



READ BEFORE BURNING

Arm's length government for a new administration

Tom Gash with Sir Ian Magee, Jill Rutter and Nicole Smith

INSTITUTE
FOR
GOVERNMENT

An abstract graphic design featuring a dark background with several overlapping, irregular shapes. These shapes are filled with a pattern of parallel diagonal lines in a light gray color. The lines are oriented at different angles, creating a sense of depth and movement. The overall composition is dynamic and modern.

READ BEFORE BURNING

Arm's length government for a new administration

Tom Gash with Sir Ian Magee, Jill Rutter and Nicole Smith

INSTITUTE
FOR
GOVERNMENT

Foreword

When Sir Gus O'Donnell spoke at the launch of the Institute for Government, he suggested that one of the areas that could benefit from Institute scrutiny was arm's length government. We took up that challenge and this report is the outcome of that work.

We have drawn on expertise and experience inside and outside government. As the report demonstrates, we need to move the debate on arm's length bodies (ALBs) beyond a sterile numbers game, to recognise that all governments will and should put some functions at arm's length from government, but that degrees of necessary independence differ, which should be reflected in the way ALBs are formed and managed. Since ALBs will remain a vital part of the state, it is in all our interests for both sides – government and arm's length body – to be clear about what their roles and responsibilities are and to invest in equipping both sides – those working in ALBs and those looking after the relationships in government – with the skills they need to serve the public better. And we need Parliament to step up to playing a bigger role in making sure government and ALBs perform as the public has the right to expect.

Above all, we need a sensible, balanced conversation about the pros and cons of distance from executive control versus perceived lack of democratic legitimacy to decide how to make that choice and how to make sure the arrangements we have are in the public interest.

Our report aims to promote that debate. In the past, public discourse on ALBs has been characterised by more heat than light. We want to change that – which is why we ask government and people interested in the future of arm's length government to 'Read before Burning'.

A handwritten signature in black ink, appearing to read "Michael Richard". The signature is fluid and cursive, with a large initial 'M'.

Lord Bichard of Nailsworth, July 2010

Contents

Foreword	5
About the authors	8
Acknowledgements	9
Executive summary	10
1. Introduction	16
2. An overview of the landscape	18
3. Challenges	31
4. Recommendations	52
5. Conclusions	63
Appendices	64-70
Bibliography	64
Acronyms	69
Endnotes	70

About the authors

Tom Gash is a Fellow of the Institute for Government. He joined the Institute in January 2008. Tom previously worked as a consultant in the Boston Consulting Group's organisation and change practice area and as an adviser on home affairs in the Prime Minister's Strategy Unit. Tom specialises in the areas of crime policy and organisational effectiveness, with a special interest in performance management and organisation design. Outside the Institute, he advises overseas governments on public management and strategy development and is currently conducting private research on crime.

Sir Ian Magee CB is a Senior Fellow of the Institute for Government. Ian was Second Permanent Secretary at the Department for Constitutional Affairs and Head of Profession for Operational Delivery for the Civil Service. He was a CEO of three different executive agencies. Ian was a member of the Capability Review team for the Cabinet Office, and with another Permanent Secretary had a continuing role in holding the Cabinet Secretary to account for progress. He is currently a Senior Adviser to Booz and Company, a Non-Executive Director of the Live Group plc, and an Executive Coach to senior civil servants and others. He conducted a review of criminality information for the Home Secretary, published in July 2008, and a review of the Legal Services Commission, published in March 2010. Ian is a Fellow of the Sunningdale Institute and has a special interest in public sector leadership.

Jill Rutter joined the Institute for Government as a Whitehall fellow on secondment from the Department of Environment Food and Rural Affairs (Defra) where she had been Director of Strategy and Sustainable Development. Previously she worked for BP, the Treasury and the Prime Minister's Policy Unit. At Defra, she sponsored the Sustainable Development Commission and oversaw its change of status from advisory to executive non-departmental public body.

Nicole Smith is an Associate of the Institute for Government. Until early 2008, she was the Deputy Chief Executive of the Electoral Commission, the UK regulator of political parties. Her previous experience includes nearly 10 years working at senior levels in the Home Office and two years as Assistant Director of the Constitution Unit think tank. Nicole now runs her own management consultancy firm and also holds a number of public appointments, including Board Member of the Legal Services Board, Panel Chair for the Judicial Appointments Commission and Fitness to Practice Panelist for the Nursing and Midwifery Council.

Acknowledgements

Many people generously contributed time and expertise to this report. We would like to thank those people who attended and contributed to the series of seminars that were held at the Institute as part of this research project, those who were interviewed, and those who took part in background discussions with Institute for Government staff. We would also like to thank members of all political parties who responded to our research findings and made helpful suggestions.

Special thanks are due to James McGibney, the Institute for Government research intern who undertook much of the initial background work on this project; Sandy Gordon and the National Audit Office for leading the analysis of executive non-departmental public body expenditure; Professor Matthew Flinders, who was a continual source of advice in the early stages of this work; and Martin Hurst, a Director at the Department for Environment, Food and Rural Affairs (Defra), who was an invaluable 'critical friend' who contributed greatly to strengthening the report's recommendations.

Many staff, governors and associates of the Institute for Government contributed to this report. Lord Bichard of Nailsworth, Dr David Halpern, Dr Bill Moyes, Lord Sainsbury of Turville and Julian Wood all made significant analytical contributions. Paul Drinkwater and Nadine Smith provided vital support during the publication process.

All views, errors and omissions are, of course, those of the authors.

Executive summary

“The more I look into these bodies, the more convinced I am that the current situation owes far more to history than it does to operational effectiveness.” Sir Gus O’Donnell, speech at the launch of the institute for Government, 2009.

Arm’s length bodies (ALBs), known not so affectionately by the public as ‘quangos’, are now fundamental to the effective running of the British state. They protect the constitution, regulate big business and provide a wide range of executive functions and expert advice. They employ the vast majority of the country’s civil servants. These 900-plus bodies also control vast sums of public money, accounting for over 13% of government expenditure, not including NHS spending or the value of the social security payments that they administer.

Yet politicians, and perhaps the public, fear that all is not right with arm’s length government. They worry that some ALBs perform functions that are simply unaffordable for a state with net debt of over 60% of national income.¹ They are concerned that the freedoms enjoyed by ALBs make them unaccountable and inefficient, influenced by examples of high-profile failures, such as those around SATs marking in 2008, or the regulation of MPs’ expenses. And they worry about political patronage, observing appointments of board members who appear unrepresentative of the population as a whole, high salaries paid to a handful of ALB chiefs, and rare (but well-publicised) examples of ALBs campaigning against government policy – a particular irritation to ministers of the day. Many people also find the whole ALB system to be incredibly confusing. Our research found at least 11 ‘types’ of ALB but no consistency over why bodies were given the institutional form they were.

Politicians have duly responded and the Coalition government, like the Labour government it followed, has committed to sweeping reform of ALBs. ‘We will reform the inefficient and unelected quango state’, promised Nick Clegg at his first major speech after taking office as Deputy Prime Minister. Action is already under way. On 24 May 2010, emergency budget measures announced a significant reduction in the number of ALBs and savings of £500 million. And new cabinet ministers are at the time of writing drawing up plans for further reductions in quango numbers.

The situation is familiar to students of government. In 1979, Margaret Thatcher was elected on a promise of a ‘bonfire of quangos’ and in 1997 Tony Blair came to office with similar pledges. Both got rid of some smaller organisations and merged others, although their Cabinet colleagues went on to produce new ALBs to pursue their latest policy objectives. Meanwhile, the performance and accountability issues associated with ALBs endured and the public, while highly trusting of specific organisations, remained generally sceptical over how well government had gripped the issue.

This report argues that the new administration must avoid repeating history and that reform of arm’s length government must go beyond a simple ‘numbers game’, the traditional post-election cull of ALBs. First, we need to recognise that at least some public functions are best performed with a degree of freedom from ministerial control. Ensuring that the Arts Council, for example, has freedom over grant-making decisions, for example, ensures more expert decision-making and reduces the risks of perceived or actual government patronage.

Second, a simple cull of ALB numbers does not always amount to major reductions in cost. Research conducted for us by the National Audit Office (NAO) shows that nearly 80% of non-departmental public body (NDPB) expenditure is located in just 15 NDPBs (out of nearly

800 executive and advisory NDPBs), while just seven executive agencies employ more than three quarters of all agency staff. What's more, much of the money 'spent' by NDPBs could not realistically be reduced by simply by abolishing a body: 75% of NDPB costs are grants that are passed on to others, funding universities, legal aid and other core government functions. To make cuts in these areas, difficult policy decisions would be required. Advisory bodies, usually the first target in a government cull, account for nearly half of all ALBs but most do not even have their own budgets and simply offer a way of bringing expert advice to policy-makers at lower cost than they would through consultancy contracts. Mergers, another default in a cull, can also be problematic: Institute for Government and NAO research has shown the significant costs and disruption that have resulted from past government reorganisations – more than £750 million in direct costs over four years from 2005 to 2009 – although mergers can, on occasion, bring benefits (IfG 2010; Dunleavy and White 2010; NAO 2010b).

Third, there are currently major challenges facing ALBs, which a cull would not address, even if accompanied by wider efficiency measures. We found a number of problems that appear common to many ALBs, and particularly to non-ministerial departments (NMDs) and executive NDPBs. The main problems highlighted by our research are:

- **Lack of clarity over ALB roles and responsibilities**, which can lead to significant duplication of activity between ALBs and sponsor departments, occasional neglect of important issues, and problems of policy coordination. Of these, the issue of duplication appears to be a particular concern, with examples of entire functions being duplicated across NDPBs and their sponsor departments.
- **Difficulties in achieving the right balance between freedom and control of ALBs**. We found examples of both 'micro-management' of ALBs and institutional neglect. While micro-management creates administrative burdens in terms of reporting, neglect can result in ALBs being less in touch with government's policy objectives and leaves sponsor departments less able to manage risk and performance. Where apparent, both imbalances contributed to low-trust institutional relationships, and sometimes led to downward spirals of institutional conflict.

These difficulties were underpinned by the hasty creation of many new ALBs, inadequate initial clarification of roles and subsequent institutional 'drift'. ALBs remain the one part of government without any routine process of independent review, meaning that inquiries typically take place only after things have gone badly wrong. Findings such as those of the first review of the Youth Justice Board (YJB) since its creation in 1997 are therefore typical: the reviewers saw 'uncertainty and a lack of clarity on its role, both inside the YJB and also among sponsoring departments and stakeholders' (Street 2010).

Confusion over ALB roles and responsibility is also a result of the overall incoherence of the institutional landscape. Because the form that an ALB takes appears to bear little relation to its function, there is no easy way for ALBs and departments to determine their respective roles and responsibilities. Sponsor teams can find themselves going back to primary legislation to check their powers over each body, while ALBs are often unsure of when they must seek departmental permission for specific decisions. The complexity of the landscape makes it harder for ministers to understand their role in relation to ALBs, a difficulty exacerbated by high rates of ministerial rotation, which also make it more difficult for politicians to hold ALBs to account over the longer term.

Skills gaps also undermine the effectiveness of arm's length government. The role of sponsorship is often undervalued in Whitehall, meaning that sponsors receive relatively little specialised professional development, and sharing of best practice is limited. Good performance management is essential for effective arm's length government, yet Whitehall's capability in this area is particularly weak. Many departments do not make clear their expectations in terms of performance, nor the sanctions for different levels of overspending (NAO 2010b). New ALB board members, meanwhile, often find themselves to be unsupported in a new and complex operating environment, particularly if they arrive from a private sector background.

These difficulties make a clear case for tightening the management and accountability of ALBs, rather than pursuing a simple cull. But there is a fourth reason why a cull per se is too crude a response. Public worries stem not just from the number of ALBs but from the lack of transparency around current institutional arrangements, concerns over fairness in terms of appointments and pay, and a feeling that ALBs somehow escape sanction when things go wrong. Many of these concerns are only loosely grounded in evidence – the public does often blame ALBs for operational failures and NDPB chairs and executive agency chief executives are sometimes forced to resign – but the fact that the public finds it so difficult to understand arrangements is clearly a problem in itself. It is certainly fair to say that government has not demonstrated that 'quangoland' is under control, it being extremely hard to determine their numbers, institutional arrangements and spending. And more could be done to demonstrate fairness in the appointments process and to build diversity of ALB board members.

This report puts forward a series of proposals that would go some way towards addressing the more fundamental problems faced by arm's length government in England. To ensure that ALBs are set up on a more stable footing, with greater clarity of organisational role, responsibilities and freedoms:

- 1. Parliament should ensure that no new ALB can be established without a written business case, which must be approved by the Cabinet Office and subjected to scrutiny by the relevant select committee and by the Public Administration Select Committee (PASC).** The PASC should have a specific horizon-scanning remit to ensure that the form an ALB takes follows from the function it performs. Given the costs and disruption involved, these committees should also scrutinise business cases for any proposed reorganisations of existing bodies, and no reorganisation should be permitted without a clear business case.
- 2. Government should ensure that legislation for new ALBs includes 'sunset' clauses,** defining the expected time when the new body should undergo a GAP Review (see below) and/or be disbanded.

To guarantee that roles and responsibilities remain clearly defined and to maintain institutional performance:

3. **Government should introduce Governance and Performance (GAP) Reviews**, to be conducted every three to five years for all ALBs spending over £50 million. Unlike old Quinquennial Reviews, GAP Reviews should ensure that both ALBs and their sponsor departments are delivering against their responsibilities and that these responsibilities are clearly defined. Reviews should be conducted by individuals who are sufficiently independent of government and the review methodology should include a 'peer review' element to stimulate cross-sector learning. Reviews should be published and given the power to recommend that an ALB should be disbanded or its form changed.

To develop skills in ALBs and sponsor teams:

4. **Departments and ALBs should ensure that ministers, ALB appointees and those moving into sponsorship roles within departments receive appropriate briefing, induction and mentoring.** ALB appointees must be provided with opportunities to understand the wider context of departmental business and sponsor teams must provide specialist training on building and maintaining effective relationships, at both individual and corporate levels.
5. **The NAO should increase thematic reviews** of functions such as grant allocation and benchmark ALB efficiency, in order to promote best practice across ALBs and sponsor teams.
6. **Government should expand the role of the Public Bodies team in the Cabinet Office** to deliver the recommendations in this report. This team (or a lead department) should also act as an expert resource for departments, facilitating the sharing of best practice across sponsorship teams and ensuring the availability of appropriate training for sponsor teams and ALB board members.

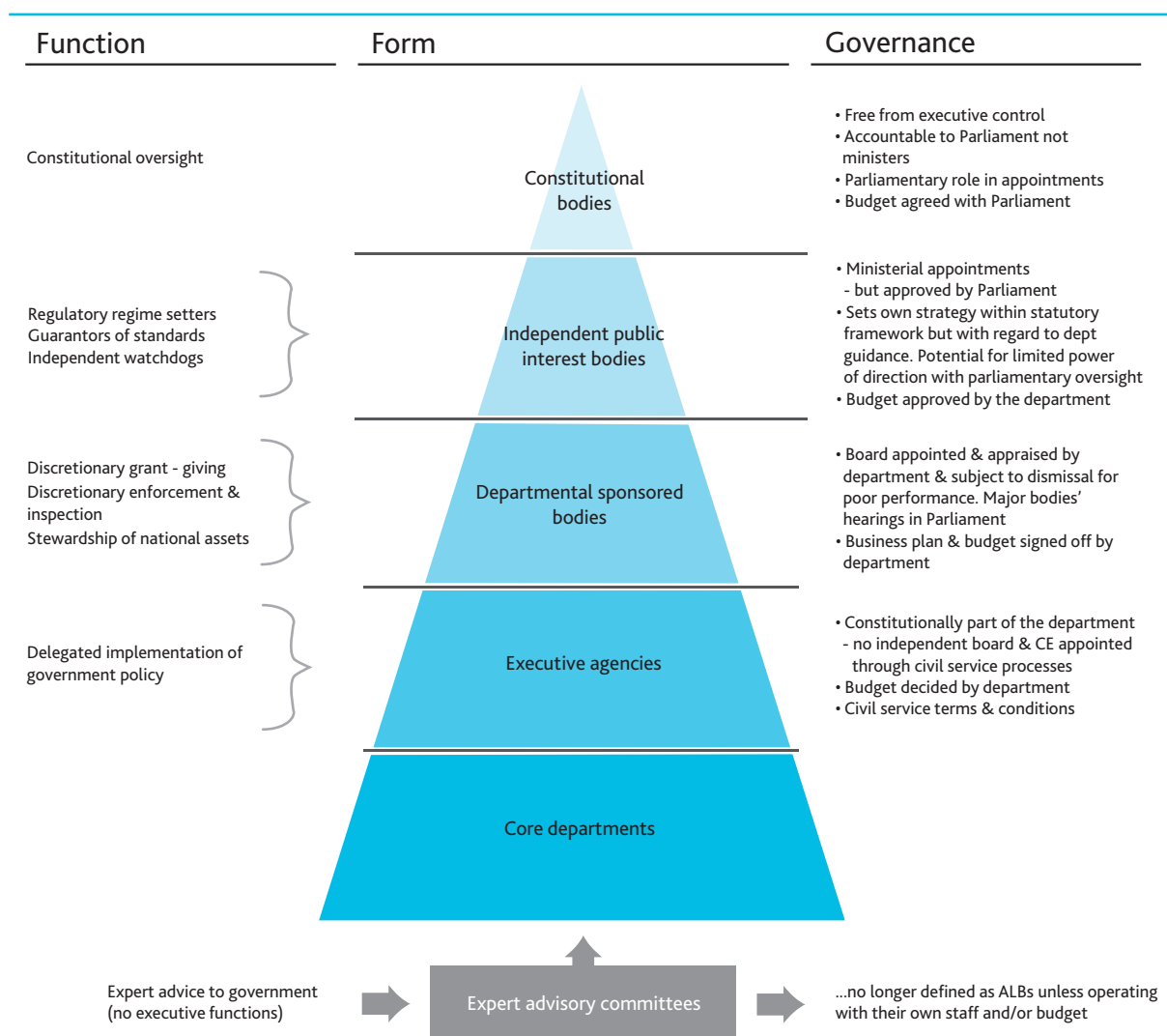
To build public confidence:

7. **Government should provide a complete list of all ALBs, alongside details** of their expenditure, the names of the lead officials responsible for sponsoring them, and links to their websites (building on the work of Directgov).
8. **The Office of the Commissioner of Public Appointments should build on current work** which ensures a fair and transparent process in public appointments by conducting a research exercise to check (and demonstrate) that fair outcomes have been achieved. This exercise would check that the proportion of qualified applicants of each political affiliation is approximately reflected in the proportion of offers made, and would investigate if they do not.
9. **ALBs should publish transparent information on their role, relationship to government, funding and performance** (including the publication of their GAP Health Checks) in a standard format. This can be done simply and at low cost through current annual reports and through a form of 'kitemark' on website front pages which links through to this core information, as has been implemented in Wales.

