJTC took the actual spend in the year you want to talk about, and they were arguing that it was going to be a smaller spend. They did not follow the guidance, so they presented £1 million. Frankly, I think it will be between £1 million and £1.4 million. My basic point, to follow what Sue said—I think the NAO Report is very clear on this—is that there have been apples and oranges, as Austin says, in this. Some Departments seem to have included executive agencies. It is quite clear that some Departments have included things which, frankly, are savings elsewhere that would have been incurred anyway. It was done very quickly, obviously.
What we ought to do—it is a good time to do this because we are all setting budgets at the moment for the coming year for all the ALBs—is to offer the Committee in April a rebasing of the £2.6 billion and try to strip out double-counting as much as we can. Attribution is hard because some of these things might not have happened if it had not been for the ALB policy, but some things would have happened elsewhere. YJB would be a good example. When I appeared before this Committee a year ago we were not sure that the YJB would give us the £6 million in savings on back-office functions. They are now, although they are not going to be abolished any more. It is that sort of thing that has moved around quite a bit so I think it would be worth rebasing and doing it properly.
Chair: We would welcome that.

Q24 Austin Mitchell: This is bad for the country, isn't it, because the Report says in paragraph 3.9: "In many cases, neither the Cabinet Office nor departments have attempted to estimate the costs to other parts of government in taking on functions previously delivered by public bodies"? Overall, £1 billion of the savings are planned from abolitions which transfer functions to departments, local government or other public bodies. This is a conjuring trick. There are still costs to administer those functions but they are not included in the calculations of savings.
Sir Suma Chakrabarti: I cannot speak for the whole of Government here. Ian and Sue would know more. Certainly in the MOJ, we took account of the impacts on other Departments and netted them off, but I cannot say that that happened across the whole of Government.

Q25 Austin Mitchell: So you are not going to get a lot of costs from them and take on the Law Commission's functions?
Sir Suma Chakrabarti: The Law Commission is not being reformed.

Q26 Chair: I think what is being alleged in the Report is more for you really. What is being alleged is that some Departments did and others did not. Therefore you have a partial view. Again, that is a valid point.
Sue Gray: Now that the Bill has had Royal Assent, which was only just before Christmas, this is a really good opportunity for us to focus more on that implementation phase. I would very much support Suma's suggestion that we use this as an opportunity to track what is going on. I am very happy to come back.

Q27 Austin Mitchell: But it is still a conjuring trick. Most of the savings come in the last two years. Huge savings were projected, yet there is no estimate of the cost of transferring the functions to the Departments.
Ian Watmore: I take the steer from the Chair that we will come back. I go back to my earlier answer. It is not a conjuring trick. The money is being taken out of the budgets across—

Q28 Austin Mitchell: But you are not giving them the money, and that will force them to make economies elsewhere. There is still a cost of transferring the functions.
Ian Watmore: There may well be in some cases where a function has moved from one Government Department to another. If it has not been taken account of we will sweep it up in this exercise that we have just agreed to do. In principle, though, I do not agree that it is a conjuring trick. I think the actual money is coming out of budgets and there has been a real saving, not just in the one-off cases, but year after year after year from nearly 265 bodies that no longer exist.

Q29 Austin Mitchell: That includes efficiency savings, which were made anyway. That is why it is a conjuring trick. You are inflating a figure.
Ian Watmore: There has been no evidence they would have been made anyway, and they haven't been made over many, many years. In fact, the number of bodies have been growing year after year after year, and this is an attempt by the Government to cleanse the past of nearly a third of the bodies and then, on an ongoing basis, to put in place a regular review of arm's length bodies so that we do not go back into the position we got into in the past.

Q30 Meg Hillier: You raise an interesting point about cleansing, because 170 of the 262 bodies spent nothing in 2009–10. Were they absolutely just defunct bodies?
Ian Watmore: There was quite a large number that were completely defunct, but some of those still cost ridiculously, like the infamous hospital with no patients in "Yes, Prime Minister".

Q31 Meg Hillier: There is a hospital with no patients?
Ian Watmore: Do you remember the sketch where he says, "The hospital has no patients, but we have filed the accounts beautifully, Minister"? The point is that, if the body exists, it statutorily has to be reported on in Parliament. Even if it does nothing all year, there is a cost.

Q32 Meg Hillier: Do you have an example, Mr Watmore?
Sue Gray: "Food from Britain" is a very good example of a DEFRA public body. It was closed in 2009, and it had to produce a set of accounts each year, which cost £20,000 to £30,000 to produce. It stayed live until it actually was abolished.
Ian Watmore: So it was doing nothing, but costing money every year.
Sue Gray: But costing money.
Ian Watmore: So actually getting rid of these things is both tidier and it makes real savings.

Q33 Meg Hillier: So you could strip that out as pure definite savings.
Sue Gray: Absolutely.

Q34 Meg Hillier: That brings me to the other point I was going to make about the Cabinet Office's skills set. The Cabinet Office is not a delivery Department.
Ian Watmore: I could challenge on that. The number of things that my Minister does from the machinery of government leading to the Cabinet Office has made us rather a big delivery Department.

Q35 Meg Hillier: How can you convince us that you have the skills to do this?
Ian Watmore: I understand the point you are making. We should not forget the fact that the Treasury spending teams work with every Department. These bodies, by and large, occur inside a departmental boundary. There are some which cross. We have talked about those, but the vast majority are within a Department. It is our job to enable the closure programme through the Bill turning into an Act, and all of that stuff. On a micro basis, the Treasury spending team in the Departments concerned go through all the costs line by line, checking that the right things have been saved, and they have not just moved the money somewhere else. There is a core group of Treasury officials involved that are not represented around this table.

Q36 Meg Hillier: How do you link in?
Ian Watmore: We work very closely with the spending teams in the Treasury. We are always accused of not joining up enough at the centre—the Cabinet Office and the Treasury. We definitely do not want to be duplicating their job, so my team and the Treasury spending teams do work closely so that we get sight of the figures that they are working on with Departments.
Sir Suma Chakrabarti: Can I put a departmental perspective on the division of labour? The Cabinet Office runs the overall governance of the whole process of change. Individual changes—in my area

obviously, there is a large number of bodies that we have to transition, merge, get rid of—all those are run by us. On the bigger ones are transition boards for, say, the LSC and the YJB, when it was going to be abolished. Of course, we would consult the Cabinet Office and the Treasury in more detail—we would have to, not just for the financial numbers, but also because of certain issues around pensions and so on. We have to have close liaison.

Where the Cabinet Office has done a really good job—and again picked up in the Report—is around the risk management area, implementation check lists and so on. They have done a really good job on that, but this is the first time in a generation that we are doing this sort of change, and one of the things that Ian and Sue are thinking of is that the steering board needs to actually focus on particular areas going forward, which are going to be common issues across Departments.

Q37 Chair: The Legal Services Commission is a good example. We will come back to why on earth it is being done given the difference it will make, but changing it from a NDPB to an Executive Agency means that you have to deal with all the pension transfers. Am I right?
Sir Suma Chakrabarti: Yes.

Q38 Chair: So it is going to cost you?
Sir Suma Chakrabarti: No, in the end—

Q39 Chair: £8 million, I heard.
Sir Suma Chakrabarti: It is not going to be a massive cost, but there will be some cost associated with it. Actually, though, that was handled very well by the Treasury and the Cabinet Office together.

Q40 Chair: Suma, to be fair, I don't really understand the difference between NDPBs and Executive Agencies—even having been a Government Minister, I don't quite get the difference. If the mere transition from one to the other costs you £8 million in pension liabilities, it just seems to me slightly potty, particularly because I also read that you assume you will save by this change only £8 million over the spending review period.
Sir Suma Chakrabarti: It is a cost-benefit analysis. Actually the benefits are larger than that. Of the £84 million that we have scored, using the guidance, £53 million is from the LSC. The cost-benefit works out but fundamentally—this goes back to the NDPB-Executive Agency argument, which we talked about before—it is a question of accountability. This was a cross-party agreement before the last election. It was agreed with the then Opposition by Jack Straw that it should become an Executive Agency on the grounds of ministerial accountability: 20% of the MOJ budget was not under our control, in his view and that of the Opposition at the time. That is essentially what drove this decision.

Q41 Chair: It was accountability to Ministers, not accountability to the public.
Sir Suma Chakrabarti: Well, both. Ministers are of course directly accountable to the public through this House.