To set arm's length government on a more stable long-term footing:

10. **Government should implement a new, simpler taxonomy for ALBs** whereby organisational form relates clearly to the function an ALB performs, building on the proposals in this report (see Figure 1). Under the taxonomy proposed here, NMDs would no longer exist and most advisory NDPBs would be treated as expert advisory committees to departments with no independent legal existence. The incremental version of this proposal would be to ensure that all new ALBs should be set up within this framework and existing organisations should gradually 'migrate' to the framework, adapting their governance, performance management and appointments arrangements to fit this taxonomy as far as is possible without primary legislation, or using departmental legislation as it happened. A big bang approach to implement the change more rapidly would require specific primary legislation, to give reorganisation powers, backed up by a raft of secondary legislation. One option could be for organisations to be reclassified in a small number of bills, as has been done in Scotland.

Figure 1: A new taxonomy for arm's length bodies



Source: Institute for Government

In combination, these proposals are likely to generate significant financial and performance benefits, by reducing duplication of work between departments and ALBs and between different ALBs. They offer the benefits of tighter accountability too, along with the potential to rebuild public trust in ALBs and government more generally. While implementing these proposals is not entirely without difficulty, postponing more fundamental reform of ALBs risks a repeat of the age-old cycle of culls followed by proliferation. Ministers, officials and leaders in ALBs must embrace the opportunity provided by the fiscal climate and actively address the real problems of arm's length government in England.

1. Introduction

1.1 Purpose of this report

This report is intended to inform the current political and public debate about the future of arm's length bodies (ALBs). It aims to:

- **Improve public, political and official understanding** of ALBs, highlighting their origins and history, and detailing what they do and how much they spend.
- **Identify a number of performance issues** for ALBs and assess the causes of these problems.
- **Investigate public confidence** in arm's length government and, in particular, to identify factors that contribute to low levels of public trust in arm's length government.
- **Highlight potential solutions** to the challenges identified, including a new framework for managing government at arm's length.

The report focuses on ALBs that operate at a national level, and therefore does not offer extensive analysis or recommendations for bodies whose primary accountability relationship is with regional or local government. The report does not directly address management of ALBs by devolved administrations in Scotland, Wales, and Northern Ireland, although many of the issues are similar.

This report does not seek to assess the effectiveness of individual organisations or make recommendations regarding the continued existence of specific ALBs.

1.2 Terminology

We use the term 'arm's length bodies' (ALBs) to refer to organisations that are part of the state but do not operate within traditional departmental structures. In theory, all ALBs operate with somewhat greater freedom from direct ministerial control than government departments. These freedoms vary depending on the ALB in question but can include managerial freedoms (for example, freedom from civil service terms and conditions) and constitutional freedoms (for example, an independently appointed chairman who cannot be dismissed by ministers except in cases of misconduct or incapacity) and freedoms to offer independent views on government policy.

As we shall see, the term ALB covers a wide range of different classifications or 'types' of body, the main types being executive agencies, executive and advisory non-departmental public bodies (NDPBs) and non-ministerial departments (NMDs). While, in theory, the different categories indicate differing degrees and types of freedom, in practice freedoms can vary as much between organisations of the same category as between organisations of different categories. The scale and functions performed by these bodies vary widely, with organisations ranging from big delivery organisations such as Jobcentre Plus (an executive agency which operates with very limited managerial freedoms); to NMDs like the Food Standards Agency; regulatory bodies such as OfCom, which regulates the communications industry; and various tribunals and expert advisory groups like the Advisory Council on the Misuse of Drugs, an advisory NDPB.

Some commentators do not treat executive agencies as being ALBs as they are constitutionally still part of their parent departments. However, as is more usual, we include executive agencies within our analysis, not least because executive agencies are frequently reclassified as other types of ALB and vice versa.²

ALBs have been variously named in the past as: non-departmental organisations, non-departmental agencies, public bodies, interstitial organisations, ad hoc agencies, statutory authorities, paragonmental agencies, parastatal agencies, fringe bodies and intermediate bodies, among others (Hogwood 1995). ALBs are most commonly referred to by commentators and the public as 'quangos' (an even more misleading term when spelt out in full). This term, like those above, is often used loosely, sometimes applying to all public bodies and at other times to a narrower set of bodies.³

1.3 Method

This report is the product of a one-year engagement with those working in this area and is based on:

- A review of academic, parliamentary and government literature on ALBs.
- Analysis of executive NDPB expenditure, conducted in collaboration with the National Audit Office (NAO).
- Four seminars involving nearly 50 attendees (ALB chairs, chief executives and non-executive directors, ministers, civil servants, and academics).
- Twenty unstructured interviews and discussions to test the findings of the research.
- The experience of the authors and Institute staff who have worked in a range of ALBs and in the departments that sponsor them.

This research is closely tied to the Institute's learning and development programme, including its 'Action Learning Set' for NDPB chief executives and its recently established partnership with the Public Chairs Forum.

In parallel with this report, the Institute has published a series of practical guidance notes for ministers, departments and public bodies on key aspects of making arm's length management work, focusing on developing effective relationships at all levels (IfG 2010).⁴

1.4 Structure of this report

The remainder of this report is divided into four main sections

- A brief **overview of the landscape** of arm's length government, providing theoretical and historical background and mapping the current types, numbers and expenditure of ALBs.
- A review of the current **challenges** within ALBs and for arm's length government in general. This section looks at a range of issues including those relating to:
 - Cost
 - Performance and cost-effectiveness
 - Legitimacy and public trust in ALBs.
- **Recommendations** for improving arm's length management in future, which the Institute will be refining and developing over the coming months.
- **Conclusions** drawn from this research and next steps for the Institute for Government in supporting and advising government in this area.

2. Overview of the landscape

2.1 Theory

There are a number of valid reasons for placing public sector bodies at arm's length from politics:

1. **To depoliticise decision-making and build public trust**, by increasing the actual and perceived independence of decisions, where political influence is seen as undesirable or destabilising.⁵ Examples include grant-making bodies (e.g. Arts Council), regulatory bodies (e.g. Ofcom), tribunals (e.g. Police Arbitration Tribunal).
2. **To increase managerial freedoms**, including:
 - Freedom from civil service managerial norms, including pay norms (e.g. Driver and Vehicle Licensing Agency).
 - Freedom to focus on a specialist function, rather than being a low-priority area within a government department (e.g. Health and Safety Executive).
3. **To allow government to access external skills and expertise**, often at lower cost than consultancy or research (e.g. Science Advisory Council).

Often these reasons combine. They can also combine with reasons of political expedience. Setting up a new body can provide politicians and officials with a way of demonstrating 'something is being done'. And arm's length organisations can be perceived as useful sources of support or cover for unpopular political decisions, for example when the National Institute for Clinical Excellence (NICE) makes decisions over which new drugs offer value for money for the taxpayer.

The most recently announced ALB, the Office for Budget Responsibility, could be seen as combining a number of these theoretical and practical reasons for creation.

2.2 History

ALBs have a long historical pedigree, with early English additions including the Sewers Commission as far back as 1540. As the role of the state expanded through the 19th and 20th centuries, the number of ALBs grew, with the legal status of bodies varying considerably. By 1975, the Bowen Review identified approximately 778 'fringe bodies', though stated that this figure was likely to be a considerable underestimate of the number of ALBs.

As early as 1918, the Haldane Review assessed government's use of ALBs and concluded that, while such bodies were necessary, the number of them needed to be actively controlled. Following similar reviews, including that of Lord Anderson in 1945, the issue of 'quango' proliferation came to be seen as an increasing problem. Public and political critiques questioned the legitimacy and efficiency of the still undefined number of public service institutions operating at arm's length from direct political control.

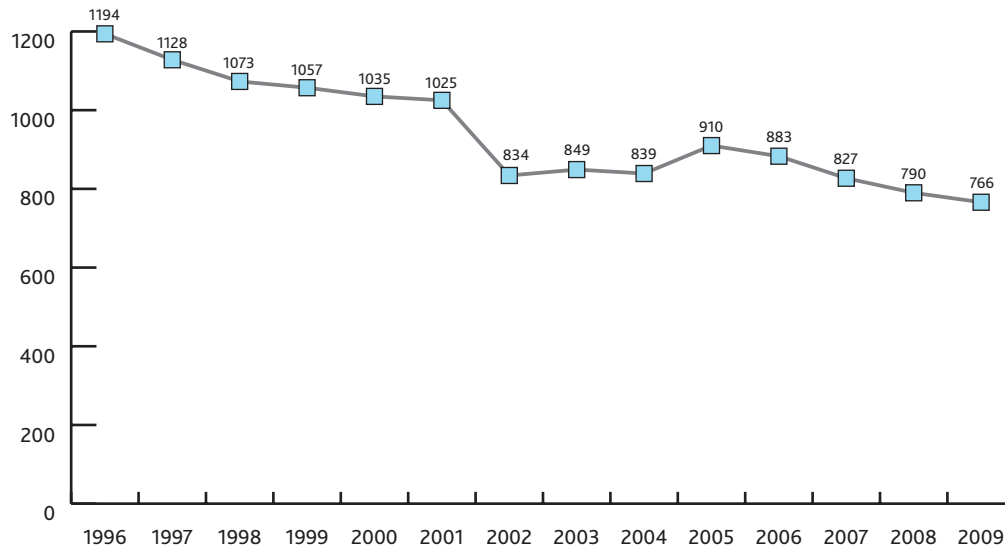
The 1980s was a period of considerable change in the ALB landscape, as Margaret Thatcher acted on her 1979 manifesto commitment to significantly reduce the number of ALBs. In 1980, Sir Leo Pliatzky's review sought to provide a clearer picture of the number of 'fringe' bodies and identified 489 executive bodies, 1,561 advisory bodies and 67 tribunal bodies.⁶ He also coined the term non-departmental public bodies (NDPBs) for executive bodies in an attempt to

delineate and circumscribe government-related bodies from the much broader range of bodies that were labelled as 'quangos' in public debate. Like Bowen before him, Pliatzky also restated the need to rationalise both 'executive NDPBs' and the wider landscape. During the years of Conservative rule, the number of executive NDPBs was kept under close review and went from an estimated 492 in 1979 to just 320 NDPBs in 1995. However, while the number of bodies was reduced, their total expenditure actually increased significantly, partly because several NDPBs were simply merged (Flinders 2008).

Yet, while the 1980s saw a reduction in the number of executive NDPBs, a number of other types of ALBs thrived. The number of NMDs, for example, grew, with cynics suggesting that growth in this area was largely a result of efforts to escape being 'counted' in government figures for the number of NDPBs. In addition, as the Next Steps initiative gathered pace it brought an entirely new institutional form, the executive agency, onto the ALB landscape (Ibbs 1988). Next Steps promoted the disaggregation of ministerial departments into a large number of single-focused, semi-autonomous bodies called executive agencies. Ibbs and others argued that such bodies could focus more effectively on delivery and other functions that were viewed as being insufficiently prioritised by 'policy-focused' departments. Ibbs initially proposed that executive agencies become directly accountable to Parliament – but this proposal was rejected and agencies were set up to report to Parliament through the ministers of their sponsor departments. The first executive agency, the Vehicle Inspectorate, was launched in August 1988.

The Labour administrations of 1997–2010 retained a similar approach to ALBs as predecessor administrations. On the one hand, there were periodic attacks on the number of ALBs but on the other hand new organisations proliferated and total expenditure on government at arm's length increased in real terms (Flinders 2008). Indeed, nearly 200 new NDPBs were established in the 10 years from May 1997, almost as many as were abolished as a result of amalgamations and abolitions (CO 2009). The overall number of NDPBs reporting to Whitehall dropped considerably over this period, however, due to the transfer of several bodies to devolved administrations in Scotland and Wales (see Figure 2). Excluding the transfer of NDPBs to devolved administrations, there was a reduction of 91 in the total number of NDPBs (CO 2010). However, evidence from the NAO suggests that many restructurings of NDPBs and the wider ALB landscape have not been carefully planned (NAO 2010b).

Figure 2: NDPBs reporting to Whitehall



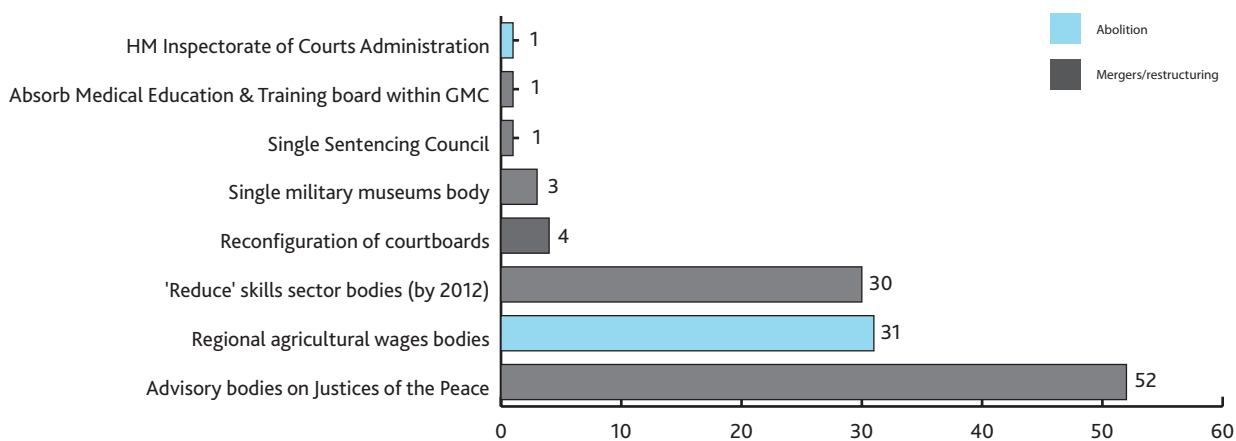
Note: This chart shows all NDPBs rather than all ALBs. It therefore excludes executive agencies, NMDs and public corporations.

Source: CO 2010

In July 2009, the Chief Secretary to the Treasury, Liam Byrne, announced a review of ALBs, which was taken forward as part of the government's Public Value Programme. In March 2010, this review announced the then government's plans to:

- Reduce ALB expenditure by £500 million by 2012 (a reduction of around 6% based on Treasury estimates of ALB expenditure).
- Reduce the number of ALBs by over 120, the vast bulk of reductions being very small advisory bodies, with minimal expenditure, or as a result of mergers (see Figure 3).
- Ensure greater care in setting up new bodies, and ensure 'sunset' clauses are reduced for new bodies.
- Impose restrictions on the use of lobbying and PR consultants by ALBs and new requirements for ALB transparency.

Figure 3: 2010 Labour government plans for reducing the number of ALBs



Source: HMT 2010a

2.3 The current landscape

As shown above, and noted by government itself, 'the current system of classifying public bodies has grown over time in response to an existing and complex delivery landscape... This is essentially a pragmatic approach...' (CO 2008). What this means in reality is that there is no one 'right' way of classifying bodies but instead a number of different categorisations, many of which are applied inconsistently. Using one set of common classifications, the Institute identified at least 11 types of ALBs (see Figure 4). This list does not include government trading funds, as trading fund status is conferred on bodies with a pre-existing institutional form.⁷ For example, the Ordnance Survey is an executive agency but it has also been given trading fund status, which simply indicates that it must receive at least 50% of its revenue from goods and services provided on a commercial basis.

In addition to this example of dual status, there are some interesting 'fudges'. For example, both the National Archive and the Central Office of Information have dual status as both agencies and NMDs.

Figure 4: Types of arm's length bodies

- 1 **Advisory NDPBs:** Committees or boards which provide expert advice to ministers on specific policy issues. Usually set up without legislation and supported by staff from the parent department, with no significant budget.
- 2 **Executive NDPBs:** Bodies which play a role in national government but are not part of any department, deliberately established to operate at arm's length from ministers. Usually set up by statute, they can hire their own staff and the chief executive is accounting officer for the budget allocated to them. They are, however, sponsored by a parent department which holds the body to account and whose ministers are responsible for appointments of board members. Most executive NDPBs receive a significant grant-in-aid from their parent department to fund all or some of their work. Some also raise funds from other sources (e.g. regulatory levies).
- 3 **Independent monitoring boards ('other' NDPBs):** Every prison and immigration removal centre (and some short-term holding facilities) has an independent monitoring board which monitors day-to-day life to ensure proper standards of care and decency.
- 4 **Tribunal NDPBs:** These bodies have jurisdiction in a particular area of law. They are coordinated by the tribunals service, an executive agency, and supervised by the Administrative Justice and Tribunals Council.
- 5 **Executive agencies:** Agencies carry out services or functions with a focus on delivering specific outputs. They usually have no statutory basis and, in law, are indistinguishable from their parent department. However, their chief executives are accounting officers and responsible for their expenditure; they will also have a separate organisational identity from the parent department and often have more human resources and financial flexibilities available to them than the parent department.
- 6 **NMDs:** A department not headed by a government minister but represented by the minister of another department in Parliament. NMDs are normally set up under legislation and funded through the Treasury.
- 7 **Public corporations:** Market bodies that derive more than 50% of their income from the sale of goods and services. Some charge for regulatory activities where these provide a significant benefit to the person paying the fee. They are owned or controlled by central government but they have substantial day-to-day operating independence so that they should be seen as institutional units separate from their sponsor departments. Otherwise may have similar features to executive NDPBs as detailed above.
- 8 **Independent statutory bodies:** These bodies (which include the five HM inspectorates) enjoy statutory powers and are not part of government departments but receive their budget through a departmental vote.
- 9 **Special health authorities:** Special health authorities are health authorities set up to assume a delegated responsibility for providing a national service to the NHS or directly to the public. They are established under statute. Ministers retain a formal power of direction to ensure ultimate control over their activities. In terms of governance, they are in most respects akin to an executive NDPB.
- 10 **Parliamentary bodies:** There are currently five independent parliamentary bodies or 'constitutional watchdogs': Comptroller and Auditor General, Parliamentary Ombudsman, Parliamentary Commissioner for Standards, Electoral Commission and Office of the Information Commissioner. These are formally independent institutional units that review the actions of government on behalf of (and report to) Parliament rather than the executive.
- 11 **Central bank:** The Bank of England appears to have a unique constitutional position.

Sources: CO 2010; Flinders 2008; Nuffield 2000

The institutional form that an organisation takes is not directly related to the function that the organisation performs. For example, governance arrangements for public sector regulators vary widely. Ofsted, Ofgem, Ofwat, PostComm and the Office for the Rail Regulator are all NMDs; Ofcom and the Civil Aviation Authority are public corporations; Companies House is an executive agency and several others (including Monitor and the Legal Services Board) are executive NDPBs. Similarly the Prison Service is part of the National Offender Management Service, an executive agency, while the prison estate for young people is operated by the Youth Justice Board, an NDPB. A survey of executive agency chief executives in 2002 reinforces such examples, with 17% of the 127 respondents reporting that the primary function of their organisation was not 'delivery' but 'regulation' (OPSR 2002).

It is important to note also that the names given to different types of ALBs do not always reflect their institutional status. Indeed, many ALB names appear to actively mislead. The Environment Agency and Regional Development Agencies are not in fact executive agencies but executive NDPBs. Further, the names of specific categories of body are deceptive. As the head of one NMD noted at an Institute event held as part of this research:

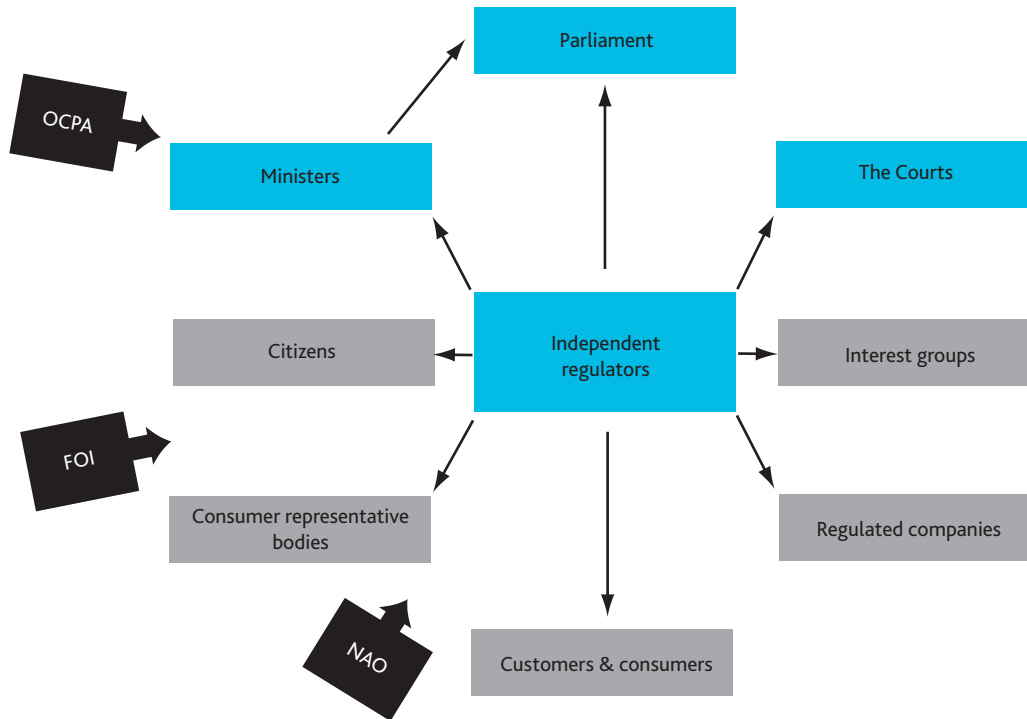
The first thing you need to know about being a non-ministerial department is that you have a minister and you are not a proper department.

Similarly, the terminology 'independent' can be somewhat unhelpful, as it implies complete freedom from democratic oversight, which rarely applies.

Indeed, while the public critique is that they are 'unaccountable', the definitions provided here make it clear that ALBs all have some accountability mechanisms in place. All but a few parliamentary bodies have a 'sponsor department' responsible for communication between government and the organisation in question. Where ALBs are responsible for taking decisions on individual cases, there will normally be established routes of administrative appeal, which may lead ultimately to a tribunal or other quasi-judicial appellant body. In addition, the Parliamentary Ombudsman can carry out independent investigations into complaints about UK government departments and their agencies, and most national ALBs. The nature of the accountability for ALBs depends on a range of factors, including financial arrangements, powers of hiring and firing of ALB heads, and scrutiny and performance management protocols. These arrangements are sometimes detailed in the legislation that established the ALB in question, sometimes in 'framework documents' produced by sponsor departments outlining the institutional remit, and occasionally they are simply a matter of custom or interpretation.

There are also often 'soft accountability' or 'answerability' requirements for ALBs, which are intended to enable public scrutiny. The Lords Select Committee on the Constitution undertook an inquiry into state regulators in 2004 and developed a typical model of organisations that they answered to (shown in Figure 5 in grey and black). In addition, other forms of scrutiny and answerability common to most NDPBs and public corporations exist, shown here in blue.

Figure 5: Accountability and answerability mechanisms for regulators

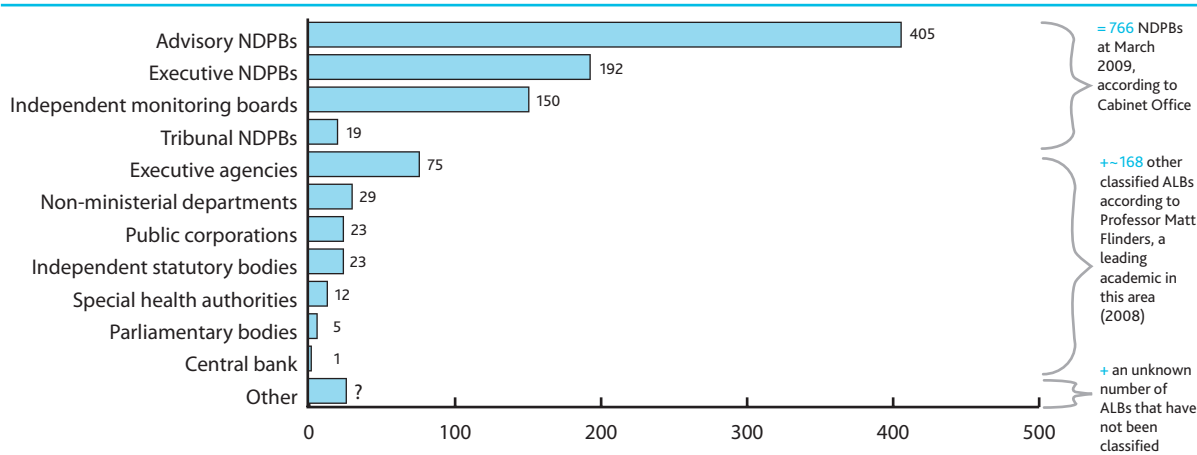


Note: OCPA is Office of the Commissioner for Public Appointments; FOI is Freedom of Information, the legal requirement for government bodies to disclose specific types of information

Source: Adapted from HoL 2004

Within the wide range of different 'types' of ALB there are in excess of 900 organisations, although data in this area are notoriously unreliable. Indeed, in 2002, the Government's Better Regulation Task Force concluded that it 'doubted that even ministers are aware of many of the bodies for which they are responsible', and a fundamental review of all public bodies in 2003 was quickly swamped by the number and diversity of those uncovered, failing to publish its final report. Best estimates, shown in Figure 6, show that nearly half of all ALBs are in fact advisory bodies. Another large group in terms of numbers is the 192 executive NDPBs, around 30 of which are libraries, museums and galleries that are considered a core part of the national heritage. Independent monitoring boards, which simply provide a legal footing for prison visitors, account for another 150 ALBs. And the other large group in terms of numbers is the executive agencies.⁸

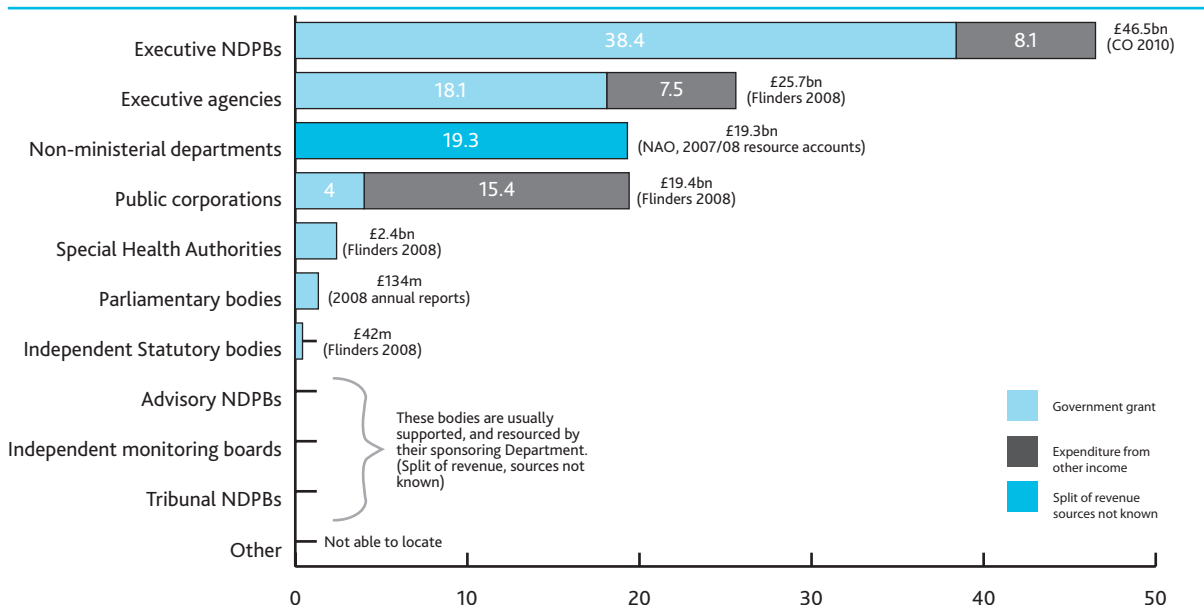
Figure 6: Number of English ALBs by type (best estimates)



Sources: As shown – CO 2010; Flinders 2008

However, when it comes to spending, the story of ALBs is entirely different. While they account for the largest number of bodies, advisory NDPBs have relatively low expenditure and are usually resourced directly from the budgets of their sponsoring departments. The same is true of the independent monitoring boards, responsible for ensuring humane treatment prisoners and residents of other forms of secure accommodation. Meanwhile, while accounting for relatively fewer bodies, executive NDPBs account for the most significant proportion of government expenditure (Figure 7).

Figure 7: Estimated ALB expenditure, excluding transfer payments*



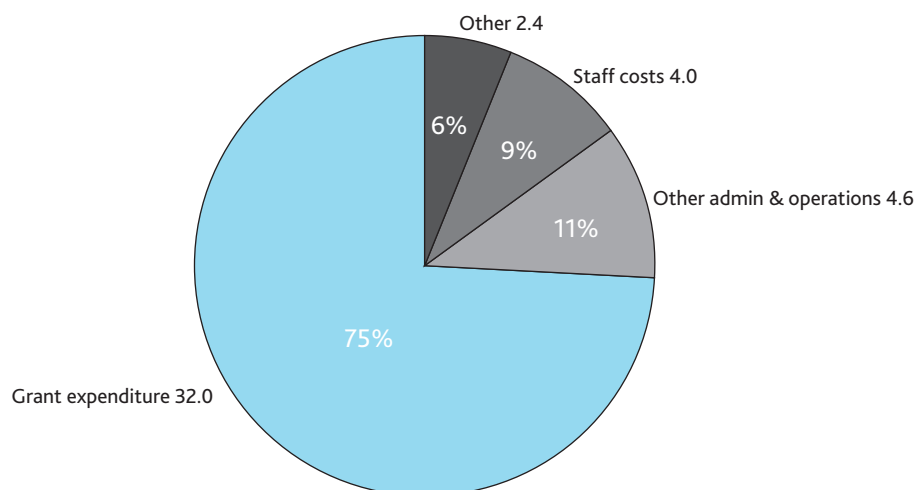
Notes: The data quality of the sources used is not considered to be high and data relate to different years (latest available data used).
 * Transfer payments comprise mainly social security payments, such as jobseeker's allowance and state pension contributions. Transfer payments, amounting to some £125 billion per year, are largely managed by executive agencies of the Department of Work and Pensions (NAO forthcoming).

Sources: As shown

Neither the Treasury nor any organisation provides a comprehensive public breakdown for expenditure by each 'type' of ALB. This means that the data shown in Figure 7 is drawn from multiple sources and its reliability cannot be assured. However, discussions with NAO and Treasury officials have provided some assurance that figures are not wildly inaccurate, with the possible exception of figures for public corporations.⁹ The Treasury's own estimate of government grants to ALBs is around £80 billion (HMT 2010a).¹⁰ Using this figure, this suggests that ALB expenditure accounts for around 13% of government's Total Managed Expenditure (£621 billion estimated out-turn in 2008–09).

Given the fiscal context, many point to the ALBs – and particularly NDPBs – as an area where dramatic inroads might be made into the government deficit. Certainly, ALBs cannot be exempt from deficit reduction measures (McCrae et al 2009). But it is important to note that a significant proportion of ALB spend cannot be reduced through standard 'efficiency' measures. Around three quarters of NDPB expenditure is on grants, which the NDPBs distribute to others, rather than on staff and administrative costs (see Figure 8). The levels of these grants depend on policy decisions, for example the level of funding that government provides for universities, sport, the arts or flood defences. The politics of reducing spending in these areas is therefore different to reducing expenditure through eliminating 'government waste'.

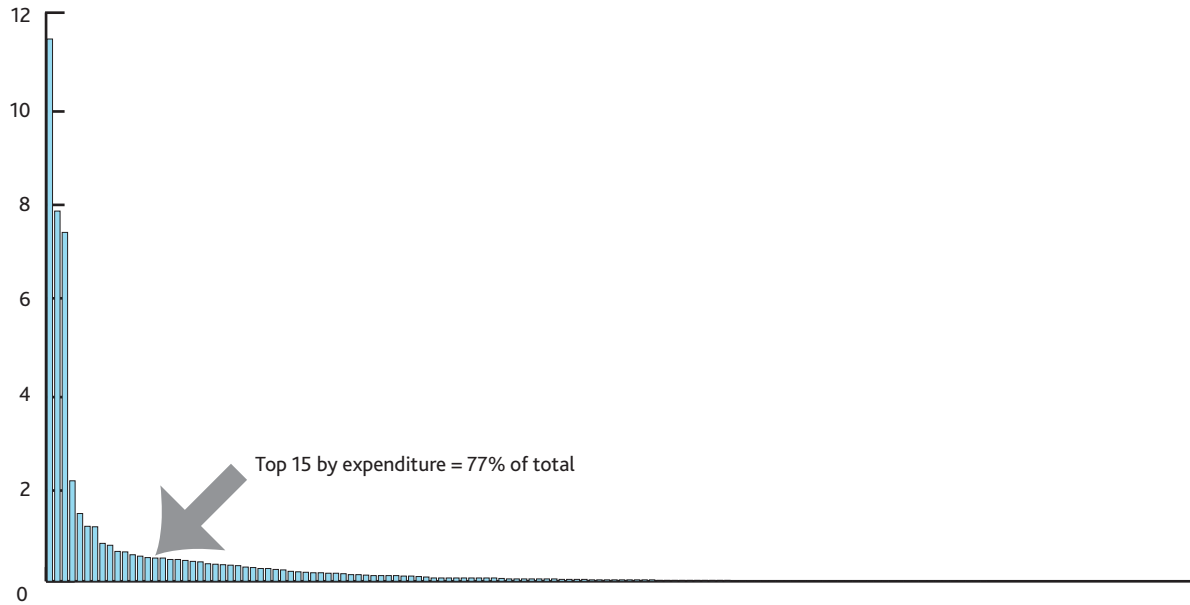
Figure 8: Executive NDPB expenditure by type, £bn, 2007–08



Note: Figures exclude movements in provision at the Nuclear Decommissioning Agency
 Source: Analysis of full year 2007–08 data (NAO unpublished analysis)

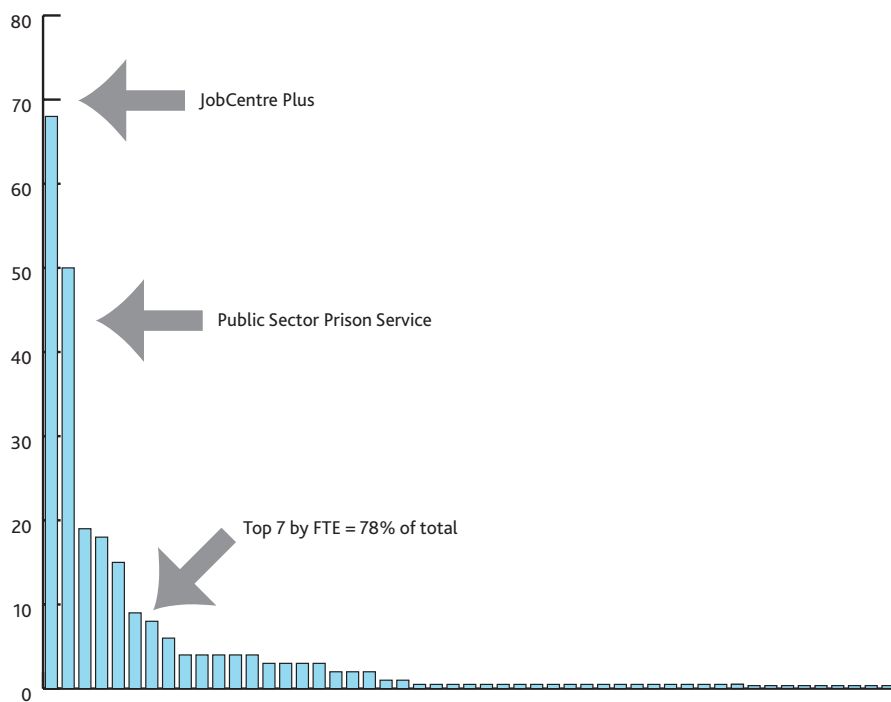
Any fiscal consolidation will also need to bear in mind that the vast bulk of ALB expenditure is by just a few specific agencies and executive NDPBs. In 2008, the 15 largest NDPBs controlled over three quarters of executive NDPB expenditure and the seven largest executive agencies employed over three quarters of agency or NMD staff (see Figures 9 and 10). Focusing on the cost-effectiveness of just a few large ALBs might therefore be expected to produce a significant impact on government finances and performance.