Q42 Meg Hillier: There is an interesting point about the accountability side of it. Of the £21.5 billion, £20.5 billion-worth of these responsibilities go into Departments, to central Government, and £0.1 billion to local government. That is 99.5% to 0.5%. The accountability assumption is that going into central Government—a centralising exercise—is more accountable than putting it out locally.
Ian Watmore: The key thing here is that when something was in an NDPB status, it was neither.

Q43 Meg Hillier: But you have gone for the centralisation. That is my point.
Ian Watmore: The vast majority of NDPBs were created at some point in their past by Ministers who had direct control in central Government deciding to put something slightly at arm's length. This group of politicians came in and said, "We don't believe in that philosophy. We think functions should be directly under the control of the elected Ministers of the day, and if, in looking at a function, we believe that it would be better done under local government, we will put it under the local officials of the day."

Q44 Meg Hillier: But only 0.5% went local.
Ian Watmore: But the vast majority of the functions were really primarily central Government functions, so the Ministers of the Departments concerned chose to bring it back inside their world so that they had direct ministerial accountability for that money.

Q45 Meg Hillier: I do not want to stray into policy, but localism is very much a mantra of the Government.
Ian Watmore: It is.

Q46 Meg Hillier: So we have 0.5% going to local government and 99.5% going to central Government. Is it not just a centralising exercise?
Ian Watmore: The localism philosophy is playing out in a whole load of other ways. The health and education reforms are very localist. That is not taking—

Q47 Chair: You are going to have to watch that, because if you think about the health—
Ian Watmore: I realise I should not mention health; otherwise the clock will get to 5 pm very fast.

Q48 Chair: We spent a lot of time talking to David Nicholson about whether he will be a Stalin or—
Ian Watmore: My point is that the localist agenda is playing out in other ways where the moneys are spent, but in this particular case the vast majority of the functions had originally been central Government ones and were returned to direct ministerial control.

Q49 Chair: Okay. Matt wants to come in, but I just want to bottom out one thing that I did not quite get with Suma. Pensions are an issue across loads of them, presumably. If you are changing from one status

to another without abolishing the function, as you are doing with the Legal Services Commission, there is a pensions issue. Am I right about that?
Sir Suma Chakrabarti: Absolutely. That is the case across many arm's length bodies.

Q50 Chair: So it is a real cost?
Sir Suma Chakrabarti: It is a real issue.

Q51 Chair: What rather concerned me from the Report was that that is clearly an issue across all the quangos that are going, and it appears that you are a bit slow. I will come back to this issue. According to the Report you suddenly thought "Ah, pension liabilities will be a problem," in 2010, and it took you 15 months or so, if my arithmetic is right, to set up just a working group to start thinking about this across Government. There is a bit of a criticism there: why did you not get your act going?
Sue Gray: To be fair, we had been looking at pensions in the steering group and in the working group, but what we were clear about was that in more recent months that was giving it a lot more focus than it needs. Some of the criticism is fair, but we were doing quite a lot of work already. That work is now being taken forward by a peer group to bottom it all out and learn across Government.
Ian Watmore: It is also very technically specialist stuff. You are moving a body from A to B and sometimes it crystallises a pension liability, sometimes it doesn't. You need a kind of pensions actuary-type mind to work all this stuff out.

Q52 Chair: But I think it raises the bigger point of the transition costs for another area, where clearly there is a lot of work still to be done both to identify them and then to account for them, to Ministers and to us.
Sue Gray: We would accept that. That is definitely a major area of work for us over the coming months. Our estimate is between £600 million and £900 million in transition costs. We have got quite a lot of that information in, and we are getting more information in all the time.

Q53 Chair: So you are not worried by the NAO estimate—you come in just under £900 million, don't you?
Sue Gray: £830 million.

Q54 Chair: You are in about the same area. One assumes—then I will shut up—that that will impact on the £2.6 billion, won't it?
Sue Gray: They will probably be on top of that. Departments will have to find £2.6 billion plus transition costs.
Ian Watmore: Probably one thing we have not said is that we found the whole Report very helpful—there are lots of good ideas here. We are not sitting there saying that we have done everything perfectly. We are sitting here saying that, 18 months on, the business case still looks strong, the political case looks good, as many people complain that we have not done enough as say that we have done too much, which is usually quite a good sign that you have got it about right, and the NAO has very helpfully given us some thoughts on what we need to do going forward. We have also only just got the Bill through Parliamentso we are now able to focus on what we have got to do for real, rather than what we might do.

Q55 Matthew Hancock: I wanted to follow on from the Chair's questioning on this. As the efficiency and value-for-money Committee, a programme like this—especially this large version of this type of programme—is broadly very welcome. Our focus is to make sure that you stay on track on it and that we hold your feet to the fire in terms of delivering it. Of course what matters is the net savings, not the gross numbers. On how much you expect to save, both one-off savings and incremental revenue savings going forward, but taking the one-off savings first, in terms of what you were expecting to save at the start of this programme, which is coming up for two years ago, where are you?
Ian Watmore: I do not think that we had a figure at the start of the programme. This programme was primarily launched by Ministers on an accountability drive with subsidiary financial benefits; they put all 900-odd bodies in scope and they went through systematically reviewing them to decide which ones they wanted to save and which ones they didn't. Having worked through the arithmetic with the Treasury guys, we are now in a position where we think the transitional costs are between £600 million and £900 million and the net benefits are about £2.6 billion, if you include all of the administrative savings that go with that, some of which, as we rightly pointed out, may have happened anyway, so we need to identify them.

Q56 Matthew Hancock: And are you on track to hit that £2.6 billion?
Ian Watmore: Yes, because—
Chair: Not on time, though.

Q57 Matthew Hancock: Hold on: let's separate out the one-off savings from the recurrent savings, because for the one-off savings, as long as they are secured the timing is less important; while for the recurrent savings, the later you get them the less you get.
Ian Watmore: The aim of the programme was to close these bodies and to merge them during the course of the Parliament. I freely admit that the Bill took longer to get through Parliament than we estimated at the beginning, because it brought out a lot of scrutiny, which Ministers were perhaps not expecting when they launched the Bill; nevertheless, it got through Parliament just before Christmas. I believe that the figures will come out in the spending review as said, but just as important they will help us enter the next spending review, which is where a lot of us are turning our attention because of the state of the economy and so on. We are £800 million to £900 million a year lower in administrative costs than we might have been, and that will help us with the next spending review as well.

Q58 Matthew Hancock: So by the end of this spending review, you expect to be £800 million to £900 million a year lower in running costs, and you are on track to do that?
Ian Watmore: Absolutely.
Sue Gray: Yes.

Q59 Austin Mitchell: On the savings forward projection, I see in figure 8 that 36% of the savings are going to be made in 2014 or 2015. In other words, the conjuring trick has been to project into the future—it is a projection—but there has already been some slippage and there could well be more. I see that the Youth Justice Board, which was going to be scrapped, is being retained, so £250,000 will not be saved there, and some of the closures originally proposed have been dropped, so you cannot guarantee that those savings will be reached in 2014.
Ian Watmore: I am not guaranteeing anything. I am saying that, sitting where we do today, we can see that the savings will be achieved by the end of the spending review. It is a hockey stick of savings, because you have to do quite a lot of work at the beginning to get the savings. We had to pass an Act of Parliament, and it took over a year to do that. If you want to close a body, you have to have multiple consultations about the redundancy programme; you then have to fund the redundancy programme before you get financial savings. It is of necessity that the financial savings will tend to be towards the back end of this Parliament, but I think we are on track to deliver and in a good place to enter the next spending review with an administrative burden that is less than it was.
We should add that we have instituted the triennial review of the vast majority of NDPBs that have been left behind, and no stone will be unturned. We will go through the first tranche of those and we may find more candidates for abolition or merger, which will then rack up the savings. The process is continuous.

Q60 Chair: In this calculation here, you have invented, according to the Report, 38 or 39 new quangos.
Ian Watmore: There are always—sorry, I misunderstood the question.

Q61 Chair: The interesting thing is whether in your £800 million or £900 million, which I will put a proviso on—I am sure you will save that money because you have to—you save it through back office savings or cuts in services, and I think we have to bottom that out. However, you are setting up 38 or 39 new ones—I think that is what I read in the Report.

Q62 Keith Davis*:* Yes, I think you get that from figure 2—39 bodies were either created, abolished or merged, but outside the public bodies reform programme. It is not all new bodies—
Sue Gray: Are these the bodies that are set up when you set up a new prison?
Ian Watmore: No. I think it is outside.

Q63 Chair: Do you bring that into your calculation? Is it a net figure?
Ian Watmore: We believe that the since the Government came in, fewer than 10 new bodies have been created and, from memory, half a dozen of those are automatically created when you open a prison. When you open a prison, you have a review body—
Sir Suma Chakrabarti: You have an independent monitoring board.