Figure 9: Executive NDPB costs by organisation £bn, 2007–08



Note: Each bar represents one of the 152 executive NDPBs for which NAO have full-year data.
Source: NAO unpublished analysis

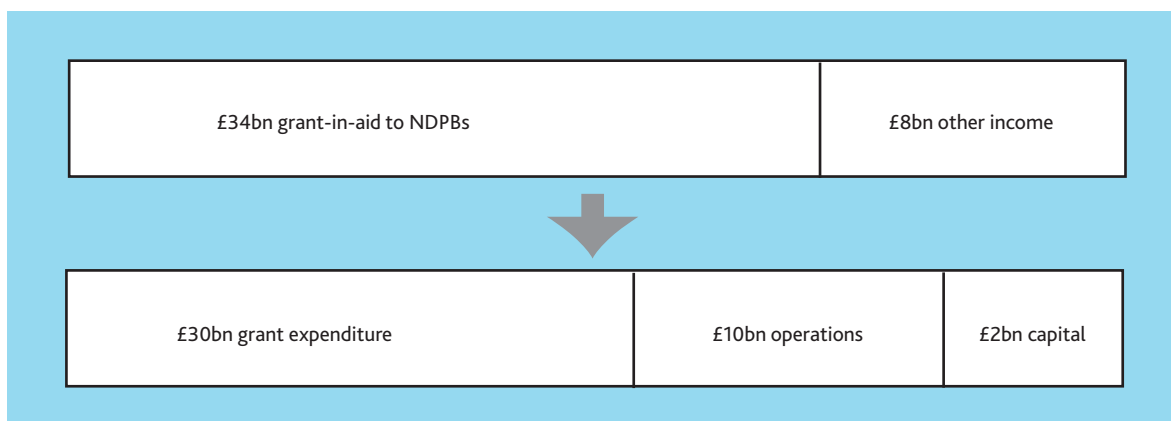
Figure 10: Executive agency and NMD staff by organisation FTEs, Q3 2008



Source: ONS 2009

A final note on ALB expenditure is that many ALBs raise revenue of their own. Agencies with trading fund status must, by definition, raise at least 50% of their income from commercial sources while executive NDPBs raise money through industry levies (for example the much-maligned Potato Council is paid for by levies on the industry it represents and promotes); donations, such as those to museums and galleries classified as NDPBs; and commercial sources. While government grants still account for around 80% of executive NDPB income (see Figure 11), the ability for ALBs to raise revenue of their own may be an important aspect of their operation – though in as far as such revenue is possible only because of a statutory power, some might regard it as a form of indirect taxation. It may also be worth noting in the current fiscal context that increased charging for services that were previously fully funded by government has been a characteristic of previous successful consolidations internationally (McCrae et al 2009).

Figure 11: Executive NDPB income and expenditure, £bn, 2007–08



Source: NAO unpublished analysis

2.4 The political environment

The current Coalition government comprises two parties with manifesto pledges to focus on reform of the ALB landscape. In July 2009, Conservative leader David Cameron argued that:

The problem today is that too much of what government does is actually done by people that no-one can vote out, by organisations that feel no pressure to answer for what happens and in a way that is relatively unaccountable...

I'm convinced that the growth of the quango state is one of the main reasons so many people feel that nothing ever changes; nothing will ever get done and that government's automatic response to any problem is to pass the buck and send people from pillar to post until they just give up in exasperated fury.

And Nick Clegg, Deputy Prime Minister and Liberal Democrat leader, argued in 2009:

Central government in Whitehall is too big, too powerful and too expensive. We could save billions by scrapping entire government departments and culling quangos.

These views represent a number of the strains that run through public and media criticisms of government at arm's length. There are two main strains within the critique, which reinforce one another:

1. **Efficiency concerns:** Many critics believe that ALBs perform government functions that are not needed or peripheral – or that insufficient transparency or control has created inefficient practices in ALBs, including high salaries by public sector standards. These criticisms are sometimes, as in Nick Clegg's analysis, linked to wider critiques of 'big government' more generally and to a sense that some ALBs outlive their original purpose and accrete additional functions.
2. **Accountability concerns:** A glance at comments from the public in online forums quickly shows that the public believe many ALBs to be beyond public influence and subject to insufficient public scrutiny. This 'crisis of legitimacy' is amplified by concerns over social representativeness of ALB board members and chairs. Such criticisms are sometimes linked to wider critiques of a 'broken political system' in the wake of the parliamentary expenses scandal and ongoing pressures for electoral reform.

The Coalition government has taken immediate action to demonstrate their commitment to reform of the ALB landscape. On 24 May emergency budget measures announced a reduction in the number of ALBs and savings of £500 million. On 8 June, the Chancellor made the further announcement that: 'Departments will be asked to reduce administrative spending in central Whitehall and quangos by at least a third' (HMT 2010b). Interestingly, the Chancellor avoided the normal call to cull a specific number of ALBs. The timetable for implementation of other promised Conservative and Liberal Democrat reductions is to be determined. However, a number of ministers have already begun to announce reductions in the number and expenditure of ALBs. For example, in June 2010, Business Secretary Vince Cable announced that 13 ALBs faced immediate changes; eight had been abolished (seven regional industrial development boards and the Hearing Aid Council); one, Investors in People, will be merged with the UK Commission for Employment and Skills; four would continue but without direct government funding.

Shared Conservative and Liberal Democrat commitments include:

- The introduction of 'sunset clauses' for all new ALBs, in order to ensure bodies that are no longer fit for purpose are phased out (as planned by the Labour government).
- A more extensive reduction in the number of ALBs. Both parties oppose policy work being carried out outside the department, with David Cameron arguing that ALBs will be limited to 'strictly administrative functions', with all 'policy work' returning to Whitehall departments. David Cameron's speech in July 2009 outlined 'three tests' for whether an ALB should continue to exist:
 1. When a precise technical operation needs to be performed to fulfil a ministerial mandate.
 2. When there is a need for politically impartial decisions to be made about the distribution of taxpayers' money.
 3. When facts need to be transparently determined.
- Rules to constrain ALB expenditure on advertising and public relations (as planned by the Labour government).

Public pressure, political commitments and the fiscal context suggest that the ALB landscape is likely to undergo significant change in the coming years. Change is likely to be increased too by turnover of those in ALB leadership roles. In previous political transitions, a number of NDPB chairs have resigned or been moved on, sometimes because they have been perceived as too closely tied to the policy agenda of the previous administration and sometimes because of difficulties in forming relationships with incoming ministers.

Key findings: Overview of the ALB landscape

- ALBs provide a number of functions that are essential to the effective running of the state. There are good reasons for performing at least some of these functions in organisations that are at arm's length from direct ministerial control.
- Hundreds of ALBs have been set up, restructured or abolished over the past decades, with little evidence of underlying strategy having underpinned individual decisions.
- Since the 1970s, reforms in this area have generally focused on 'culls' of ALB numbers, although steps have also been taken to ensure the political impartiality of ALB appointees. These culls often eliminate advisory NDPBs, bodies that spend relatively little, or initiate restructurings, which can be costly and disruptive.
- Today, there are at least 11 categories of ALB. The form of an ALB is not directly linked to the function it performs and the names given to ALBs often appear designed to mislead about status. Governance arrangements are highly varied.
- There are over 900 ALBs reporting to Whitehall and ALBs are responsible for over 13% of total government expenditure. They receive government funding of around £80 billion per year.
- The bulk of ALB expenditure is by large delivery-focused executive agencies and executive NDPBs. While they account for around half of all ALBs, advisory NDPBs rarely have budgets of their own and spend little.
- Spending is concentrated in just a few organisations. Over 75% of executive NDPB expenditure is controlled by just 15 organisations, while over 75% of executive agency staff are employed by just seven bodies. The vast majority of NDPB expenditure is distributed to other organisations in grants – and is therefore driven by government's policy choices rather than issues of operational efficiency.
- Public and political concerns about the cost-effectiveness and legitimacy of ALBs are translating into further reform efforts, with all parties supporting reductions in the cost and numbers of ALBs.

3. Challenges

3.1 Cost reduction

As shown in section 2, ALBs perform a wide range of functions – but the public questions whether some of these functions need to be provided by government. This question is now particularly poignant, given government's need to reduce public expenditure in order to reduce the budget deficit and government debt.

Those countries that have successfully tackled large deficits, like that of the UK, have typically succeeded by fundamentally reassessing the scale and type of services that the state can provide, and by making greater use of charging or fees for some services (McCrae et al 2009). Choices about which services the state will continue to supply and fund are ultimately political, but it is clear that ALBs cannot be exempt from such reassessment given the proportion of government expenditure that they now control.

Based on consolidations overseas, there is clear potential to reduce the government's deficit by assessing ALBs and asking:

- Do the functions performed by each ALB still need to be carried out in the public sector?
- Do these functions need to be funded by government grants or should they be funded by levies on a specific group of beneficiaries, or through charging?
- Which organisation should perform the function? Can private or voluntary sector organisations provide effectively at lower cost? Should the existing body carry out the function, or should another body carry out the function?

As seen above, the Labour government conducted a review of this kind early in 2010 and the Coalition government is conducting a similar review, with a view to more radical and immediate expenditure reductions, also in 2010.

In the past year, the Labour and Coalition governments have been investigating further ways of reducing costs in arm's length government. In 2009, Labour's Operational Efficiency Programme highlighted five key areas of potential savings: back-office operations and IT, collaborative procurement, asset management and sales, property, and local incentives and empowerment. Many of the recommendations of this report were aimed at ALBs as well as departments and focused on encouraging sharing of back office, IT, procurement and assets to achieve economies of scale (HMT 2009b).

This drive towards back-office efficiency has led some departments to worry that they lack the statutory powers to ensure that NDPBs, in particular, are delivering value for money in these areas. While they can effectively set budgets for almost all NDPBs, some senior civil servants are concerned that this lever is too blunt and that reduced budgets would not lead to decisions that they felt appropriate, such as rationalisation of estates or use of departmental shared services.

Our research did reveal examples of apparent back-office inefficiencies in some ALBs, including underoccupied ALB headquarters that could be shared between bodies and failure to pool advertising budgets across ALBs carrying out similar functions. However, it is not clear either that such inefficiencies are limited to ALBs or that departments lack the required mechanisms to encourage better practice. ALB accounting officers must account for value for money, like departmental accounting officers, and departments' budget-setting influence remains considerable. If departments have evidence that an NDPB, for example, is spending too much on, say, buildings then it can highlight the issue as justification for reducing the overall budget, leaving it to the NDPB to find the most cost-effective solution for addressing the issue. Further, it appears that some of the reasons forwarded by ALBs for refusing to take specific steps are well founded. For example, we found ALBs that were being pressured into sharing back-office services with its sponsor department when these were either directly more expensive or appeared less expensive but were insufficiently tailored to organisational needs, meaning additional expenses would be incurred. In this context, the Treasury's March 2010 guidelines for ALBs regarding back-office services, which emphasise a model of 'comply or explain', appears appropriate (HMT 2010a).

It does appear, however, that there are shortages of good quality, comparable management information on which to base value-for-money assessments in relation to back office, IT, assets and procurement. Departments and ALBs sometimes base judgements on different data; there are few comparable metrics for benchmarking back-office efficiency and, on occasion, data are simply unavailable. This makes it harder to achieve accurate and collective judgements. The NAO has repeatedly highlighted the shortage of benchmarking data as a barrier to improving budgeting and efficiency in government overall, and this issue appears to be equally relevant to ensuring the value for money of ALBs. As the Operational Efficiency Programme highlighted, 'there is a strong signal that, to meet current challenges, management information relating to operational efficiency needs to be improved' (HMT 2009b).

In the absence of such information, the debate over how much control departments should exert over ALB back-office practice is likely to continue. Some questions are largely empirical but, without good data, decisions may be based on theories of performance, such as views on whether efficiency benefits of scale and collaboration generally outweigh the benefits of specialisation. Other debates will revolve at least partly around matters of principle. There are those who argue, for example, that accounting officers must have control over all decisions that may impact on operational performance, including apparently second-order issues such as office location – while others say that differential accountabilities can be maintained. Similarly, there are those who argue that the freedom that an ALB needs to perform its function (for example, distributing arts funding) is not materially affected by decisions relating to some second-order management issues – while others say that departmental control over any aspect of management leads down a 'slippery slope', eroding freedoms, and makes maintaining clarity of institutional roles and responsibilities still harder.

3.2 Performance and cost-effectiveness

As shown in section 2, there are a range of theoretical reasons for placing specific public functions at arm's length from political control. However, there is very little empirical evidence on whether a particular institutional form is good (or bad) for promoting effectiveness. Indeed, there have been no major attempts by government to measure the impact on performance

of operating in a specific organisational form. On the one hand, this is surprising: ALBs were set up in order to improve performance and the impact of changes to institutional status on performance might reasonably have been expected to have been evaluated. On the other hand, assessing the impact of governance and accountability arrangements on performance is notoriously difficult and any assessment is made still more difficult by the diversity in numbers and types of ALBs. What's more, there is little comparative data on ALB performance that could form the basis for any assessment, as government does not have a systematic way of measuring the performance of NDPBs.¹¹ And, in any case, theory would suggest that universal conclusions could not be easily drawn out – as appropriate institutional arrangements should depend on the function that an organisation performs.

In this context, assessments of arm's length government rely heavily on theoretical arguments and qualitative evidence about the impact of institutional arrangements on effectiveness. Major sources include the views of people working in and information from periodic reviews and inquiries into individual ALBs, such as the Magee Review of the Legal Services Commission (Magee 2010).

Using these sources, our research revealed three main areas that need attention if ALB cost-effectiveness is to improve, all of which emerged as recurring themes in Institute for Government events, interviews and discussions:

1. Insufficient clarity on the **respective roles and responsibilities** of ALBs and their sponsor departments.
2. Weak mechanisms for **maintaining productive institutional relationships** between ALBs and sponsor departments.
3. Insufficient focus on **developing skills** of those involved in operating arm's length government.

These findings do not relate to all 'types' of ALB equally, with available evidence suggesting that NMDs and NDPBs raise greater challenges than parliamentary bodies and executive agencies.

Clarifying roles and responsibilities

The first, and primary, theme highlighted by our research was that ALB performance often suffered due to a lack of clarity about the purpose of the ALB and the division of responsibilities between ALBs and their sponsoring department. As one NDPB chief executive noted:

Clarity of roles and responsibilities is the most important factor for effectiveness – you have to have that clear sense of purpose.

Yet discussions revealed that this clarity was rarely achieved. As a former government minister noted:

The arrangements just aren't very clear – and I'm not sure how closely people stick to them.

A series of reviews of NDPBs has also found organisations that have insufficient clarity on their purpose. For example, a 2010 review of the Youth Justice Board, an executive NDPB that had not been reviewed for 12 years, found:

uncertainty and a lack of clarity on its role, both inside the YJB and also among sponsoring departments and stakeholders. (Street 2010)

The House of Lords Select Committee on Regulators equally felt that it was necessary to highlight issues of role and remit. One of its two main conclusions to its 2006–07 Inquiry report was that:

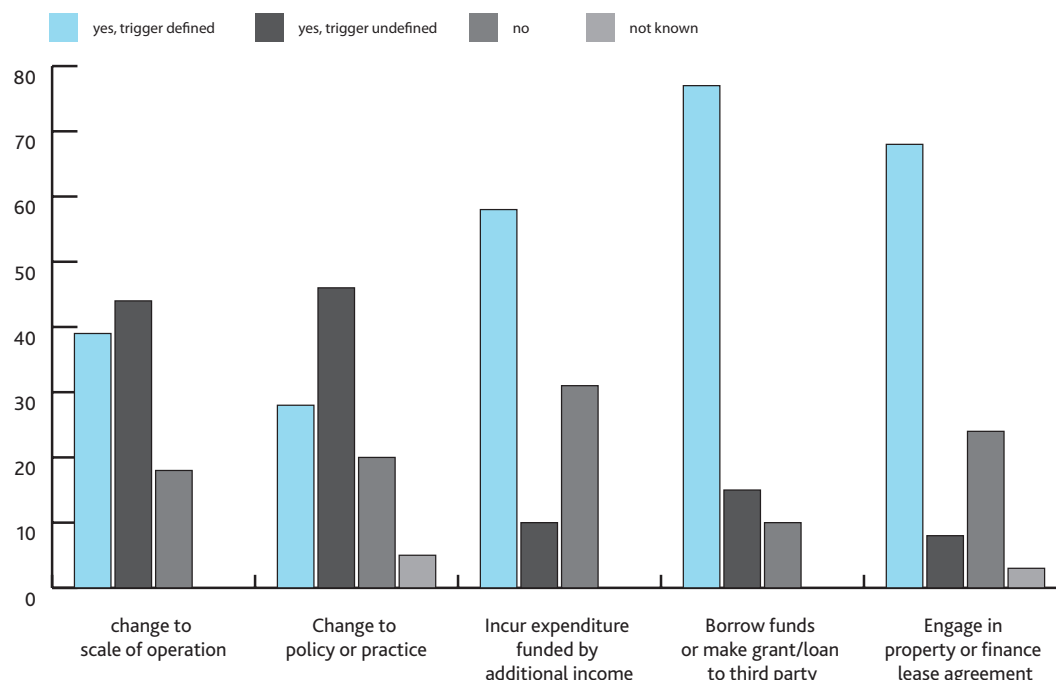
Independent regulators' statutory remits should be comprised of limited, clearly set out duties and that the statutes should give a clear steer to the regulators on how those duties should be prioritised. (HoL 2007)

Similarly, as a senior civil servant noted, many involved in ALBs have differing views on their roles and responsibilities.

Some Director Generals think they have some line management control over their NDPBs, while others disagree... there is a very wide variety of views on what they can and can't ask an NDPB to do.

According to Treasury guidance, the framework document for each NDPB should clearly set out the NDPB's purpose, governance and accountability arrangements, and those activities which will require clearance from the department (HMT 2009a). However, a recent NAO analysis of 41 large NDPBs spending over £60 million illustrates the extent to which many responsibility arrangements are left undefined, for example in relation to changes in policy or the scale of the organisation (see Figure 12). Our wider research suggests that this situation is replicated in smaller NDPBs and, indeed, lack of clarity in these bodies is often more acute.

Figure 12: Areas where departmental approval must be sought



Note: Sample of 41 NDPBs spending over £60 million per year

Source: NAO 2010a (figure 2)

Where there was a failure to define or stick to roles and responsibilities, we found a range of associated problems, including:

- Duplication, particularly in the policy function.** Sponsor departments and their ALBs sometimes have different views about where policy responsibility should sit. While there is general agreement that ‘major policy issues are a matter for ministers’, some believe that ALBs are best placed to advise on specific issues because of their more detailed technical knowledge, while others believe that policy advice should always come from, or through, the department. It was noticeable that it was not always ALBs that pushed for an increased role in policy-making. Advocacy roles for ALBs have sometimes been added during the legislative process, as a deliberate counterweight to central government. And departments have often encouraged ALBs to carry out policy analysis due to their deeper expertise and knowledge of specific subjects. Such differences of view often manifested themselves in significant duplication of effort between ALBs and sponsors. On occasion, entire standing teams existed covering similar policy areas in both the ALB and its sponsor department. In other instances, departments deemed ALBs to have performed specific pieces of research or advice poorly and felt it necessary either to replicate the work themselves or to contract research and advice from third parties. As the reviewers of Department for Education and Skills (DfES) capability wrote in 2006:

Responsibilities, funding arrangements and relationships with NDPBs are not always managed in the way they were originally established by the Department. There are also examples of overlapping responsibilities between the Department and its NDPBs. This sometimes leads to a perception of 'man-to-man marking', with the Department creating unnecessary parallel capacity. Activity in different parts of the Department is not always coordinated and can cause confusion. (CO 2006a)

"There is a lack of clarity in the supplier base as to who is now calling the shots over policy. This may be inhibiting effective delivery of ministers' policy intentions." Magee Review of Legal Services Commission, 2010

- **Neglect of specific issues.** Some examples were raised of specific issues 'falling between the cracks' of a department and an ALB it sponsored. These issues tend to be identified retrospectively, when an issue has suddenly become a problem and no-one has ownership. Examples include difficulties of financial planning in DfES, where a Capability Review suggested problems stemmed from a lack of contact between NDPB finance directors and those of the department, along with poor financial management expertise (CO 2006a). Reporting on problems encountered in the further education capital building programme, Sir Andrew Foster stated:

There were warnings of overheating as early as February 2008, but there was delay and confusion in addressing them... I have been forced to conclude that the crisis was predictable and probably avoidable. Certainly, it could have been mitigated if action had been taken earlier. (Foster 2009)

- **Weak policy coordination.** A range of assessments have highlighted that Whitehall is generally weak at coordinating policy across departmental boundaries (see, for example, Parker et al 2010). This study found that these problems are also found in relation to coordinating policy between departments and the ALBs they sponsor. Interviewees noted that ALBs often felt that they were not sufficiently involved in the policy-making process, while representatives of departments often felt that ALBs were insufficiently responsive to changes in the government policy agenda. Many related such problems to a lack of clarity as to when and how ALBs should be involved in the policy-making process. There can also be coordination difficulties when a number of ALBs work in a specific policy area and where they are reluctant to act together and pool resources, or support a central government initiative.
- **Problems with maintaining clear accountability arrangements.** Most theoretical frameworks that provide guidance on creating strong accountability mechanisms emphasise that the first step is to ensure that accountable individuals know what they are responsible for (see Figure 13). The failure to clearly define responsibilities is partly revealed by difficulties in determining responsibility when things go wrong in ALBs, as shown in high-profile inquiries such as that into the Rural Payments Agency or the Qualifications and Curriculum Authority (QCA).

Figure 13: Four principles of accountability

1. **Clarity of accountability:** The person accountable must know what he or she is accountable for, and to whom he or she is accountable and these accountabilities must be documented and publicly available.
2. **Sufficiency of control:** The person accountable must have sufficient control over the outcomes for which he or she is held responsible.
3. **Clarity of consequences:** The person accountable must be made aware of the likely consequences that will result from carrying out responsibilities at above or below defined levels (and consequences should be proportionate).
4. **Sufficiency of information:** There must be enough information available to judge whether responsibilities have been performed.

Source: Institute for Government synthesis of a range of sources, including Pollitt and Bouckaert 2004 and Bovens 2007

These problems that tie back to failures in clarifying roles and responsibilities are clearly significant. However, our research suggests that lack of clarity is caused by deeper factors as set out below, such as hasty creation; lack of effective reviews of impact; confusion of responsibility across the wider institutional landscape; and misleading terminology.

The hasty creation of bodies

Many people we spoke to who had been involved in establishing new ALBs testified to a somewhat chaotic process around the formation of ALBs, particularly where they were set up as a political response to a perceived crisis. The decision to set up a new body may be taken in the heat of the moment, under pressure to be seen to be responding, without consideration of whether an existing body could or should have its role slightly extended. Those involved in this process rarely had previous experience of establishing new bodies and limited knowledge of theoretical and technical issues in arm's length government more generally.¹² There was no centre of expertise for them to draw on. Those involved in setting up bodies also felt that central guidance was excessively formulaic and would have liked more positive support in defining statutory arrangements and framework documents. Such issues mean that the institutional form that some ALBs have taken are often the result of arbitrary rather than planned factors and many involved in the process were dissatisfied with the degree of clarity provided on institutional remit. This is problematic because, as other research studies have pointed out:

When a public body is regarded as having been established through a 'fudge', the lack of clarity around why it has been created and what it is there to do can obstruct its ability to succeed. (Veredus 2006)

The absence of structured checks of ALB role and institutional form

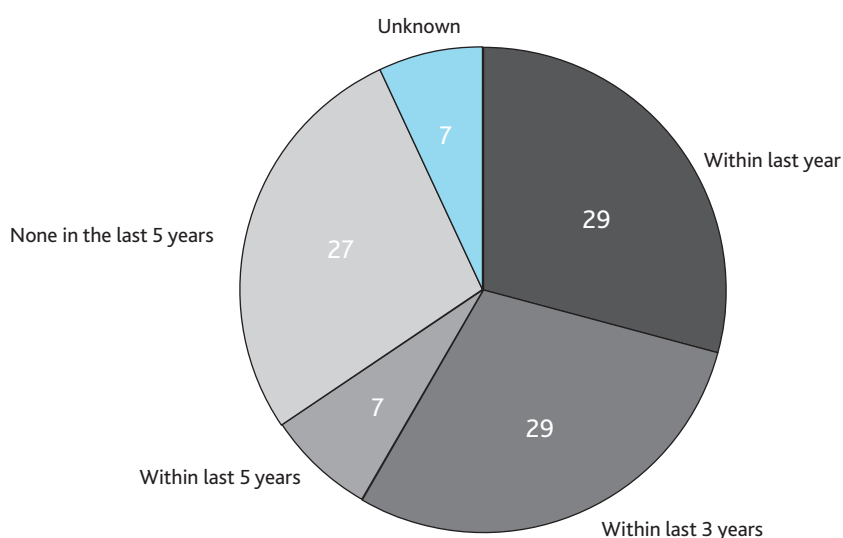
Until eight years ago, each government department was obliged to conduct reviews of the public bodies for which they were responsible every five years. These Quinquennial Reviews were scrapped after the 2002 Alexander Report found that 'An estimated £5 million per annum is spent on Quinquennial Reviews, yet there are few examples of the... process itself

producing significant business change' (CO 2002). Interviewees highlighted that many of these problems were due to the fact that the reviews were conducted by the department meaning that they were not independent, they did not assess how departmental practices might be inhibiting effectiveness, and failed to provide challenge to ministers on decisions to set up and retain specific bodies. In 2003, Quinquennial Reviews were replaced in 2003 by 'end-to-end' or landscape reviews linked to Public Service Agreement targets set for each government department – but these are entirely optional for departments. As a result, several large NDPBs have not been subject to review for 10 years or more, and many NMDs have never been subjected to independent review as they were not picked up in Quinquennial or Capability Reviews.¹³

In addition, reviews tend to be reactive, often instigated following the emergence of high-profile issues, as in the case of the review of the Advisory Council on Misuse of Drugs. The Magee Review of the Legal Services Commission (LSC) highlighted the absence of regular external review as a major contributor to the confusion over the respective roles and responsibilities of the LSC and the Ministry of Justice: changes in the policy environment were not reflected, performance issues were not highlighted and dealt with early enough, and problems became embedded and more difficult to resolve (Magee 2010).

The absence of formal review is exacerbated by failures to follow Treasury guidance, which advises that departments review ALB framework documents every three years. According to an NAO survey, only 54% of NDPB sponsor teams reviewed framework documents at least every three years (NAO 2010a). And nearly a third of big-spending NDPBs had not been informally reviewed within the last five years (see Figure 14) (NAO 2010a).

Figure 14: Last evaluation of NDPB being optimum delivery vehicle for 41 NDPBs spending over £60 million per year (% , self-reported by departments)



Note: 'Evaluation' here is categorised in broad terms, and ranges from an independent, expert assessment and stakeholder consultations to less formal discussions between department and NDPB

Source: NAO 2010a

The overall confusion in the institutional landscape

Weaknesses of existing framework documents and failures to update them are felt more acutely because of the overall lack of consistency in the management of ALBs. There is often little theoretical or empirical justification for the degree of freedom enjoyed by specific ALBs. Given their functions, a number of ALBs appear to have been given either too much or insufficient independence from political influence, increasing the risk that disagreements will arise over institutional roles and freedoms.¹⁴ ALBs and sponsors look to precedent and practice in similar bodies for clues about how a specific relationship should operate. However, the inconsistent designation and application of institutional status means that neither experience nor practice elsewhere are reliable guides for how a specific body should be treated. Sponsor departments and ALBs therefore often settle on different views regarding an ALB's role and freedoms, generating conflict over roles and responsibilities. Our research suggested that this issue applies particularly to ministers who move frequently between departments and to ALB appointees who have experience of previous bodies.

The overall impression from our research was that the benefits of a flexible approach to each organisation are therefore often outweighed by the complexity that results from current variations in governance and relationships with sponsor departments. Complexity leads to significant 'reinventing of the wheel' for each organisation, particularly because mechanisms for sharing best practice across ALBs and sponsor departments are weak (see section 3.3). A lack of clarity on standard practice also enables renegotiations of institutional status, with some changes to status being made without direct ministerial involvement in decisions. For example, 16 of 41 NDPBs surveyed by the NAO in 2010 had departmental representatives attending board meetings, some being actively involved in decision-making. Although board representation is currently most often a matter of departmental discretion, board representation fundamentally affects the department's ability to distance itself from operational responsibility when things go wrong. For example, the fact that the Department for Children, Schools and Families (DCSF) had observers at the Qualifications and Curriculum Development Agency (then QCA) board led DCSF Select Committee Chairman Barry Sheerman to state:

We are not saying Ed Balls (Schools Secretary) and Jim Knight the Schools Minister were manipulating everything... They weren't doing that, but at the same time their fingerprints are on part of this in the sense that the department has observers at all these meetings.

Flexibility is clearly required in some areas but areas of flexibility are rarely explicitly agreed, nor are clear reasons provided for differential practices. Further, the degree of flexibility currently allowed creates additional costs for sponsors. As one sponsor pointed out:

At times we're going back to primary legislation to work out what we can and can't do, if there is any! And we have to keep going back because the rules seems to be different for most of our ALBs.

Misleading terminology

Seminars repeatedly highlighted that the names of institutional forms and specific ALBs encouraged false impressions about the degree of autonomy that an ALB should enjoy. Managers refer to framework documents only on an (at best) periodic basis, so institutional names provide an important signal to managers and the wider public about an ALB's role and freedoms. The labels of 'non-ministerial department', 'non-departmental' and 'independent' appear to be particularly misleading, as applied currently.

Maintaining productive institutional relationships

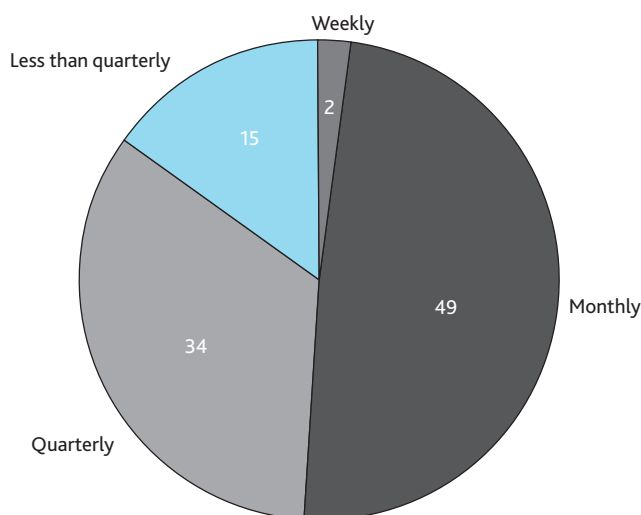
The second major issue for performance cited by participants in our research was the challenge of maintaining constructive relationships between ALBs and sponsor teams in the department. Our research supports that of Veredus, which found that:

Around 60% of people we spoke to said that they had experienced difficulties with the sponsor/NDPB relationship. (Veredus 2006)

Our research showed tensions ranging from chairs and chief executives feeling unable to access key decision-makers within the department, to tensions over the setting of business targets, to aspects of corporate governance and staff pay. Departments meanwhile complained about turnover in ALBs, as well as the unrealistic expectations of smaller ALBs regarding the importance the department would attach to them and the level of ministerial access they would be given. These issues did not apply only to executive NDPBs but also to NMDs, public corporations and parliamentary bodies. Issues also affected some executive agencies although, in general, executive agencies experienced fewer difficulties, presumably because their freedoms from departmental control are extremely limited. It should be noted, however, that while there were often difficulties, most people were able to manage around them and relationships rarely broke down entirely. Hence, around three quarters of the large NDPBs recently surveyed by the National Audit Office reported 'good' or 'very good' overall relationships with their sponsor department (NAO 2010a).

Nonetheless, our research clearly found that many ALBs and sponsors felt that they had not yet achieved an appropriate balance between freedom and control. Current practice varies widely, even across larger bodies as shown in Figure 15.

Figure 15: Frequency of NDPB and departmental sponsor meeting for 41 NDPBs spending over £60 million (%)



Source: NAO 2010a

Some variation in sponsorship practices is, of course, desirable. Institute for Government seminars repeatedly identified the need for 'proportionate sponsorship', whereby smaller bodies of less strategic significance require less scrutiny. However, those working in this area reported:

"Some NDPBs report unnecessary micro-management and others report 'benign neglect'." Capability Review of the Department for Trade and Industry (CO 2006b)

Our research highlighted reports of both:

- **Neglect of ALBs:** It is clear that some ALBs undergo relatively little scrutiny and are deemed to be 'out of sight and out of mind' of their sponsor departments. Smaller, higher-performing or less politically sensitive bodies may require less scrutiny and supervision but we found that there had been relatively little scrutiny of quite large ALBs (as detailed in section 3.1 above). Where relationships become too distant, it is more difficult to generate appropriate performance pressures, to ensure coordination of policy and delivery or to identify potential risks or political sensitivities.
- **Micro-management of ALBs:** On occasions, departments direct ALBs in a way that damaged the organisation's ability to carry out a core function with an appropriate degree of independence. For example, following problems in exam-marking in 2007, a cross-party select committee concluded: 'We believe that DCSF has involved itself too much in the detail of delivery, placing undue constraints on the executive decision-making abilities of its agency [QCA]' (BBC 2009).

Even where micro-management does not extend to inappropriate direction-setting, it can increase bureaucratic burdens for ALBs in terms of reporting on actions and decisions, with ALB representatives complaining about repeated requests for information which served no obvious purpose. As one former civil servant and current NDPB chair noted:

We were imposing an incredibly onerous template on a three-person body.

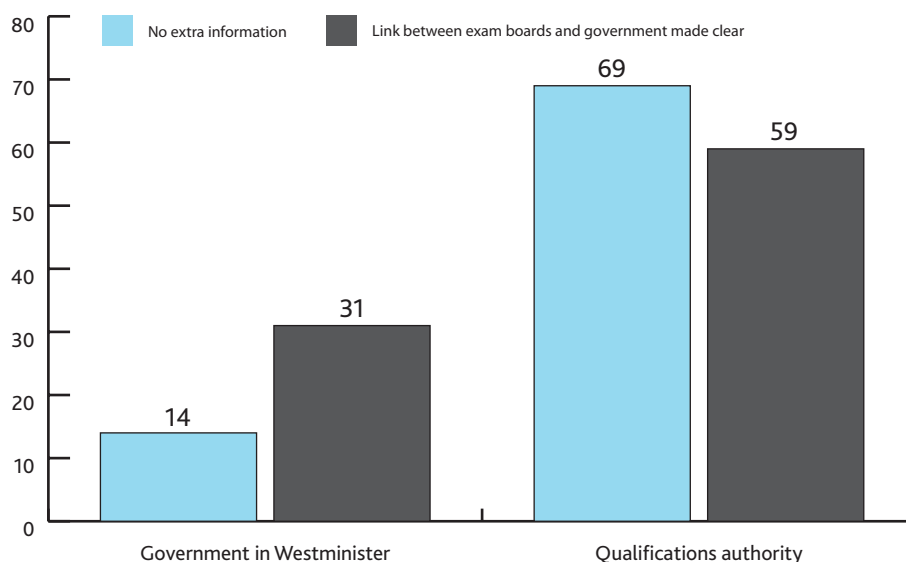
In recognition of such issues, departments are currently making efforts to improve coordination in the way that they manage ALBs, putting in place basics such as consistent framework agreement templates and improved consistency in performance monitoring. And the recent Treasury review of ALBs recognised the need to pursue still further work in this area, providing additional guidance to departmental sponsors in March 2010 (HMT 2010a).¹⁵ Such moves are certainly needed, as several Institute for Government seminar attendees went as far as to argue that the degree of performance oversight of any ALB depended more on the experience and resources available to the individual sponsor unit, than on any consideration of the appropriate control mechanisms for each ALB.

Failures to achieve proportionate institutional scrutiny appear to have multiple causes. One major contributor to tensions (where they exist) is clearly lack of clarity on institutional remit, discussed above. We found several examples of misunderstandings that grew into organisational tensions, particularly when expectations for institutions and individuals new to their roles were not clarified. As one senior civil servant observed:

Some of the appointments letters going out [to NDPB chairs] were woeful – they didn't set expectations or they set the wrong ones.

Our research suggests that micro-management of ALBs also stems from the belief that government will always be blamed for ALB performance failings. The available evidence suggests that this is not, however, entirely true – and may be used too freely as an excuse for interventions that may not be the best way of stimulating improved performance. For example, while 66% of citizens feel that because government has a role in setting the remit and resource for 'independent organisations' they can never really be independent, the public often blames ALBs for operational failings (ippr and PwC 2009). And following the failure of the QCA to mark school SATs tests on time in 2008, around two thirds of people blamed the QCA for the failure – a balance that reasonably reflects findings of the select committee inquiry into the subject (see Figure 16).