Q64 Chair: So that is why you have so many.
Sir Suma Chakrabarti: Of course, and we are keeping those. *[Laughter.]*
Ian Watmore: The actual number of new arm's-length bodies that this Government have created is very small.

Q65 Chair: As long as we are clear that when you go away and come back to us, you net. As I said, this is the Forth bridge.
Austin Mitchell: There is a second part to my question. Many of the bodies being abolished are simple advisory bodies. What is the saving from them? Presumably the people on those committees have contracts or are paid. Is there any cost in abolition? What allowance is made for the advice services that you might well have to buy to replace them? You might have to employ consultants. You might have to turn to people like me to come along and give the Department some advice.
Ian Watmore: As you know, with a different hat on, we have reported that we have reduced the expenditure on consultancy by more than 70% in one year, so we are not doing that either.
The advisory bodies fall into multiple categories. There is a cost for any body. If you have a body, it has a cost, even if it is only travel and subsistence for members.

Q66 Austin Mitchell: It is not big.
Ian Watmore: Closing the large number of small advisory bodies is not where the big financial savings lie, but it creates a greater impression that Ministers are taking the primary decisions. It is much stronger to put it inside the tent, or at arm's length into wider bodies. I would argue that the advisory body thing is less about money, and more about sharpening accountability

Q67 Austin Mitchell: But you will have to buy advice, or get advice in some other way.
Ian Watmore: You may do or you may well not. For the same reason that you and I know, consultancy is often procured to tell you what you knew already so that you can hide behind it rather than make your own decision.

Q68 Matthew Hancock: Can you expand on the point about accountability? It is quite interesting that part of the answer was to get better accountability, which is another bugbear of this Committee.
Sir Suma Chakrabarti: Shall I give an example? The Administrative Justice and Tribunals Council was set up as an advisory body on administrative justice. This Government's view was that this rather duplicated internal advice and policy advice, and the Secretary of State's view was, "Well, if I want advice from the

Ministry of Justice, I will ask the Ministry of Justice policy team. If they want to go and talk to people outside, why not? Go and talk to people outside, and give me their views." It has not cost anything to do that. My staff can go out and talk to anyone they want at any time.

Q69 Chair: That might be true, but look at some of these bodies. The Advisory Board on the Registration of Homeopathic Products strikes me as being probably a group of experts that sat around and helped the Department of Health to decide what it would license or not. The Advisory Committee on Antimicrobial Resistance and Healthcare Associated Infection would also be an expert body that would give advice—cheap, actually.

Q70 Matthew Hancock: We do not know that. We might get it free. If you ask the same people without giving them a salary, I am sure they will give exactly the same advice.

Q71 Fiona Mactaggart: Or you could take the decision that you should have no public funding for homeopathy.

Q72 Chair: We don't have to be silly about this, but it gave you a bunch of experts to help you, rather than not. We just have to be careful.

Q73 Matthew Hancock: You may think that, but that isn't the view of the Committee. We constantly go on about a lack of accountability. Honestly, twice a week we complain that there is no accountability and you, Chair, sit there and say, "Who is responsible? Who is accountable for this decision?" The argument coming from the witnesses is that—

Q74 Chair: It is an advisory board, Matt, not not a board that takes decisions. It is one that advises Ministers. That is what it does.

Q75 Matthew Hancock: So Ministers can say, "Yes, the advisory board told me that, therefore it wasn't really my decision."

Q76 Chair: No, you just need advice on something, as you will find.

Q77 Matthew Hancock: You can pick up the phone.
Sir Suma Chakrabarti: You don't save a lot of money from this, that is absolutely true—the AJTC going is only £4.3 million over the spending review period—but it does clarify the accountability.

Q78 James Wharton: I just want to understand a little bit about how we are avoiding some of the potential dangers in finding savings. Mr Donnelly, it probably focuses in you more than anybody else, because we have some organisations that have large-value assets—I am thinking particularly about the RDAs.—and there will be other bodies that have lesser assets that are being disposed of. I know that how RDA assets should be disposed of has been the subject of some debate but, throughout this process, how are we ensuring that we are not selling things at a time when the market is not strong, which is, long term, to the detriment of savings that could be realised? Particularly when there is quite a tight time frame on this and you want to realise a certain amount of saving within that time frame, where is long-term planning coming into it, to ensure that we are actually getting the best possible price for any assets that are disposed of?
Ian Watmore: Can we do the RDA question as a specific in a minute? The generality is that most of these bodies' assets that they own are basically their people and the property that they work from. We are not talking about large capital asset-based organisations. Obviously, if the people go, they are either redeployed somewhere else or they are made redundant voluntarily or compulsorily.
With property, the vast majority of property is leasehold not freehold, and we return the leasehold to the Government Property Unit. Then, at every possible lease break, the Government Property Unit exercises that lease break so that we shrink the property estate as we go. If people then need to move around within that, that is what they are doing. We are taking the property leases out in a sort of whole-of-government way.

Q79 James Wharton: I understand that. The reason I raised the RDAs is they are an exception to that. Do we have a value for the total capital assets that are being disposed of in that case? You say that it is of small value and most of the properties are leasehold, but some of them will not be. There are some capital assets there. Do we know what the value of that is?
Ian Watmore: I do not have it in my head. I could find out.

Q80 James Wharton: I would be interested to see that, if that is all right.
Martin Donnelly: On the RDAs, you are absolutely right. It has been a very major task. We have set up a national transition board. The advantage is that we were able to start on this in the autumn of 2010. We have obviously worked very closely with other Departments and with the Treasury, because there are absolute value-for-money rules here. We cannot dispose of assets below market price. In some of the current circumstances, of course, getting the best market price meant that it was important to avoid a fire sale.
The team has been working on this. What we have done is transfer a lot of assets that remained, which you could not easily sell at a decent price, to the Homes and Communities Agency. It will be able to fund further sales over a longer period in a self-contained way, using some of the receipts that it gets from the assets going forward. It has taken those on. Of some of the specialised assets in research, for example, my Department has taken one or two on and we have made sure that we found them sensible homes. I pay tribute to the professionalism of the teams in the RDAs who have worked very closely with central Government to make sure that we do this effectively.

Q81 James Wharton: My first reaction to that is: has that incurred extra costs at the Homes and Communities Agency and, if so, what have they been—have they been significant or insignificant? More important, do you know whether it has happened, and if so how often, that assets have been disposed of at a lesser value than they were acquired for? How often have we lost money? An RDA might acquire a piece of waste land because it is going to turn it into an industrial estate, which has a potential perceived value. Once the RDA is not there and is not going to turn it into an industrial estate, the market value of that land may well have gone down and overall we are losing money through that process. Are there assets on which we have lost money? Do we know how much?

Martin Donnelly: On the first point, we came to an agreement with the HCA, which it felt was reasonable in terms of the stream of revenue it was going to get to cover the costs, the risks and the potential upside which it was taking on. On the second point, I cannot give you a definitive answer, because we are dealing with a set of different RDAs that have taken on a set of different projects at different points. I can check what information we have, but we have followed Treasury rules very closely through this. There will no doubt have been some projects where the return has been less than they wanted. What we have avoided, though, is having a fire sale of assets in a distressed way. We have worked very hard to make sure that did not happen.

Q82 Chair: Will we be able to see, at the end of this whole process, what the HCA and others have received in terms of income from the sale of assets? Will you be following that through? Once you have given it to the HCA, it is outside your—

Martin Donnelly: The HCA will then be following that through in its own accounting process.

Q83 Chair: But you must have somewhere in your accounts an asset value against the RDA assets.

Martin Donnelly: Each of the RDAs produces their own.

Q84 Chair: Yes, but you are the accounting officer, so for all of them, they come to you.

Martin Donnelly: What we have not done is consolidate it in a single form, and we have sold assets over the past 18 months. I can give you a note on how we have managed the accounting treatment for that, but I do not think that there is a single point.

Q85 Chair: No, we do not want a note on accounting treatment—well, Amyas might. *[Laughter.]* What we want to get a handle on, because this is an issue that a lot of us as MPs hear about in our constituencies, is that there was an asset base in the RDAs and, given the decision to disband the RDAs, we want to ensure that the taxpayer's pound did not get wasted in the sale and the further distribution. We just want to follow that asset base. I cannot believe that you do not have within your accounts, and I would be shocked if you do not know—you must know—the asset base. There are not that many of them—eight or nine, or whatever—and you must know the value of the assets held by the RDAs, where they are going, what you have sold. You must be able to account for that.