Figure 16. Q. Who is to blame if there is a delay in exam results because of a problem with the marking process? (%)



Source: ippr and PwC 2009 (figure 10), n, 'no extra information' = 499; n, 'link made clear' = 521

Many interviewees recognised these facts – and accepted on reflection that ALBs are not as exempt from blame and sanction as commentators sometimes suggest. Indeed, NDPB chairs often argue that they are in practice much more accountable than their civil service counterparts. They are accountable to the department and the minister, they can be summoned to appear before a select committee, and while civil servants are rarely named and can take refuge behind the doctrine of ministerial responsibility, ALB chairs and CEOs appear in the media in their own right and can carry the can for their decisions. While there is an open question as to whether sanctions for ALB underperformance are sufficiently exploited, sanctions are available should Parliament or ministers choose to use them. High-profile dismissals or forced resignations are relatively rare but include those of Dr Ken Boston from the QCA and Johnston McNeill from the Rural Payments Agency. Many insiders also assert that a significant proportion of NDPB chairs stand down or do not apply for reappointment due to pressure from politicians over perceived performance concerns or problems in personal relationships.

Discussion surrounding accountability usually led people working in ALBs or sponsor teams to conclude that accountability for ALB performance would usually be to some extent shared, although clarity should be aspired to. And seminar attendees concluded too that public accountability would always be somewhat dynamic. If ministers claimed credit when things were going well, they argued, then they should not be surprised if they were blamed for subsequent failings.

Developing the skills needed for operating government at arm's length

Skills deficiencies underpinned both failures to clearly define roles and responsibilities and difficulties in achieving effective relationships between ALBs and sponsor departments. Participants in our research repeatedly highlighted that the skill-set required for those working in arm's length government was slightly different to that needed in other roles and institutions.

In particular, new ALB appointees were seen as needing a clear understanding of the political environment, and strong skills in relationship and stakeholder management, and in influencing. Sponsors also need strong relationship and stakeholder management skills, but there is also a premium on performance management expertise.

Those coming from the private sector into ALB leadership positions were seen as having particular difficulties in adapting to the context in which ALBs operate, being unused to the degree of negotiation, compromise and public scrutiny present in the public sector operating environment. New ALB board members from a range of backgrounds also told us that they felt unprepared for aspects of their role and relatively unsupported and isolated.

Just as ALB leaders are sometimes plunged into an unfamiliar environment, many civil servants become sponsors of large ALBs with no previous experience of sponsorship. Sponsors are often relatively junior (particularly in comparison to the chairs and chief executive with whom they must deal), and the civil service provides little generalist training in some of the core skills of sponsorship, including performance management. Evidence of weak performance management is found in NAO research into NDPB performance management (NAO 2010a). There was generally a reasonable degree of alignment between NDPB objectives and the objectives of sponsor departments, with 73% of NDPBs believing there was a 'strong' link, 17% a 'moderate' link, and 9% a 'weak' or 'negligible' link between NDPB performance measures and departmental strategic objectives (NAO 2010a). However, the NAO cited a range of technical issues including failures to define what overspending and underperformance would look like, a 50% churn in performance indicators between 2006–07 and 2008–09, and a shortage of outcome and cost-effectiveness measures – concluding that:

NDPB framework documents are usually sensibly aligned with Government objectives, and there is an increasing focus on NDPB results in performance monitoring. But the information available under these arrangements rarely yields an overview of NDPB value for money or cost-effectiveness, or promotes improvements in performance as vigorously as it might. (NAO 2010a)

As a result of parliamentary reforms instituted in 2002 and 2003, each House of Commons Select Committee is now tasked specifically with monitoring the work of the department's executive agencies, NDPBs, regulators and other associated public bodies and scrutinising major appointments made by the department. In addition, the Public Accounts Committee looks at individual ALBs where issues of efficiency and effectiveness arise. However, our research raised serious questions over whether Parliament is currently skilled (or resourced) to carry out its scrutiny functions. Seminar attendees were particularly concerned about Parliament's ability to hold to account those bodies that are directly accountable to Parliament, rather than to departments. This concern has been raised in a number of inquiries, including a recent review of economic regulation, which concluded that:

We agree with the conclusion of many of our witnesses that 'there is a crucial need for greater parliamentary oversight... over regulation bodies [which are ALBs]'. The question of who regulates the regulators has not been answered and will not go away. (HoL 2007)

In particular, there were doubts as to whether parliamentarians could be realistically expected to have the in-depth knowledge to make decisions on ALB budgets, without greater administrative support. Currently, parliamentary scrutiny of decisions regarding ALB budgets is limited. In practice, many departmental recommendations on ALB budgets are simply 'ticked through', although this may change in the context of flat and reducing budgets across government. Questions were also raised as to MP's appetite to call to account NDPB and parliamentary body leaders, rather than to focus on the performance of politicians. Leaders of large NDPBs and NMDs cited a reluctance of select committees to call on chairs and chief executives to account for ALB spending or decisions.

A number of underlying reasons for skills and knowledge gaps were highlighted, including ongoing challenges for attracting the best ALB board members, limited development opportunities, weak mechanisms for sharing best practice, and an undervaluing of the sponsorship function within Whitehall.

Ongoing challenges for attracting and appointing the best possible people to ALB boards

It was clear from our research that some board members are selected based on their role in other organisations and stakeholder groups rather than for their ability to contribute substantially to management responsibilities. This mistakes the function of the board, which is not supposed to be a stakeholder forum but to ensure the effective running of an organisation. The board carries out important functions that should be separated from the important task of relating to stakeholders and requires a specific set of skills.

In addition, a number of other issues surrounding appointments were highlighted. Several departments and chairs reported that the appointments process was somewhat unwieldy, with appointments taking longer to make than in the private sector. Former applicants reported difficulties in navigating Office for the Commissioner of Public Appointments (OCPA) processes, which they believed might be off-putting to plausible candidates. A particular problem cited was the fact that potential board members must apply appointment by appointment rather than being sifted for general suitability to a board position and then alerted to upcoming vacancies. ALBs and academics also observed some risk aversion in appointments, with a recent ESRC-funded project led by Professor Matthew Flinders finding a tendency to appoint people who have done similar jobs before rather than trying to bring in new talent – although there are examples of good practice in some departments, which actively seek to build board talent and diversity.

Insufficient induction for new ALB appointees

A research study based on interviews with 75 NDPB chairs and chief executives found that:

The biggest concern voiced by leaders overall was the perceived absence of induction and mentoring... only 2 of 75 leaders spoken to had been offered support in the form of coach or mentor when they arrived in the job. (Veredus 2006)

This finding was reflected in our research, which revealed a strong appetite for greater sharing of experience across ALBs, as well as better basic information on entering the role, with a new CEO suggesting that it would be worth instituting a more formal buddying process for new appointees to help the new CEO navigate the new landscape. This is despite a growing number of induction and development programmes, such as the new programme for NHS appointees, organised by the Appointments Commission, which begins as soon as an appointee takes up their role and continues throughout the first year in post.

Limited appreciation of the sponsorship role within Whitehall

'Delivering through others' is in theory a core skill for civil servants, as defined by the Professional Skills for Government framework, but our research suggests that in practice the sponsorship role is not always afforded the status it merits given its importance for government effectiveness. Sponsorship is not seen as a way of 'getting ahead' in Whitehall. The generalist ethos of the civil service, while eroding, may also militate against a full appreciation of the specialist skills required in sponsorship, resulting in an overwillingness to assign sponsorship roles to individuals with limited experience, without providing adequate support.

Limited mechanisms for developing and sharing of best practice

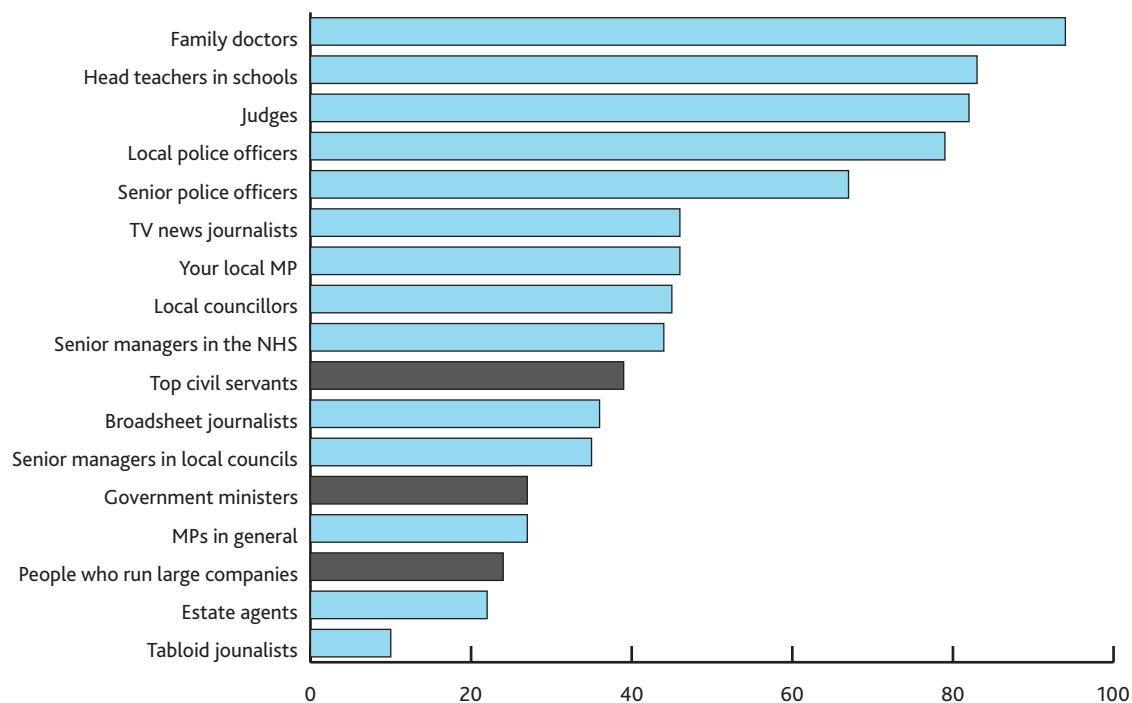
As shown, there is wide variation in departmental approaches to managing their relationships with ALBs. While the Public Bodies team in the Cabinet Office provides guidance on rules and regulations, particularly for establishing a body, and the Treasury has recently published some helpful guidance, there is no active centre of excellence to share best practice, and there are few forums or networks for senior sponsors to share their experiences.¹⁶ There are individuals with deep understanding and expertise in sponsorship but expertise is often not shared even within a department, let alone across departmental boundaries. There are some major areas of differential practice where advice or discussion might help to clarify best practice. For example, some departments oversee the department's ALB relationships primarily from one central team, which enables a more coordinated approach, while other departments place sponsorship responsibilities with relevant policy teams, enabling greater sensitivity to the policy questions. Similarly, there are debates about whether a 'Fraser Figure' (a senior figure with overall responsibility for ensuring productive relationships between a department and its ALBs) is useful.¹⁷ We found significant appetite for stronger coordination mechanisms, such as a Fraser Figure, although sceptics highlighted that similar measures had been tried before.

There are also few mechanisms for developing best practice. Little research has been conducted into issues of special relevance to ALBs, in part due to the tendency of ministers and officials to prioritise research on policy and departmental matters. Smaller bodies and sponsor teams have found NAO thematic reviews, such as Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies, to be a useful means of gaining information on best practice in specific areas (NAO 2000).

3.3 Legitimacy

It is important background to the public debate on arm's length government that neither ministers nor civil servants enjoy high public trust (see Figure 17). Indeed, relative mistrust of politicians to carry out specific functions in the long-term public interest is one of the reasons for establishing bodies at arm's length from politics in the first place (see section 2.1).

Figure 17: Trust in professions to tell the truth (% trusting)



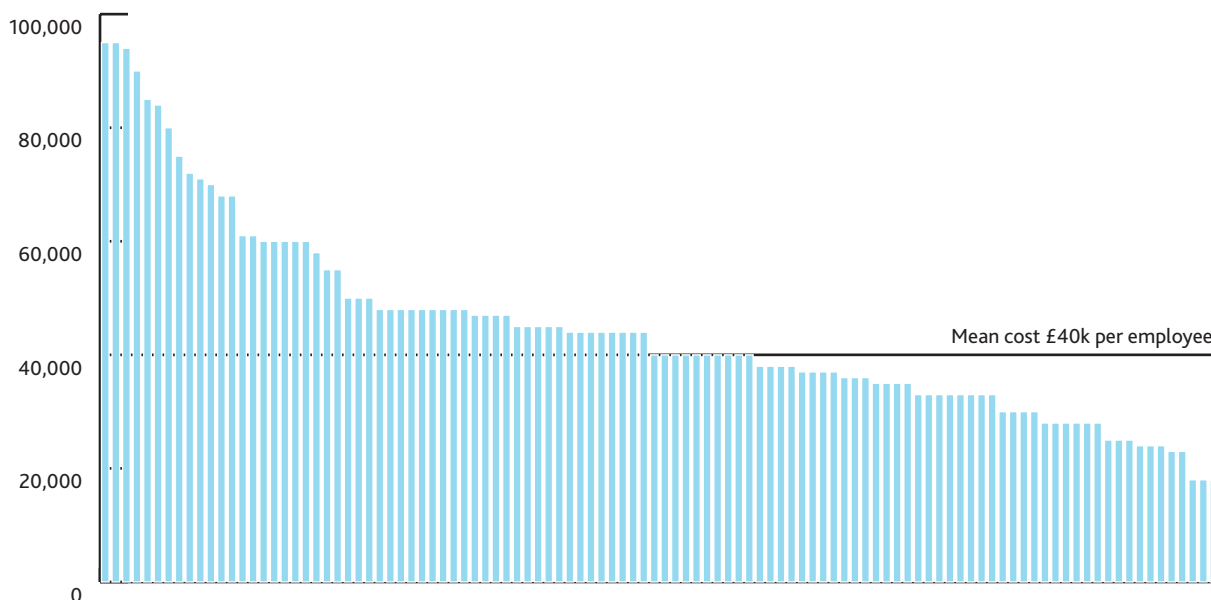
Source: MORI 2008; base all GB respondents: n = 968, 50% response rate

Further, it is clear that the public have high trust in many well-known ALBs: for example, 69% of the public thought the BBC, a public corporation, was trustworthy in 2009 (Glover 2009). ALB service users also appear to be relatively unconcerned about institutional forms. Satisfaction with public services does not appear to vary greatly depending on the institutional form through which it is delivered (BSAS 2009).

Nonetheless, media representations and public comment suggest strong misgivings about arm's length government in general. Some of these concerns relate to fears of government waste and inefficiency, with perceptions that some ALBs perform functions that should not be funded by the taxpayer. Here, high-profile examples of ALBs that have functions that are not central to the running of the state as such are used as symbols of waste, even if they are not primarily funded by government taxation.

However, there are some more specific issues that excite particular unease for the public. First, there is a perception that ALB leaders are paid excessively high salaries in comparison to other public servants. There is no doubt that some ALB leaders are paid more than some civil servants – and indeed ministers – with a handful of top earners earning in excess of £500,000 per year. These high earners are usually leaders of organisations with commercial qualities, such as the BBC, Royal Mail or Network Rail or industry regulators (TPA 2009). Overall, there is high variation in pay in ALBs (see Figure 18). However, pay in executive agencies is in line with core departmental limits and where high salaries are paid in NDPBs, they are generally comparable or lower than those of people with similar responsibilities in the private sector. While some people we spoke to in our research highlighted examples of those working in ALBs being paid 'over the odds' particularly in comparison to civil servants with similar responsibilities, there was a recognition that the more generous civil service pension scheme needed to be taken into account when comparing benefits.

Figure 18: Average staff costs per employee in 155 executive NDPBs, (£, 2007–08)



Source: NAO unpublished analysis

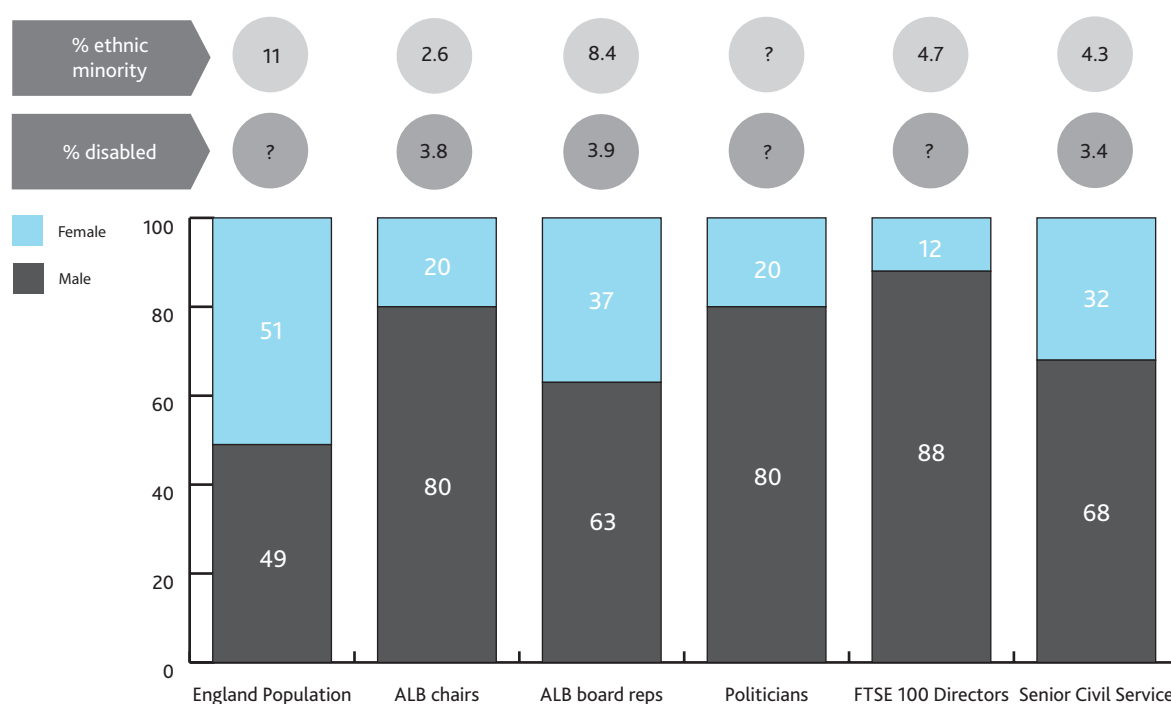
Where they exist, high salaries may be a concern for the public but many leaders of high-paying NDPBs are adamant that paying higher salaries allows them to attract the high-quality staff they require and allows them to employ fewer staff overall. There may therefore be a tension between effectiveness and public acceptability.

A second concern, which is generally echoed in politicians' views, is that some ALBs are spending money on advertising and public relations companies. Like the issue of pay, the issue of advertising spend is not a concern that is peculiar to ALBs. Many in government are becoming more interested in the ways that new modes of communication can inform and promote behavioural outcomes, and advertising can sometimes be a cost-effective public policy intervention (Dolan et al 2010). The issue of PR spending is perhaps more problematic, particularly if it can be seen as funding active campaigning against government policy in a particular area or promoting narrow institutional interests. There is, however, limited information on the scale of such spending, although it is believed to be small – and details of such spending by ALBs on PR has been scrutinised by Parliament through parliamentary questions. Ministerial concerns about this issue remain, however, leading the former Labour government to issue Treasury guidance in March 2010, which expressly stated that 'ALBs must not use public funds to employ external public affairs or other consultants to lobby Parliament or Government with the principal aim of altering government policy or to obtain increased funding' (HMT 2010a).