Martin Donnelly: Yes, and that process is being gone through. The question of the price at which assets were bought some years in the past is handled inside each of the RDAs. They are producing their own accounts, including for this year up to the point at which they are wound up, and you can then see transparency in what has happened.

Q86 James Wharton: What is at the heart of my concern is what the opportunity cost might be of the transition we are going though. It is not even just whether you sell an asset for what you paid for it, or whether you make a small profit or a small loss; the potential future value of that asset should also be taken into consideration. If you hang on to it for five years, can you sell it for twice as much as you can today because of other factors? When a programme is being driven through in order to save money and find efficiencies, there is a danger that that could be lost sight of. I am really hoping that you are going to give me confidence that that is not the case. If you do not have a strong overview of what the assets of the RDAs are, that does not give me confidence that that is the case.

Martin Donnelly: Yes, I can give you that assurance because through the National Transition Board we have worked in detail with each RDA on their closure programme. The Treasury has been involved at all times. On occasion, that has meant we have not been able to make a sale, for example, below market value to a local authority, which might have been appealing on other grounds, but was not acceptable on value-for-money grounds. We have been very rigorous in following that through. We have also made sure that we did not sell assets under unreasonable time pressure, again using Treasury value-for-money criteria to follow that process through in detail with each RDA.

Q87 Meg Hillier: Mr Donnelly, I am quite interested in the RDAs as well. The Government policy is the Government policy and we are not here to argue about that, but there will be in the future a point where people look at the RDAs and what they spent—some were better than others and will have what they achieved—and the new successor bodies, such as LEPs but other bodies as well. You have a benchmark for costs now. You will have the assets sent over.

On staffing, first of all, do you know or will you be watching how many staff actually end up working in the same area, but for different bodies? Are any bodies being established by the staff that are being made redundant to carry on some of the same work that they were doing on the RDAs? Can we see this across the public sector?

Martin Donnelly: We have not been tracking this centrally, but it is the case that people have been using their local experience in other areas. We now have very small teams—BIS Local—working on the ground, with only six or eight people, although we are increasing them. Some of those have had RDA experience. Others have been working with local councils and so on.

Q88 Meg Hillier: Did any of the people who are now in BIS Local get redundancy from the RDAs before going into BIS Local?
Martin Donnelly: That should not have been the case under the rules of transfer. I can check and let you know. I do not believe it to be the case, but we will check.

Q89 Meg Hillier: I do not have the figures. Was it 1,800 who took voluntary redundancy and 350 compulsory? That is over 2,000 staff who were given some money to leave their jobs.
Martin Donnelly: Yes, there were various terms. Some chose to leave early, perhaps because they had another job, in which case they would not have received the same redundancy terms and they would have been more open to work in other jobs at the centre; but there has not been a huge move around. We hope that the skills that were available are being used by local authorities and will also be drawn on by the LEPs. How they set up project teams is now a matter for them, but we obviously have a strong interest in trying to make sure that that process happens effectively.

Q90 Stephen Barclay: What was the total cost of all the voluntary and compulsory redundancies for the RDAs?
Martin Donnelly: About £57 million. That is not a final figure yet. We will know in a few months, but we are getting reasonably sure that that is what it is. It is less than we had originally thought; more people left earlier because there had been changes in the rules on pensions and so on, so we found that we didn't spend as much on redundancies as we had thought we were going to.

Q91 Meg Hillier: So it is £57 million at the moment. When will you have the final cost?
Martin Donnelly: We will know definitively by the end of June when the final legal bodies are wound up. I would not expect that figure to change greatly.

Q92 Meg Hillier: But as we all acknowledge, a lot of the functions that those people carried out are being carried out by other bodies, so some of those people will still be working in similar jobs. If you, Mr Donnelly, as a Permanent Secretary, want to take a job elsewhere, you have to get clearance to do that. Do any staff at the levels that were made redundant have to get clearance about working for another body, having left the RDAs?
Martin Donnelly: It would depend on the terms in which they did it, and the jobs that they were coming into. There has not been a large-scale move into central Government, essentially because a lot of what we are replacing—

Q93 Meg Hillier: But locally—they are being transferred from their local RDA into a local LEP, or perhaps a third sector body or even a private business that is doing that work. In my area, we have Renaisi, born in Hackney, to do regeneration work. That is a social enterprise, so that pays people to do it. We have a model of this in my own constituency.
Martin Donnelly: There would be no restrictions, as far as I am aware, on people moving into that sort of work, having taken a redundancy package from an RDA. Obviously, we try to make sure that we do not pay people redundancy in one bit of the public sector and take them on anywhere else, and we have been applying those rules. We have not taken on a lot of people at the centre, because we are carrying out the functions that the Government want us to, in terms of economic development, in a different way.

Q94 Chair: Hang on a minute, Mr Donnelly. It comes back to your analysis. Just because they go to work in local government—in a LEP, or whatever it is, or for a local authority—they are still public servants.
Ian Watmore: They are.

Q95 Stephen Barclay: To put it in context, the average pay-off was £26,500, if you do the quick maths. It strikes me that, in essence, every person working for the RDA who has been made redundant has been paid more to go than the average yearly salary, which is £26,000.
Ian Watmore: The cost of the redundancy programme across central Government is, I think, subject to another Report, as it happens. We estimated, at the time of the spending review, based on the scheme that was being negotiated by Ministers at the time—it had not quite been finished, but it came out roughly in the same place—the average across the whole civil service numbers reductions would be about 14 months' salary. That compares with over three years' salary, which is what it was before, and previously in some cases it would have cost over five years' salary to make individuals redundant. The scheme that has been in application since this Government came in, as a result of their negotiations, has an average of about 14 months' pay. That means, very roughly, that you make the saving a year after the person has gone.

Q96 Stephen Barclay: That is really where I wanted to take it: whether lessons have been learned in terms of future hires and contracts, to the extent that you have flexibility to redeploy assets within the civil service, or whether people are able to just sit tight and take what, compared with the private sector, is a very generous pay-out—plus three years was ridiculously high, but even now the pay-out is very generous. My concern, looking forward to the extent to which you are continuing employment terms that perhaps perpetuate that, is what lessons you draw from that and what changes there may be to future contracts in order to stop people just sitting tight when there are similar jobs available within the public sector where they could be redeployed.
Ian Watmore: You and I have spoken offline and corresponded on this subject, so perhaps another day we could talk in more depth. The principle is that in the civil service you cannot be re-engaged within the civil service for—I forget the gap—six months or 12 months?
Martin Donnelly: Six months, I believe.

Ian Watmore: There is a period of time, and you cannot be re-engaged within that. When you cross boundaries from central Government to local government, it is treated by the law as though you were going to join a private sector or voluntary company. The law does not recognise the public sector as an entity, and therefore it is not possible to build in legal constraints that say, "If you are made redundant by a civil service body, you cannot be re-hired by a local government body." We could not do that, so that may well happen. The only thing I can say in mitigation is that local government budgets are going down just as much as central Government budgets are going down, so it is not as though there is some mythical pot of money over here that can suddenly re-hire these people. Everywhere we go the budgets are falling, so people are only hiring when they absolutely have to and they are letting go as many people as they can.

Q97 Chair: Yes, but if you get people on a LEP—the thing we are on here—as a separate central Government programme, you will hire people through the local authority or the county council.
Martin Donnelly: LEPs are not public sector bodies; they are entirely private partnerships. On the specifics of the RDA savings, we are budgeting for a £200 million net staff cost saving from 2012–13 from the process going forward.

Q98 Meg Hillier: Can I come back on that, partly with Mr Watmore and maybe Mr Donnelly as well? With the RDAs going and the LEPs coming into play, and local authorities no doubt taking on some of those responsibilities in some areas, surely there was some discussion—or perhaps as a learning point there could be discussions—about what functions of those civil servants in the RDAs could be desired or needed locally, and about an arrangement for TUPE-ing people over. Did that happen or should that happen? It would potentially have saved money out of the public purse and given people a guarantee of a job,
Ian Watmore: I honestly do not know the specifics on RDAs. I defer to Martin on that. Most of the absorption of functions—about 90% of it—came backwards into central Government, as you pointed out in your earlier question, so that did not apply. Most of the functions in these arm's length bodies that were abolished either came back into central Government or were got rid of. A small number went to the voluntary sector.
Amyas Morse: A couple of things. One is that we audit the RDAs and we are happy to collaborate with BIS if there is any further detail that needs to be brought forward. There is an opportunity there. In the private session, we mentioned that we have an upcoming Report on headcount reduction in government, so we will have a chance to pick up all of that.
I wanted to ask Ian about the tracking the transfer of functions, which we started to talk about. I noticed that the Department for Culture and Local Government has developed a method for counting and following transfers of functions. Do you think that is best practice? Do you see it as necessary to keep track? Are you happy with the general view?
Ian Watmore: Is that the Department of Culture or Local Government?
Amyas Morse: DCLG—Department for Communities and Local Government.
Ian Watmore: Is this on measuring accountability? I was interested that in the Report there is a recommendation generally that we should measure accountability in some way. I have to say that Ministers are not overwhelmed at spending taxpayers' money on measuring something that they think is self-evident. For them, moving a decision closer to the elected Ministers of the day is increasing accountability and that is good enough. I do not think we have a plan to go round measuring accountability metrics across the place. If, however, there is something sensible and easily used by one of the Departments—DCLG, for example—then certainly have a look at it. I have to say that Ministers currently believe it is self-evident.