The third concern, relating to all others, is a sense that ALBs are 'unaccountable'. As shown in section 3.2, this is not straightforwardly the case (Figure 16), although such concerns will require ongoing focus. However, concerns about accountability are exacerbated by a feeling that NDPB board members are unrepresentative of the communities they serve. This is partly true. Not only are women and ethnic minorities underrepresented but NDPBs are also highly geographically unrepresentative. London is home to 2.5 times as many board members as

its population would suggest (Leslie and Dallison 2009). Nonetheless, in many ways, ALBs are more representative than other leadership groups in Britain, such as FTSE 100 directors, a fact that supports the claims of many we spoke to that NDPB boards can provide a useful mechanism for increasing diversity in public leadership roles (see Figure 19). In addition, government has been focusing on increasing diversity of appointees in recent years. In 2009, the Government Equalities Office launched new targets in relation to diversity on the boards of public bodies, together with a cross-Government action plan to increase progress.

Figure 19: Representativeness of appointees in 2008 (% by group)



Note: Politician data is based on 2005 election results

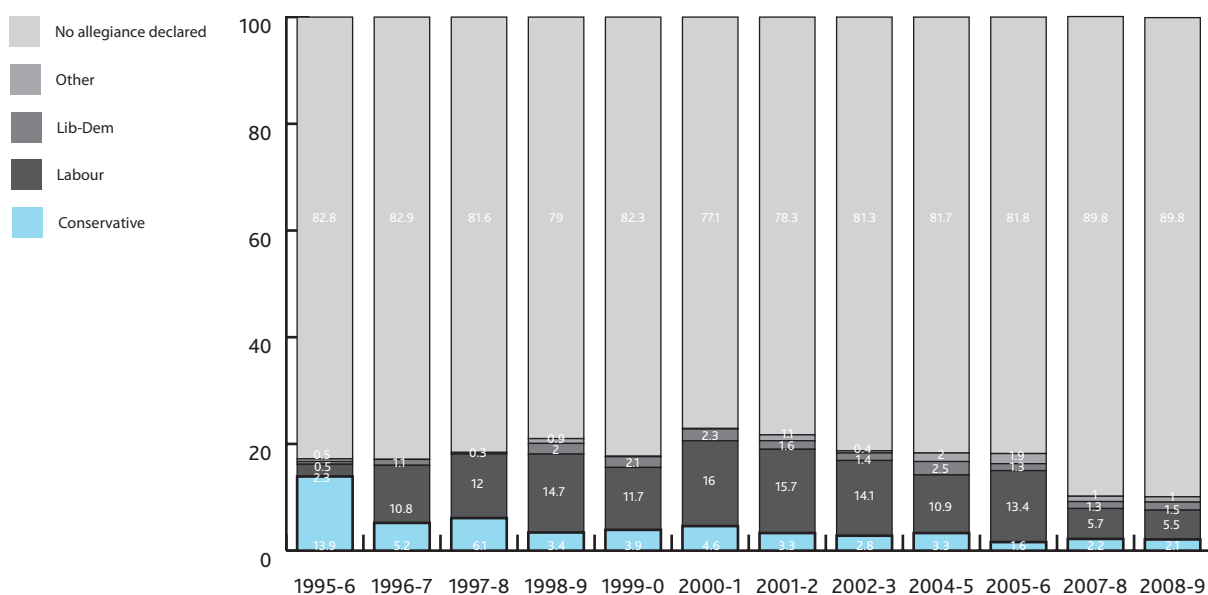
Sources: UK ALB data from OCPA 2009b (includes appointments and reappointments in 2008–09); politician data from HoC 2005; FTSE board member data from Cranfield 2009 (2008 data); civil service data from ONS 2009 (2008 data)

Concerns over representativeness are exacerbated by suspicions of patronage. Newspaper comment pages frequently express these, and concerns such as ‘We pay for it for the parties to curry favour with their friends’ or ‘all that will change is that Labour’s placemen will have been excised to be replaced by Tory placemen’ are not uncommon (Scotsman 2009). Such fears may be exacerbated by visible high-profile NDPB chairs with a history of close ties to the party in office. They may also reflect the public’s attachment to fairness and representativeness. Back in 1994, 61% of the public thought that some board members should be should be selected at random from the electoral register to serve on national ‘quangos’ (Democratic Audit 1994).

The Office for the Commissioner of Public Appointments (OCPA) was set up in 1995 to ensure political impartiality in public appointments. OCPA monitors all public appointments to ensure fairness and independent scrutiny at all stages of the appointments process but its effectiveness is difficult to judge based on current data. On the specific issue of political patronage, a recent ESRC-funded project led by Professor Matthew Flinders suggests that such political patronage in appointments is neither as prevalent nor as straightforward as commentators often suggest

– OCPA data suggest that the vast majority of people appointed to ALBs claim no political affiliation at all (see Figure 20). However, OCPA data show that there is clearly a slight bias towards the incumbent party in public appointees. This does not necessarily mean that there is political bias in the appointments process: it may simply be that potential applicants are more likely to apply to serve a political party whose policies they are more sympathetic to.

Figure 20: Appointments and reappointments to ALB boards by former political affiliation, if a former political affiliation is declared (%)



Source: OCPA 2009b

Unfortunately, there is at present no way of reassuring the public of political impartiality of appointments because OCPA has never published (or we believe carried out) any analysis to track the political affiliation of applicants at all stages of the recruitment process. And the fact that a number of ex-ministers have been appointed to senior ALB jobs (for example Lord Whitty at Consumer Focus and Lord Smith at the Environment Agency) therefore may have a disproportionate impact on public opinion. Such issues are also of major concern to ministers, particularly at times of political transition. Our research suggested that trust between NDPB chairs and ministers was an important basis for a good institutional relationship – and that trust was usually greatest when the current ministers had been involved in the appointment of the current chair. Ministerial rotation alone clearly presents a major challenge here – but, when combined with political transition, special focus may be required to build trust and clarity of institutional roles, responsibilities and freedoms will become particularly important.

There may be a number of underlying causes of public and political mistrust in ALBs, including:

- **Lack of transparency:** Public knowledge of ALBs, appointments processes and funding arrangements appears to be limited. This is not entirely surprising as public disclosure of this information is not good. Improvements are being made through Directgov, the government's online information portal, but there is still no one place where details of ALB numbers, spend, leaders and relationship to government can be found. Admittedly this may

be of more concern to researchers than service users but it clearly contributes to a sense that ALBs are 'out of control'.

- **Confusing arrangements:** Along with the lack of transparency, the level of diversity and complexity in the landscape makes understanding ALBs, their relationship to government and what the public can do to hold them accountable for performance extremely difficult. In the face of this complexity, it is difficult to persuade the public that anyone has a precise grasp on these bodies and what happens within them.
- **Strong fairness preferences:** Concerns over pay, PR and board representativeness may be indicative of the public's strong fairness preferences in these areas. There may be tensions between these preferences and operational effectiveness – meaning that politicians may need to consider the degree to which bodies can be given freedoms in these areas or to justify decisions made. All major political parties have made commitments to investigate the areas where fairness concerns are most apparent with a view to potentially curtailing ALB freedoms to maintain public trust in the institutional landscape.

Key findings: Challenges for arm's length government

- The respective roles and responsibilities of ALBs and sponsor departments are not always clearly defined. This leads to relatively frequent duplication of activity, issues periodically falling between the cracks, and confused accountability.
- Where it occurs, lack of clarity on roles and responsibilities is caused by the hasty creation of new bodies; the absence of any structured checks to ensure that each ALB's existence remains justified; a high degree of rotation in ministers and sponsor teams; and a high degree of unnecessary variation in the ALB governance arrangements.
- More than two thirds of those leading large NDPBs describe their relationships with sponsor departments as good. However, sponsor departments often appear to have difficulties in avoiding either micro-management or neglect of ALBs, both of which severely impede cost-effectiveness. Difficulties in this area appear to result largely from lack of clarity on roles and responsibilities, but they are exacerbated by weaknesses in induction of ALB leaders; shortages of good-quality management information; absence of mechanisms for sharing best practice; and the low priority that civil servants and MPs appear to place on managing the arm's length landscape.
- Public views of ALBs are more nuanced than commentators often suggest. Contrary to media rhetoric, the public often trusts specific ALBs far more than organisations under direct political control and ALBs often do get much of the blame when they make mistakes or perform poorly.
- It is clear, however, that there is a dislike for the generic concept of 'quangos'. This mistrust is exacerbated by the fact that government cannot provide reliable information on what these bodies are, what they do, what they spend and how they are held accountable. It also remains true that ALB boards are not representative of the wider public, although they are more representative in terms of gender, race and disability than comparable leadership groups in the civil service, business or national politics.

4. Recommendations

4.1 Areas for immediate focus

Previous attempts at reform of arm's length government in the UK have tended to focus on reducing the numbers of ALBs. Ongoing focus on cost is clearly inevitable in the current fiscal climate and some functions performed by ALBs may be considered no longer to be affordable. But, based on historical experience, an excessive focus on the number of bodies will be unlikely to yield long-term improvements to arm's length government, and it neglects the fact that ALB spending is concentrated in just a handful of larger bodies. Restructurings can be an effective way of achieving economies of scale but, given the costs and disruption involved, care should be taken to ensure that any such moves are justified by a clear business case.

Instead of a simplistic numbers game, focus needs to shift to addressing the deep-seated problems that appear to be common to a high proportion of bodies operating at arm's length from political control: lack of clarity over roles and responsibilities; sub-optimal relationships between sponsor departments and ALBs; and skills gaps. Steps are also required to address public concerns about transparency and legitimacy.

Our research suggested that clearer controls are needed to ensure that ALBs are set up on a more stable footing, with greater clarity of organisational role, responsibilities and freedoms. We therefore recommend that government should:

1. **Ensure that new ALBs are approved by the centre of government and subjected to scrutiny by the relevant select committee and by the Public Administration Select Committee (PASC).** PASC would have a specific horizon-scanning remit to ensure that form continues to follow function. Every new ALB needs to have a clear business case attached, and should include details of why the function needs to be performed in the public sector and why it can't be given to an existing body. This business case should be approved by the Cabinet Office. Given the costs and disruption involved, the Cabinet Office and select committees should also carefully scrutinise the business cases for any proposed reorganisation of existing bodies, and no reorganisation should be permitted without a supporting business case.
2. **Ensure that when new ALBs are established, 'sunset' clauses are included,** defining the expected time when the new body should undergo a GAP Review (see below) and/or be disbanded.

Once established, it is clear that stronger mechanisms are required to counterbalance the tendency for ALBs to lose their connection to government's policy agenda, and to ensure that roles and responsibilities remain appropriate for the policy environment. There also needs to be a check on the effectiveness with which the department is performing the sponsorship function. We therefore propose that government should:

3. **Introduce Governance and Performance (GAP) Reviews,** to be conducted every three to five years for all ALBs spending over £50 million. Unlike old Quinquennial Reviews, GAP Reviews should examine the responsibilities of both ALBs and their sponsor departments to ensure they are clearly defined and still fit for purpose. Reviews must also ensure that both sides are delivering their responsibilities cost-effectively. Reviews should be conducted by individuals who are sufficiently independent of the department and the review methodology should include a 'peer review' element, with those working in or

sponsoring ALBs reviewing others, to stimulate cross-sector learning. Reviews should be published and given the power to recommend that an ALB should be disbanded or its form changed. Costs would be controlled by ensuring that reviewers are unpaid (conducting one review per year would be considered a core part of an ALB chair, chief executive or a senior sponsor's role) and ensuring that review secretariats are kept small. Findings from reviews would be held and analysed centrally to distil and disseminate general lessons about best practice to the wider ALB/sponsor community.

Possible areas for focus within the review could be:

- **Governance review:** Check of framework documents, and interviews with sponsors and ALB leadership to ensure that organisational roles, responsibilities and accountabilities are clearly defined. The governance review should encompass stakeholder feedback and analyse where the assessments of the organisation, department and stakeholders are significantly different. The review should also explicitly seek the views of the sponsor minister and check for evidence of mission creep or additional demands from the department which fall outside the framework document.
- **Managing finances:** Straightforward assessment of NAO audit results over a three-year period and exploration of reasons for any qualification of accounts. Focus on technical financial competence and management of budget.
- **Managing resources:** Efficient use of public funds, based on assessment against an agreed set of metrics. The NAO might conduct a rolling programme of value-for-money reviews of ALBs to feed into these assessments.
- **Managing performance – delivery:** How well is the organisation delivering its priority services, outcomes and improvements that are important to the public? This requires the body to demonstrate that it has consulted public as well as other stakeholders on priorities. This assessment should use existing performance targets as a basis of review but also identify where targets are weak or have gaps.
- **Managing performance – capability:** Does the organisation have the leadership, board composition, capacity and capability it needs to deliver future improvements?

Smaller-scale exercises, 'GAP health checks', should be conducted for all ALBs spending less than £50 million. These could rely entirely on a peer review using a common set of questions and readily available data source to minimise cost and disruption. Those conducting smaller-scale reviews should be given the power to recommend a more in-depth assessment if there appear to be major cause for concern.

That ALBs are not currently subject to a public, independent review of this kind is exceptional for public sector organisations. Its introduction will provide opportunities to identify remit and performance issues early and will provide visible reassurance of the public of the accountability of these bodies.

There are a range of measures that can be taken to build the skills of those in ALBs and sponsor teams, and action in this area would be welcome encouragement to Whitehall that effective sponsorship is now central to effective government. We therefore recommend that:

4. Departments and ALBs should ensure that ministers, ALB appointees and those moving into sponsorship roles receive appropriate briefing, induction and mentoring.

ALB appointees must be provided with opportunities to understand the wider context of departmental business and sponsor teams must provide specialist training on building and maintaining effective relationships, at both individual and corporate levels. The Institute for Government briefing notes provide one starting point for briefing those new to various ALB roles, and include information on:

- Ministerial relationships
- Sponsor roles
- Appointments
- Mergers¹⁸

More generic guidance should be coordinated from a central point to make sure that there is a common approach between departments and across similar ALBs.

5. The National Audit Office should, with appropriate resources, increase thematic reviews of functions such as grant allocation and benchmark ALB efficiency, in order to promote best practice across ALBs and sponsor teams.

6. The government should expand the role of the Public Bodies team in the Cabinet Office to deliver the recommendations in this report. This team (or a lead department) should also act as an expert resource for departments, facilitating the sharing of best practice across sponsorship teams and ensuring the availability of appropriate training for sponsor teams and ALB board members. This recommendation would support moves towards a centre of government that focuses on strategic coordination and capability building, as recommended in previous Institute for Government research (Parker et al 2010).

Measures are also required to increase transparency and build public confidence. Here we propose that:

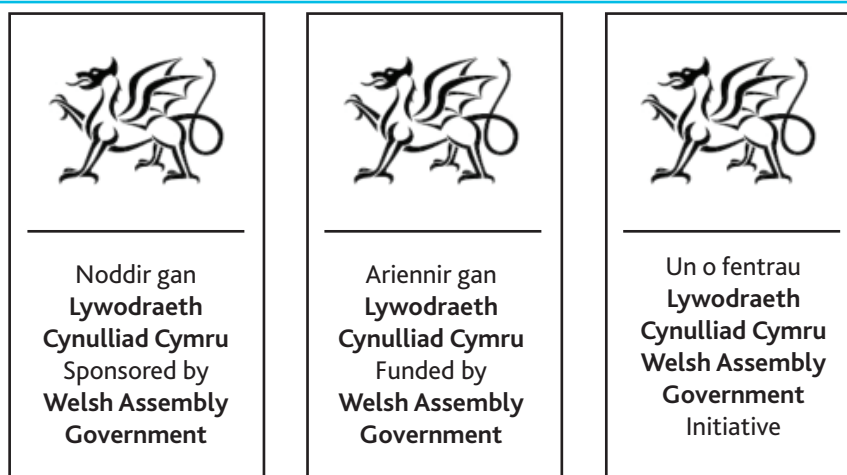
7. As recommended by PASC in 2001 (PASC 2001), government should provide a complete, up-to-date list of all ALBs, alongside details of their expenditure, their relationship to government, the names of the lead officials responsible for sponsoring them, and links to their websites (building on the work of Directgov).

8. OCPA should conduct a research exercise every three to five years to investigate whether direct or indirect political influence is operating in the public appointments process. This exercise will show the proportion of applicants who start the application and their party affiliations and will track whether any party balance of applicants is reflected in eventual appointments, just as for other characteristics.

9. **ALBs should publish transparent information on their role**, relationship to government, funding and performance in a standard format. This format should include information on:
- Who the public can complain to about the decisions of the body.
 - Who set up the ALB (legislation or other), and who appoints and can dismiss those in charge.
 - Sources of income for the ALB and arrangements for approval of the budget.
 - The salaries of the senior management team.
 - Results of GAP Reviews and information on when they are next due to be reviewed or audited.
 - Whether they are subject to external oversight by any other bodies etc.

This can be done simply and at low cost through current annual reports and through a form of kitemark on website front pages which links through to this core information. A kitemark of this kind has been implemented in Wales (see Figure 21), although more logical categorisations could be generated for England if a new taxonomy for ALBs is implemented (see section 4.2).

Figure 21: Welsh Assembly Government ALB kitemarks



4.2 A programme for radical change: a new taxonomy for arm's length government

All of the above measures will help to bring greater coherence to the ALB landscape, to improve cost-effectiveness and to build public confidence. However, in themselves they do not go far enough in rationalising the existing landscape, nor do they relate form more closely to function. This can only be done by a more fundamental look at the classification of bodies and the creation of new, more distinct categories that enable form to be directly related to function.

We are proposing a new taxonomy for public bodies that would clarify the landscape. The guiding principle is that the classification is determined by the degree of freedom from executive control on appointments, strategy, decisions and budget, which the body needs to be able to discharge its functions.

Bodies providing advice to ministers with no independent budgets and staff would no longer be regarded as part of the arm's length landscape. There will need to be clear protocols on the status of the advice of expert advisory committees and all advice would need to be published in an agreed format. The independence of such bodies would be secured via these protocols and through the reputation and expertise of advisers. As they have no executive functions these bodies raise no major constitutional issues.