Q99 Amyas Morse: I do not regard it as an inherent self-valuing activity, but it might be worth while to know whether there were any gaps in where functions have actually gone.
Ian Watmore: If it is that, yes. If it is something more abstract, I do not think so.

Q100 Chair: I thought it was measuring the effectiveness of the policy, which is different—that is how read it. You have embarked on this big programme and at the moment, as far as I can see, the only way is to count functions transferred, which is fine; but there ought to be a better matrix—I cannot think of one off the top of my head but I am sure you guys can—to measure the effectiveness of this endeavour.
Ian Watmore: That is not what the Report said, so I did not read it that way. The Report said accountability.

Q101 Keith Davis: What was in our heads when we wrote that paragraph in the Report was how to understand and judge whether the accountability benefits have been achieved—has there been success? It looks like £20 billion of public money will be brought closer to elected politicians. Is that a good outcome? Is that in line with targets? Should it have been £30 billion? Would £10 billion have done? It was that slight vagueness in the articulation of the accountability benefits that concerned us.

Q102 Chair: I clearly had a different idea in my head. I do think it is worth looking at. You have done this radical thing: how effective has it been?
Ian Watmore: I understand.

Q103 Fiona Mactaggart: I was grateful, Ian, for your offer to come back to look at these things. Listening to questions earlier, it seemed to me that it would be helpful to look at capital assets as part of that process, simply because it is inevitable that the size of this programme has affected the value of capital assets. We all know that. If everyone is selling

there are fewer buyers and it has an impact on the value of what you are buying. I wonder whether, when we had that kind of round-up, we could have a look at capital assets as part of that.
Ian Watmore: I think that would be a good idea. Martin gave a very helpful answer on the capital assets from the RDAs. I don't know of other bodies where capital assets were particularly dominant, outside the property estate as I said, but if there are, we will certainly flag them and see if we can give you the same assurance.

Q104 Fiona Mactaggart: This Report says that £390 million is being transferred as costs into central and local government as a result of this programme. That is that 15% figure. It would be interesting to know where that is being spent and where those costs are; I am not convinced that I know where they are, from reading this Report.
Ian Watmore: I am not sure that I totally understand the question.

Q105 Fiona Mactaggart: If you look at the summary, the key facts state that 15% is the "proportion of £2.6 billion savings that other parts of central and local government will have to fund themselves when they take over functions from abolished public bodies". Someone has worked out that figure. Where is the costing?
Ian Watmore: I see what you mean. I think that goes back to our doing the work that Suma suggested to reassure you that, by pushing down here, it has not all popped up there, or if it has popped up there, it has not squeezed something really valuable.

Q106 Fiona Mactaggart: Good, and we can connect it to that figure. That is really what I am saying.
In addition, there is one more thing that I would like to hear about, which is, when you talk about value for money, you are not just talking about cost; you are also talking about the impact of the spending change. For example, we are saving £109 million on the Health and Safety Executive. Has that had an impact on health and safety at work, accidents at work and stuff like that? I do not know. It seems to me that if you look at figure 11, which shows how risks have been handled—I assume this is counted as a risk—there is quite a lot of variation. Some of it is excellent, some not so good. It seems to me that, where the risk is potentially serious or substantial—I do not really mind if the risk is that lifts in a building are not going to work very well, or something like that, but I do mind if there are going to be more serious accidents at work—we need to know whether a particular programme has had outcomes that we would not want. I am not sure that we have a method, except through this Committee, to find that out, so I wonder whether we could find it out when you come back to us.
Ian Watmore: If I remember rightly, the HSE is a DWP body. Is that right?
I am absolutely convinced that the DWP will be worrying about that, because, as the *Daily Mail* points out regularly, spending less on the HSE ought to increase productivity and make our lives wonderful again. The DWP will be looking at that quite sharply. When I went out with the HSE to building sites in Bootle, I saw some of the death-trap building sites that cause danger for the workers and for kids at night, and all the rest of it—I saw the good side of the HSE. I think somebody like the DWP will be looking very strongly to ensure that the money spent on bodies such as the HSE is retained.

Q107 Chair: The HSE has been retained, I think.

Q108 Fiona Mactaggart: Yes, it has been retained, but £109 million has been cut.
Ian Watmore: Obviously, that is happening in a whole range of other bodies, too. If your specific example is that one, I am very happy to ask the DWP.

Q109 Chair: But that is all part of the effectiveness matrix that you will presumably be developing, on which you will come back to us.
Ian Watmore: In the end, it is for the Department that sponsors a body to ensure that the money that is left is spent as wisely as possible. In the example I gave, they concentrated the money on the building sites, not the lifts.
Sue Gray: That will also be picked up in the triennial review. When that body is reviewed, part of the challenge function will be to ensure that it actually has enough money to do its job and be effective.

Q110 Fiona Mactaggart: Good. Figure 11 suggests that the handling of risk is a bit variable. I do not know whether the risks that I am talking about are the risks that are being thought about in figure 11, but I am sure they are included in it. I think that it would be interesting for us to know that, when the activity of a particular public body can have risks beyond Ministers knowing more—I am not going to go further with that. However, if there are risks beyond the intelligence function that a number of these advisory bodies have, and if there are more substantial risks—some of these bodies are regulatory, and so on—I want to know that that is being well managed. Are you all confident that it always is? Are you confident that the risks, for example, of self-harm in prisons have been well managed where an IMB, which is a very cheap body, can contribute to that?
Sir Suma Chakrabarti: We are not abolishing IMBs.

Q111 Fiona Mactaggart: No, we are not abolishing IMBs. I am just trying to think of serious risks that might not have been thought about in this programme.
Sir Suma Chakrabarti: I think certainly in the case of the MOJ bodies, when we did the review in May and June 2010 we would have gone through the obvious risks that we could see. Linking up to what the Chair was saying, the issue in terms of whether you call it the accountability framework or benefits realisation is to try and track through, if you have made these changes, did any of those risks come about? If you increased accountability but had worse policy outcomes, that would be pretty silly.

Q112 Fiona Mactaggart: That is what I am after.
Sir Suma Chakrabarti: One of the things that clearly we have got to track all the way through this is, "Are

we getting better outcomes for the developed accountability?" We will do that. Some of it will be qualitative, and some of it will be quantitative. It will have to vary depending on the type of body. If it is an advisory body, it will be partly in the eye of the beholder, frankly, as to whether the policy is any better or not. If it is an HSE-type body, we will be able to see in some of the data.

Q113 Fiona Mactaggart: In effect, I am hoping that when you come back to us you could do that not on the quality of advice or the quality of policy, because that is somebody else's—and also it is contested, politically—but on things where we all share a view, such as fewer deaths. Very few of these bodies have an impact on people's likelihood of staying alive, but some of them do. Can we try to reflect that?
Ian Watmore: I think the point you raise is a good one. We will go around the Departments and find out the high-risk areas. We are having this discussion around arm's length bodies, but of course each Department is looking across its whole estate at where it is making expenditure adjustments—tough decisions—every day of the week. People are all the time trying to optimise the outcome that they can achieve. It is in nobody's interest to save money here and then watch something rise such as deaths, domestic violence or any of the other things that we all care about. Right across the departmental estate people are worried about the impact of all these changes, and that is something that you can pick out with most Departments.

Q114 Chair: I was just thinking, when Suma was talking, of the Legal Services Commission. I am assuming you have thought this through, but you will not want to have political interference in the decisions of who you grant legal aid to.
Sir Suma Chakrabarti: No, both the Secretary of State and I are trying to make a once-in-a-generation barrier to political interference. Bringing it in increases accountability for the budget, the leadership and the performance of the organisation. One of the things I want to see two years from now is its case management being better. It has improved quite a bit, but I want it to be even better than that because of increased pressure from Ministers. Kenneth Clarke and I do not want Ministers interfering in individual legal aid decisions, however, which is why we want an independent director or possibly chief executive—a bit like the chief land registrar—who has separate powers. The House of Lords are debating whether that is independent enough.

Q115 Chair: That could be a risk.
Sir Suma Chakrabarti: Some of you have been Ministers, and you know the pressures that come to you from people saying, "I want my legal case"—
Chair: "Don't give it to this person"—
Sir Suma Chakrabarti: Exactly. Ken, quite rightly, does not want that.

Q116 Chris Heaton-Harris: Mr Watmore, I am interested in the parliamentary delay you talked about earlier. How long was that parliamentary delay for you?
Ian Watmore: When we went into putting the Bill in, I think we thought it would probably be through in six months and it was more like a year.

Q117 Chris Heaton-Harris: So you were basically delayed half a year.
Ian Watmore: It did not put a six-month delay into the programme, however, because we were able to parallel-stream quite a lot of stuff. It is just that with the Bill finally becoming an Act only at Christmas, we could only be absolutely certain what the scope was then. We knew 90% of it in advance, so we were able to parallel-run.

Q118 Chris Heaton-Harris: In management terms, and asset-release terms, it did not delay you in getting on with any of that.
Ian Watmore: Not materially, no.

Q119 Chris Heaton-Harris: I am wondering why you are not going quicker, actually.
Ian Watmore: This is why I say that for everybody who thinks our bonfire was a barbecue, or whatever the phrase is, other people will say it was a flagrant assault on vital parts of our human existence. I think getting rid of a third in one go is a pretty good start, and it has also sharpened up the reasons why the two thirds have been kept. The triennial review will go through them all and we will pick off in the first year the next tranche—the ones that were perhaps a little more marginal this time around. Given the experience that we have had from this time, we will be able to apply it and say, "Maybe this is one that should go as well," and gradually build it up. That is the only realistic way that we can go forward from here.

Q120 Chair: Let's not exaggerate this, because I have some sympathy for what Chris is saying: 164 internal drainage boards sounds like a big number, but presumably there is a process for getting rid of one internal drainage board, and if you can get rid of 164, it should not take you for ever. Another thing that we heard is that quite a lot of them are mergers, rather than organisations being abolished. Do you have a figure somewhere in your notes? 60-something are actually being merged into others, so there is a slight exaggeration.
Ian Watmore: All I can say is that every single one of these is hand-to-hand combat when you get to it.

Q121 Chair: It's what?
Ian Watmore: Hand-to-hand combat. It might be trivial to you, but to somebody out there it is the most important thing in their life.

Q122 Chair: But if you are doing one, you do the lot. There were 16 agricultural dwelling house advisory committees—whatever they were.
Ian Watmore: Yes, but there will probably be 16 agricultural people who—
Fiona Mactaggart: But there are all the people who live in them—

Q123 Chair: No, these are advisory committees on agricultural dwelling houses.
Ian Watmore: All I can tell you is that it sounded good at the start. Every single public body that has gone has been fought to the death by somebody. We have actually done a lot.
Sue Gray: And over 900 of them have been reviewed. It has been a massive amount of work with over 900 being reviewed by Departments looking at the various tests, and then, when they make the decision, they get the legislation and there is consultation on the body. It is a massive piece of reform.

Q124 Chris Heaton-Harris: And these arm's length bodies are not allowed to employ consultants to lobby any more.
Sue Gray: No.
Chris Heaton-Harris: Jolly good.
Ian Watmore: Not if they do not exist.
Sue Gray: Even if they do exist, they cannot employ consultants to lobby.

Q125 Meg Hillier: You talked about hand-to-hand combat. What money has been paid to non-executives, particularly chairs, of these organisations? Has any money been paid? If so, how much?
Ian Watmore: As a release mechanism?
Meg Hillier: Yes, because some of them will have been on contracts.
Ian Watmore: I actually do not know.
Sue Gray: I suspect very little, if anything, because they will not have contracts. They will just have a two or three month notice period in their contract.

Q126 Meg Hillier: Even though they are appointed for a term, we would have a notice period in their contracts.
Sue Gray: As far as I know, yes. They are not like civil servants or other people who actually have a term.
Sir Suma Chakrabarti: Obviously, it would vary. Most of my people were doing pro bono, which is why my savings are so small overall. We are reducing the advisory committees on justices of the peace from 101 to 47.

Q127 Meg Hillier: I am very aware. We had some very good goodwill from people, but it would be useful if you could do a note on any money that was paid to non-executives.
Sue Gray: Yes.

Q128 Stephen Barclay: Just some clarification. £20 billion is coming across, which is policy to give ministerial accountability. In terms of jobs within your Departments that you are looking reduce—particularly BIS and the Ministry of Justice—how many jobs do you see that equating with in terms of the additional work that getting a grip on the transferred work will entail?
Sir Suma Chakrabarti: Certainly at the MOJ there are no additional jobs at all. There are net reductions across the piece.

Q129 Stephen Barclay: So you are reducing your head count.
Sir Suma Chakrabarti: Yes. We tried to stick to the guidance when we scored all this. I am not scoring the reductions that would have happened anyway. I gave the example of the YJB earlier, and there will clearly be some reductions in the head count because those in the shared services were going to happen anyway, so I am not going to count those reductions. Other reductions, such as the policy function of the LSC, would not have happened unless it was becoming an Executive Agency, so I am going to score that one, because it has already happened. There is a mixed picture.

Q130 Stephen Barclay: Sure, but what I am trying to get a sense of is how much tension there is. It applies just as much to Mr Donnelly and BIS, where you have a significant number of arm's length bodies and where you are reducing your head count, but also taking on liability for a significant value of additional work. That work needs to be managed, and clearly it is one thing to have ministerial accountability, which I welcome, but will the Department be able to deliver that at the same time as delivering the efficiencies that it needs?
Martin Donnelly: It certainly applies a lot to us. We have come down in head count by some 24% over the past year—or slightly more. What we have done in some of the delivery areas—such as the Business Link system, which RDAs have delivered—is centralise and let out a contract for business coaching for growth, which provides a more targeted service. We let that contract this week. We have also brought a website online. We have used private sector partners more and specified a different sort of delivery, which goes back to the Chair's opening point. We are not trying to do the same things; we are trying to do things differently and, we hope, more efficiently and effectively. It requires some prioritisation, but we are satisfied that we can deliver the services that Ministers want—including, for example, the regional growth fund and support with other Departments—with the staff resources that we have at present.

Q131 Stephen Barclay: I know that we have a future hearing coming up on this and that the NAO is looking at it but, ahead of that hearing, it would be helpful if we could have a note, not necessarily within the seven day deadline for this Report, with an organogram—it does not have to have names, what with data protection—setting out the teams, the number of staff and the grade and the overall budget of each of the teams across the Department, so that we can baseline the starting point. Then, as this work transitions across—it applies to the Ministry of Justice as well—we can measure the impact and where the changes come.
Martin Donnelly: What we can deliver for you is information on how we are managing various other programmes with which we have replaced some of the functions. If we have let a contract, we will give you details of how we are doing that for the various functions. I am very happy to do that.

Q132 Stephen Barclay: Okay, but also an organogram. Coming from the private sector, I find this absolutely remarkable. Normally, in efficiency programmes in the private sector, the first thing you do is look at your organogram and where your staff are. With my fire service, a collection of MPs have had a real battle trying to get a handle on where the staff are and at what grade and where the impacts are in terms of middle management—whether there is oversupply or undersupply. I have not to date been able to get an organogram of your Department, so it would be helpful to get one on a team basis which allows us to take a specific point now, ahead of the NAO's further work in our next hearing, to see where the Department is now and we can then, in 12 or 24 months' time, come back to that.
Martin Donnelly: Just to be clear, I am happy to provide you with an organogram, but we are already doing these things. It is not something that is going to happen.
Sir Suma Chakrabarti: It is not just a case of something today. Does that mean it has been going on for some time.
Martin Donnelly: Yes, it has already happened. In the case of the RDAs, we are down to a residual 300 or so staff.

Q133 Stephen Barclay: I would love to see last year's, if you want to provide that.
Martin Donnelly: I am very happy to show you what people are doing.

Q134 Chair: Can I raise something with you? We looked, if you remember Mr Donnelly, at the services you provide to protect the UK consumer. We did a Report on that and looked at your plans to abolish Consumer Focus and to scale back the work of the OFT. We are talking in our Report about the risks with your reorganisation that there would not be sufficient capacity to look at these regional and national scams that exist. I wonder, in the work that you have done since that Report on merging or abolishing some of these organisations, what you have done to mitigate the risk?
Martin Donnelly: The position that we are in is that we were in a consultation when we had that session. The consultation has now closed. Ministers are considering what has been said on all those issues, including what the PAC said, and will take a judgment on the way forward fairly soon over the coming months. We are in a situation where Ministers are reviewing how they want to take that forward in the light of the various comments that have been made.

Q135 Chair: And we are likely to get an answer to that when?
Martin Donnelly: Pretty soon. I would hope shortly after the February break.

Q136 Chair: Ian, can I ask you a question? It is part of the effectiveness argument. I could not see a logic—you may tell me that it was just a policy decision—in making the General Teaching Council an executive agency and then keeping the other two regulators as NDPBs. What was the difference, in terms of the policy?
Ian Watmore: Personally, I have no idea.

Q137 Chair: Do you, Sue?
Sue Gray: No. It is very much a decision of that Department. The Department has led these reviews.

Q138 Chair: But don't you try to get some consistency? Maybe you don't.
Ian Watmore: We can ask questions. The normal course of events brings something inside and puts it directly under Ministers—that will have been their decision.

Q139 Chair: I can see that maybe it was a political decision, which is fair enough, but it does not seem a logical decision.
Ian Watmore: We will happily ask the question of the Department for Education.
Chair: Okay, and come back to us on that.

Q140 Stephen Barclay: Perhaps you could clarify the situation with British Waterways, too, because, again, that has gone the other way. It has gone out to a charity. It is a hell of an asset to be run by a charity and not accountable to a Minister. Perhaps you could explain the logic of that.
Sue Gray: Okay, we will put that into the—

Q141 Chair: The Public Administration Select Committee looked at this area and was quite critical. In one of its recommendations, it states, "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."
Ian Watmore: I think I agree with the figures that we have been talking about today. I am sure that PASC will read your Report with great interest—and subsequent Reports.

Q142 Chair: Okay. You said that you thought there were 10 new bodies and there may be a definition around the 39. Do the new bodies have a sunset clause?
Ian Watmore: As far as I know, of the ones that I thought were about 10, six are prison governing bodies, so they are not review bodies.

Q143 Chair: Where is our 39 in your 10? I think we need to reconcile these.
Ian Watmore: One of them might be the Office for Budget Responsibility.

Q144 Chair: Has it got a sunset clause?
Sue Gray: They will all be subject to the triennial reviews. When you establish a new body, it will continue to be reviewed every three years.

Q145 Chair: Before we do our Report, I would like to reconcile your figure and your assertion—if they are really all new bodies around prisons or whatever. We need to reconcile that.

Q146 Austin Mitchell: I would like you to reflect on this. The Government get more complex. They have an accretion of advisory bodies on things like homeopathy and that nice little Lisa Jardine committee that we heard about on human fertilisation and embryology, a subject I think about many times in the course of the day. They turn to these for comparatively cheap advice on issues when they cannot get free advice from Matthew Hancock—or myself, for that matter.

This builds up. Then we get enormous zigzags in British Government and policy, which they do not get in Germany, as far as I can see. In come the Government, saying, "Bonfire of the quangos. Accountability means economy. We're going to sweep it all away." The civil service is asked to go away, not to do its policy job of saying whether this makes sense, but to find justification for a policy that is decided by the manifesto. You go away and do the conjuring trick that I was talking about.

The Report says that you have not fully identified the ongoing costs of functions that will need to be transferred. Some £400 million of claimed savings have not been appropriately reduced by taking into account the costs of activities that must replace them. At least £500 million of Departments' estimated savings are from wider efficiencies, so you are adding something to the savings. Departments have estimated that transitional costs will be £425 million, but the National Audit Office thinks that £830 million is more appropriate. You have done the conjuring trick—the civil service has done its job—and the Government can now just say, "Massive savings! A great deal!" Would it not be more sensible to have either a regular programme of pruning or intermittent prunings that are based on a cost-benefit analysis of each thing you are proposing to change? Would that not be a more sensible way of pruning?

Ian Watmore: If we were into conjuring tricks, I would probably go for a rabbit out of the hat for the economy. The fact of the matter is that the numbers that we have talked about and repeated in this session are the numbers: it has cost between £600 million and £900 million to effect the change; the cumulative net savings from administrative body reductions over the life of this Parliament or the spending review is £2.6 billion; and those savings will recur at £800 million to £900 million a year. That is the reality. There is no conjuring trick in that—those are the numbers. They come out of the budgets of the Departments, and you can see them with the Treasury's administrative budgets for each Department. There is nowhere else for them to hide. Those numbers are coming out.

The real challenge is to continue to do what you have just said, which is to go through the annual review of the bodies and make sure that we do not just get soft again. It has been tough to do this, and now we need to be very rigorous when someone brings forward a new idea to make sure that that is the right thing to do. We need to very rigorous in going through the existing set on an annual basis. If we can do that, hopefully, we will not get into that large accretion—

Q147 Austin Mitchell: But that is still justifying the programme. Would a cost-benefit analysis in each particular case, whether it is done by the Department or by the Treasury, not be a more sensible way of proceeding?

Ian Watmore: When I was in business, if someone said to me, "For £600 million to £900 million of input, you can get £2.6 billion of output quickly and ongoing savings of £900 million a year", that would be a really good business case.

Q148 Austin Mitchell: That is what business is about—through tactics.

Ian Watmore: That is a really good business case, and I would have just taken it like a shot; it's as simple as that.

Q149 Chair: What does the foundation trust count as?

Ian Watmore: Foundation trust? You mean hospitals. I do not think they are arm's length bodies.

Q150 Stephen Barclay: They are accountable to Parliament directly, are they not? They have an accountable officer.

Chair: They do not count in your—

Sue Gray: Not in our £900 million.

Ian Watmore: There is, as the Report rightly points out, a blurry definition of what counts.

Q151 Stephen Barclay: There is a problem with it, because there is a contradiction. In fact, we were promised a note by Sir Nicholas Macpherson, and he subsequently wrote to say that it was complex and that there would be some further thinking. I do not think that we have had the benefit of that.

Chair: We will get it next week.

Ian Watmore: But for the purposes of clarity, foundation trusts were out of scope for this.

Chair: We are about to vote, so thank you very much indeed; that was very helpful. Just to repeat this, this is the first stab from us at it, and we look forward to your coming back with further information.

Ian Watmore: I fear I may be taking up residence in this Committee in the next three months.

Chair: You are. Thank you.

Written evidence from the Department of Business, Innovation and Skills

RE-ORGANISING CENTRAL GOVERNMENT BODIES

Following the Committee's hearing of 1 February 2012; please find attached a supplementary memorandum from the Department concerning the treatment of RDA capital assets; RDA staff joining BIS Local and Local Enterprise Partnerships.

RE-ORGANISING CENTRAL GOVERNMENT BODIES

During the Committee's hearing of 1 February 2012, the Committee requested information on the treatment of RDA capital assets during the RDA closure process and confirmation that former RDA staff who joined BIS Local have not received redundancy compensation. This memorandum also provides clarification of the resourcing of Local Enterprise Partnerships.

RDA Capital Assets

In the *Local Growth* White Paper,[1] BIS and DCLG Ministers set out principles for the disposal of RDAs assets. The primary considerations have been to:

- — dispose of assets together with associated liabilities; and
- — achieve the best possible outcome for local areas consistent with achieving best value for the public purse.

Land and properties assets and liabilities

Since their creation, RDAs have acquired and invested in land and property assets to foster economic development and regeneration. As at 31 March 2010 the eight RDAs outside London owned development land and property assets with a book value of £512 million.

In 2010–11 RDAs sold land and property assets with a book value of £25.9 million for £29.6 million, achieving a net profit of £3.7 million, as set out in their audited accounts. Between 1 April 2011 and 19 September 2011 unaudited figures show that the RDAs sold land and property assets with a book value of £37.1 million for £37.7 million. Consistent with the provisions of Section 5(2)(b) the Regional Development Agencies Act 1998, which would have required express approval for any sale at less than best consideration, sales have been made at market prices. In the majority of cases the land assets sold had satisfied the strategic objective for which they were purchased and their development was complete (ie the assets would have been sold irrespective of the RDA closure programme).

Over the same period a few land assets were sold to local authorities for continued development. These assets were also sold at market value, in accordance with *Managing Public Money* and the provisions of the RDA Act.

With a very few exceptions, described below, the remainder of the eight RDAs' land and property assets were transferred to the Homes and Communities Agency (HCA) on 19 September 2011 for further development before ultimate sale. The HCA also received projects, contracts, contingent assets, loan receivables and interests in companies and other enterprises associated with the land and property assets. Together the total assets transferred to the HCA had a book value of £633.8 million as at 31 March 2011.

The HCA will manage the development of land and property assets and liabilities received from the RDAs through stewardship arrangements. These will give local partners influence over the future of assets in their areas and interested Government Departments (DCLG and BIS) influence over assets which are important for the delivery of economic development and regeneration policies.

The stewardship arrangements aim to create a balanced portfolio of assets and liabilities. This means that income generated by assets and proceeds from the sale of developed sites will be used to finance investment in sites requiring further development. The objective is for the whole portfolio to be largely self-financing over a 10 year period. The stewardship arrangements were assessed on a value for money basis, in accordance with HM Treasury Green Book Guidance.

The administrative overheads associated with managing the transferred assets were properly costed and budget was transferred to the HCA. These administrative costs were factored into the calculation of the total administrative savings of £674 million (ie the total administrative savings are net of the budget transferred to the HCA).

London Development Agency assets are transferring to the GLA as part of the LDA's closure which is being handled separately under the Localism Act.

Three technology parks (Ansty Park in Coventry, the Advanced Manufacturing Park in Rotherham and SPark in Bristol) deemed to be of national importance will be managed by the HCA under a separate arrangement with BIS.

[1] "Local growth; realising every place's potential" Cm 7961—28 October 2010.

Coalfields

RDAs had interests in 52 coalfield assets. These have also been transferred to the HCA, which will continue the RDAs' regeneration work. These coalfield assets are not part of the stewardship arrangements.

Other RDA land and property assets

The only development land asset was not transferred to the HCA is the site occupied by the National Renewable Energy Centre (Narec) in Northumberland. This asset will be transferred to the Technology Strategy Board on 30 March 2012.

Venture Capital and Loan Funds

The RDAs have also invested in Venture Capital and Loan Funds (VCLFs) which aim to support access to finance for businesses. All 80 VCLFs transferred to BIS in September 2011 and Capital for Enterprise Limited will provide managerial oversight of these funds on the Department's behalf.

Securing long term value for money has been a key consideration throughout the preparatory work for RDA closure. RDA assets have not been disposed of at below market value, and we will continue to work with the HCA to ensure that the value of the transferred assets is realised to fullest extent possible.

RDA Staff Joining BIS Local

The eight RDAs (outside London) are Civil Service Compensation Scheme (CSCS) employers. A standard term of the CSCS provides for the recovery of redundancy payments (on a sliding scale depending on duration of redundancy) where someone is re-engaged by a CSCS employer within six months of redundancy. Where RDA functions have transferred to other employers the transfers have taken place either in accordance with the TUPE Regulations or the largely equivalent Cabinet Office Statement of Practice on Staff Transfers. The issue of redundancy payments has not arisen as staff transferring have had continuity of employment. This was the case for the 8 staff transferred from RDAs to BIS Local.

Following this transfer, a small number of RDA staff applied to fill other vacancies in BIS Local. Again successful applicants did not receive any redundancy compensation from the RDAs before taking up their new posts.

Local Enterprise Partnerships (LEPs)

Local Enterprise Partnerships will draw resources primarily from their constituent organisations, including local authorities and business bodies, like the British Chambers of Commerce. BIS does not hold a detailed record of what arrangements LEPs have put in place to resource their activities as they are not directly funded by central Government. LEPs are though able to bid into a start-up fund of £5 million, which is held by BIS. This is intended to help LEPs get up and running quickly (staff, training, office costs and business plan & strategy development).

9 February 2012

Written evidence from the Cabinet Office

During the evidence session on 1 February, a question was asked regarding release payments to non-executives of bodies, such as the Agricultural Dwelling house Advisory Committees (ADHACs).

The current guidance on Making and Managing Public Appointments suggests that compensation in the event of an appointee's fixed-term appointment coming to a premature end in circumstances outside of their control is at the discretion of the departmental minister. More recently, appointees, are not offered release payment in the terms and conditions at the time of their appointment, and the cases of particular appointees and specific bodies is judged on an individual basis. Cabinet Office guidance on public appointments is in the process of being revised, and the need to ensure value for money and consistency will be a key factor.

ADHACs are convened as and when necessary, comprising a chairman, a member representing employers and a member representing workers. The purpose of the committee is to determine whether there is an agricultural need for re-housing by the local housing authority, where the landlord requires the accommodation for an incoming agricultural worker. The recommendations are purely advisory the local housing authority does not have to act on them. There were eight such meetings in 2011. The meetings typically take no more than two hours. Members of the ADHACs are not routinely paid any money as a release mechanism from their service on the committees. The representative members are entitled to receive expenses for travel and subsistence and, where applicable, a financial loss allowance. The Chairman receives travel and subsistence, and a fee for chairing the meeting. In 2011 there were eight such meetings which cost £2,545.30 in fees and expenses for the Committee.

The cost of the venues came to £499.78, while the fees for the chairmen of the AWCs (who formally constitute the ADHAC) came to £78.66. The final total came to £3,123.74. As explained above, there were no release payments in 2011.

I hope this is helpful.

1 March 2012

Supplementary evidence from the Treasury—answer relating to Question 150 of transcript

NHS foundation trusts are classified by the Office of National Statistics as central government and defined in legislation as public benefit corporations. They are not currently included in the Department of Health's list of the Arms Length Bodies.

2 March 2012

Further written evidence from the Cabinet Office

Cabinet Office organogram:

http://www.cabinetoffice.gov.uk/resource-library/structure-charts-cabinet-office

Structure chart from June 2010:

http://www.cabinetoffice.gov.uk/sites/default/files/resources/Cabinet-Office 0.pdf

	Date of Closure/transfer	*New home of function*
Central Office of Information	1 January 2012	Function transferred to CO—Efficiency and Reform Group
Civil Service Appeal Board	Closed 31 December 2011	Closed—some functions transferred to DWP
Government Strategic Marketing Advisory Board	Closed October 2010	Function transferred to CO—Efficiency and Reform Group
	Closed March 2011	Policy responsibility remained with the Cabinet office (Efficiency and Reform Group, office of Civil Society), CO is funding voluntary and Community Social Enterprises infrastructure bodies through a new fund—the Transforming Local
Capacitybuilders		Infrastructure Fund, delivered by Big Lottery
Commission for the Compact	Closed March 2011	Some functions transferred to Compact Voice and CO Efficiency and Reform Group (Office for Civil Society)
Main Honours Advisory Committee	Change of status	Part of CO
National School of Government	1 April 2011	Function transferred to CO—Efficiency and Reform Group
Office for Civil Society Advisory Body	Closed October 2010	Closed
Security Commission	Closed October 2010	For breach of security the government will consider the need for an inquiry and how it should be conducted on a case by case basis

March 2012

Further written evidence from the Department of Business, Innovation and Skills

The current organorgam for the Department is available at:

http://reference.data.gov.uk/gov-structure/organogram/?dept=bis&post=SCS4–09

A comparative organogram, correct as at June 2010, is available at:

http://www.bis.gov.uk/assets/biscore/data/organogram-2010–06–30.ppt

REGIONAL DEVELOPMENT AGENCY (RDA) FUNCTIONS TRANSFERRED TO BIS

Policy/Delivery Area	*Transfer Date*	*Report to*
Grant for Business Investment (GBI) (Completing payments on outstanding GBI projects and ensuring compliance with grant terms)	01/09/2011	Director General, Business and Skills
Portfolio Management Office (BIS) RDA Residual projects (Processing payments on all remaining former RDA projects except GBI cases and those transferred to the Homes and Communities Agency.)	01/01/2011	Director General, Business and Skills
BIS Local Sector/business engagement leads	16/09/2011	Director General, Business and Skills
Manufacturing Advisory Service contract Management function	16/01/2011	Director General, Business and Skills

SITPRO (SIMPLIFYING INTERNATIONAL TRADE PROCEDURES ORGANISATION) FUNCTIONS TRANSFERRED TO BIS

Policy/Delivery area	*Transfer date*	*Report to*
• Driving forward the work of the BIS-chaired International Trade Facilitation Committee (cross Whitehall) which provides HMG oversight of issues impacting business at UK borders; • Influencing the development of EU and International regulations that impact on trade and business at borders; and • Maintaining a business led approach to trade facilitation, drawing on private sector expertise to identify emerging issues and feed these into policy development	30/09/2010	Director General; Market Frameworks

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