More radically, the cross-cutting category of NMD, where accountabilities are particularly unclear, would disappear, with such bodies migrated into one of the new categories. Interestingly, a hypothetical exercise suggests that NMDs would map to all points of the spectrum.

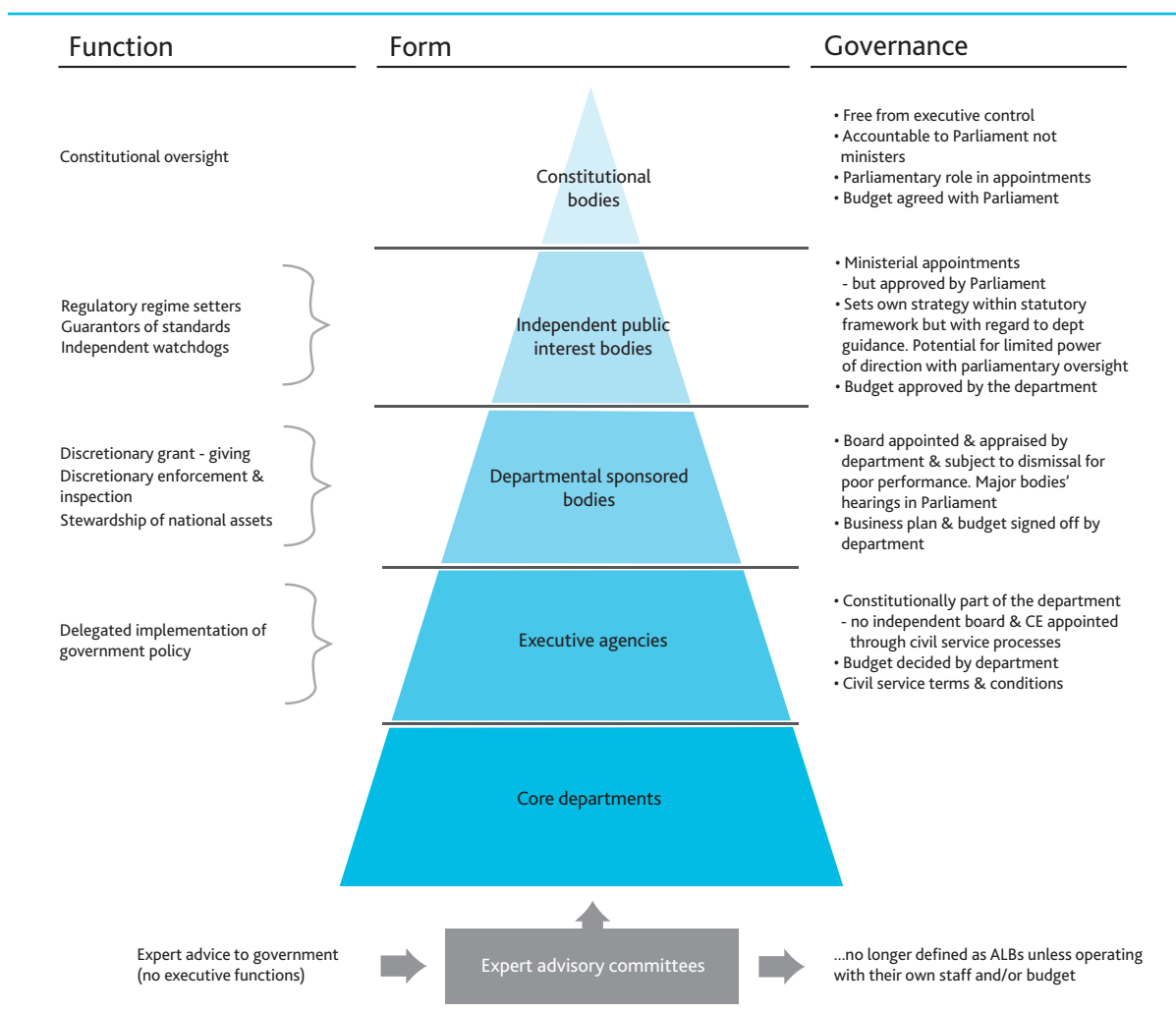
We propose a new taxonomy consisting of four classifications:¹⁹

1. The first category is the **constitutional bodies** like the Electoral Commission, the National Audit Office and the Parliamentary Ombudsman. These are deliberately put at the greatest distance from ministers to preserve the independence which is core to their ability to perform their tasks and to protect them from ministerial interference in the exercise of their judgement. Their primary accountability is to Parliament rather than to the executive.
2. The second category is what we suggest should be termed **independent public interest bodies**. This category would comprise bodies whose credibility depends on them being clearly insulated from ministerial interference. This would be achieved by a dual lock on appointments – so that chairs and board members were appointed by ministers, but subject to confirmation by the select committee – and could only be removed with select committee agreement and only in limited circumstances. They would have an independent public profile. Ministers would be able to provide guidance and, if set down in the founding legislation, be able to override the body on policy – but only with parliamentary oversight through the relevant select committee. The sorts of bodies that would be in this category are the economic regulators, such as OfCom and OfGem, which need to be seen as free from ministerial interference in the way they develop and implement regulatory regimes, to give investors certainty; the competition authorities; guarantors of standards for the public, such as the Food Standards Agency and the UK Statistics Authority; and independent watchdogs of government activity, such as the Climate Change Committee (and the new Office for Budget Responsibility).
3. The third category is **departmental sponsored bodies**. These are bodies that discharge core functions on behalf of one or more government departments, but where there is benefit in giving discretion to a body over those decisions, whether on grant-giving or on enforcement. These can also include bodies where it makes sense to build independent technical expertise or which have a special role as stewards of national assets (like many of the Department for Culture, Media and Sport's museums and galleries). It doesn't make sense to run these bodies as part of the department. These bodies would have the freedoms they need to fulfil their roles, but would be expected to align their strategy with that of the departments, have their business plan signed off by the department and ministers would be able to dismiss the chair and other board members. Departments would have the right to send an observer to board meetings. While they would be able to provide expert input into decisions, including making their advice available to Parliament, through, for example, pre-legislative hearings, they would not be allowed to actively 'campaign' against government policy. Like the other bodies, employees of these organisations would not be on civil service terms and conditions.

4. The final category would be **executive agencies**, which would be defined broadly as they are now. These should be regarded as business units of the department, for which ministers are fully accountable (although they may not be involved in individual casework). The permanent secretary may, as now, delegate some accounting officer responsibilities to the chief executive with the agreement of the Treasury.

Figure 22 summarises what the new landscape might look like.

Figure 22: A new taxonomy for ALBs



Source: Institute for Government

Many bodies would map fairly clearly into these new categories: most executive agencies would remain as at present, and most executive NDPBs would become departmental sponsored bodies, although some would be reclassified as executive agencies. However, the confusing and confused category of NMD would disappear and would be distributed across the spectrum – for example, the NSG and HMRC would probably become executive agencies, Ofsted would become a departmental sponsored body and the Food Standards Agency and Ofgem would become independent public interest bodies.

The precise arrangements for each type of body should be carefully defined and clarified. Figure 23 offers a provisional assessment of appropriate arrangements for the revised taxonomy. However, alternative models might also be considered.

Figure 23: Potential arrangements within a new taxonomy for ALBs

Body	Constitutional bodies	Independent public interest bodies	Departmental sponsored bodies	Executive agencies	Core department	Advisory committees
Freedoms						
Functions	Constitutional oversight bodies	Setters of regulatory regimes Standards guardians Independent watchdogs of specific areas of government activity	Discretionary grant-givers Discretionary enforcement and inspection Stewards of national assets	Delegated implementers of government policy		Expert or stakeholder advice to ministers and departments
Ministerial accountability	No	For statutory framework, guidance and use of any powers of override – Yes Otherwise – No	For overall system – Yes For body's strategy and performance – No	For system, policy and resources – Yes For operations – No	Yes	Yes – for use of advice
Relationship to Parliament	Directly accountable	Dual accountability as laid down in statute	Dual accountability as set out in framework document	Through ministers	Through ministers	As agreed in protocol
Strategy	Sets own and approved by Parliament	Sets own within statutory framework and taking account of any guidance given by minister	Signed off by department	Agreed as part of departmental business plan	Departmental business plan	As agreed in protocol
Ministerial override	No	In very limited circumstances with parliamentary oversight	Yes – on general strategy and approach	Yes (but not involved in individual cases)	Yes	Advisory, therefore not applicable
Finance	CEO accountable	CEO accountable	CEO accountable for use of money; permanent secretary accountable for value for money of the body as means of achieving departmental outcomes	Permanent secretary accountable but delegated to CEO	Permanent secretary accounting officer	Permanent secretary accountable
Budgets	Agreed by Parliament	Approved by department(s)	Agreed with department(s)	Set by department	N/A	Agreed with department (and remains part of its vote)

Terms and conditions	Self-determined within approved budget	Self-determined within approved budget	Own terms and conditions within approved pay remit	Civil service terms	Civil service terms	Civil service terms	N/A
Appointments	Parliamentary	Ministerial – but subject to approval by relevant select committee	Ministerial with non-binding hearings in Parliament for significant bodies (as now)	Civil service commission	Civil service commission	Civil service commission	Ministerial
Board attendance by department	No	No	Yes, as an observer if desired	Department to chair ownership board	N/A	N/A	N/A
Dismissal of chair/board members	By Parliament, for misdemeanours only, through a supermajority (> 50%)	In limited circumstances – minister to initiate, Parliament to approve	By minister	By permanent secretary	In line with civil service rules	By minister	
Public profile	No restrictions	No restrictions	As agreed in framework document	Comment on cases but not on policy	By agreement with minister	As agreed in protocol	
Sorts of bodies	Electoral Commission National Audit Office Parliamentary Ombudsman	OfCom Competition Commission Food Standards Agency (regulation functions) Climate Change Committee UK Statistics Authority	Arts Council Health and Safety Executive Natural England National Gallery Higher Education Funding Council for England Ofsted Care Quality Commission	Jobcentre Plus UK Borders Agency National School of Government	By agreement with minister	As agreed in protocol Science Advisory Council Royal Commission on Environmental Pollution	

At the moment there are some bodies which perform a mix of these functions – and often these are the bodies where relations are most tense and confused as the body exercises the freedoms it needs for one function in another domain. In some cases, it makes sense to brigade expertise in one place and to use it for multiple purposes: for example, the Health and Safety Executive has the world’s leading expert on oil rig safety meaning that it is well placed to advise on specific detailed policy issues. However, such pooling of functions can lead to the same body acting as an independent enforcer and as a more direct delivery arm of government, when these functions should have different governance. There is no one correct way of solving this but it should provoke a discussion about the case for retaining the single body. If that option is chosen, governance should follow the primary function – but with separate Memoranda of Understanding or contracts to cover the other functions. For example, if an independent enforcer is also to deliver services on behalf of the department or provide policy advice, it should do so under an explicit contract. If a departmental sponsored body has status as an independent statutory consultee (as, for instance the Environment Agency and Natural England on planning decisions), where appeals go to the Secretary of State and thus departmental involvement in the performance of this role is inappropriate, specific provisions should be made to protect the departmental sponsored body’s independence. This new taxonomy is intended to make sure that sponsors have thought hard about the freedoms bodies need to perform the functions they are given and to make that explicit – rather than muddle through with a ‘fudge’ that becomes a source of future friction.

Implementing this taxonomy effectively would increase the demands on the ability of Parliament to scrutinise and challenge the performance of specific bodies. Our research raised questions about whether Parliament is currently equipped to carry out these functions effectively with current support. A separate Institute for Government research project is investigating this issue with a view to identifying ways of improving parliamentary capability in this area, if desired (Moyes and Wood forthcoming).

If the desirability of change along these lines is accepted, there are two potential routes to implementation. The first is to implement them as part of a ‘big bang’ – through a small number of bills (as has been seen in Scotland) or through enabling legislation. The advantages of this come in the speed of bringing clarity to the landscape. But such an approach may limit the opportunity to debate in Parliament the future of individual bodies set up by statute. An alternative would therefore be to migrate bodies gradually to the new status, taking legislative powers as necessary as the opportunity arises and applying it to any new bodies created.

4.3 Benefits and risks

The case for ministers to pursue this agenda of reform is clear. The measures address real problems but they also actively demonstrate that the public’s concerns about arm’s length government have been considered, and build actively on the government’s transparency agenda.

The precise benefits of changes are more difficult to quantify fully, not least because the impact would be diffused throughout government – both inside ALBs and across Whitehall. Certainly, there would be major financial benefits from reducing duplication of work between departments and ALBs and between different ALBs. In addition, many of the benefits are found in terms of increased public trust in ALBs and in the performance improvements that should result from greater clarity of purpose and tighter accountability.

Figure 24 provides a high-level assessment of the costs, benefits and risks of recommendations proposed here.

Figure 24: Implementation considerations for each recommendation

Recommendation	Benefits	Costs	Risks	Action reducing costs/risk
1 & 2. Creation of new ALBs approved by Cabinet and scrutinised by select committees and PASC; sunset clauses	Break against proliferation of bodies	To be achieved within current budget – with potential longer run savings	Select committee overload	Specify which PASC activities would stop
3. GAP Reviews	Benefits of tighter accountability are notoriously difficult to quantify – although even very small percentage efficiency gains can offset cost Cross-system learning from peer review	An estimated £3m to £6m for first round falling to £2m to £3m for second round ²⁰	Do not drive managerial change	Publication and public profile of independent reviewers
4. Briefing, induction and mentoring	Potentially, increased effectiveness	Depending on approach chosen and provider; utilise free resources outside government (e.g. Institute briefing)	Minimal	'Action-learning' style approaches and peer learning
5. NAO thematic reviews of ALB functions	In theory, cross-institutional learning and increased accountability	Depending on theme – to be achieved by deprioritising other areas	No managerial action taken	Select committee hearings; progress checked in GAP Reviews
6. Strengthened central team or Centre of Excellence	Coordination, implementation of best practice, support for above proposals	Cost-neutral after initial review – the resource should be equivalent in cost to the current Treasury or CO teams – or, if greater, increases matched by reductions in sponsor team staff	Team is marginalised and fails to attract high-calibre staff and/or duplicates sponsor team activity	Embed in a stronger strategic centre or department, or distribute functions across existing teams
7 & 9. ALBs to publish transparent information and government to list all ALBs alongside spend	In theory, increased public trust and greater pressures to answer for performance/spend; stronger evidence base for research	Minimal – data/information collection and sharing platforms already in place but dispersed	No obvious way of categorising ALBs in an appropriate way – complexity of landscape may not reassure public	Implement taxonomy for greater clarity
8. OCPA research exercise	Increased ministerial and public trust in appointments/identification of issues	TBC – similar sampling exercises have cost in the region of £30,000	No obvious (adverse findings would be positive in terms of public value)	Achieve within current OCPA budget
10. New taxonomy for ALBs	Increased effectiveness and reduced costs (staff) as a result of: reduced duplication; improved relationships. Possibly, increased public transparency and trust	Additional staff time to implement (recommendations from department, scrutinised by central team); costs of new legislation. Potentially, costs of standardising terms and conditions	Political and organisational conflict as a result of proposed changes Organisational distraction during change	Swift, fair rules-based approach Implement through series of bills Departments lead process through existing sponsor resources

4.4 Areas for further investigation

This research has raised a wide range of questions that we have not confronted directly in this report, either because of shortages of evidence or because they were marginal to the core focus of the work.

One key question highlighted here is the need to more fundamentally consider how ministers and Parliament can execute their scrutiny functions in relation to ALBs. This question will be addressed by current Institute for Government research, which will examine how to get ministerial oversight right; how to embed sustainable accountability for Whitehall and ALBs; and how to ensure effective scrutiny for devolved public services (Moyes and Wood forthcoming). The doctrine of ministerial responsibility was developed at a time when government's responsibilities were far smaller, meaning that such an assessment is urgently needed. In 1822 Sir Robert Peel, then Home Secretary, presided over just 30 staff compared to the 24,490 Home Office staff (including agencies and NDPBs) overseen by Alan Johnson in 2009 (Sainty 1975; ONS 2009).

The Institute for Government is also examining the issue of localism. Moves towards greater devolution of responsibilities away from central government will have clear implications for ALBs, which will be drawn out further in this research.

5. Conclusions

As successive governments have found, though they maybe ambivalent about them, ALBs are an important and useful part of the constitutional and managerial landscape.

The temptation is always to play the numbers game, though there is evidence that the new administration is seeking to take a more nuanced approach. Much more important is achieving a clear and sensible division of responsibility between ALBs, their sponsor departments, and ultimately with the public. If cost reduction is the objective, then just as in government, ministers have to look through the formal structure of the ALB itself to the deeper question of whether the activities and funding provided through the ALB are things that they feel government should be doing, and if so, which is the best and most cost-effective vehicle for their administration.

Ultimately, the future of specific ALBs also rests on decisions about the wider institutional landscape and model of public and private sector administration, regulation and support. Many ALBs occupy part of the 'messy middle' between Whitehall and citizens, along with local government, public sector commissioners, large providers, lobby groups and many other institutions. Hence, for example, a decision to radically localise local service provision will have large potential impacts on the world of ALBs. Similarly, the development of new approaches to regulation, such as 'trip adviser' style platforms to enable citizens to share information about providers that can shape markets and inform citizens, has the potential to offer a radical alternative to many traditional regulatory-based ALBs and could transform or even eliminate many of today's ALBs (Halpern 2010).

Yet what this report has highlighted is a conclusion that is likely to endure whatever the particular pressures prove to be on any given ALB in the years to come. In an inevitably complex landscape of modern governance, it is essential that there is as much clarity as possible around the division of responsibility between key institutions and figures. As the recent advent of a changed, and indeed coalition, government has reminded us, the people in charge of our institutions and departments of state change more frequently than the institutions they oversee. Indeed, the average tenure of a minister is rarely longer than two years, and that of senior civil servants in a given post not much higher. For many of those in charge, no sooner have they mastered their brief and the institutional landscape in which they are operating, than it is time to move on again. Though this mobility is often bemoaned, it is not likely to change any time soon. Against such a background, it is especially important that it be clear what the powers and responsibilities of particular institutions are and, in short, who is responsible for what.

Let us be honest. A clear taxonomy that provides our political leaders, administrators, providers and citizens with an easy to understand definition of our many public institutions will never be on the top of the list of any prime minister or voter. But that doesn't mean that it's not worth doing. Sometimes good government is about doing the 'less interesting but important' precisely so that all the other things we really care about – like better public services, fairness and justice, strong communities and well functioning economies – can happen.

Bibliography

- (Bache and Flinders 2004) Bache, I. and Flinders, M. (eds), *Multi-level Governance*, Oxford University Press, 2004.
- (BBC 2009) BBC News Online, 'Ministers "too involved" in SATs', 22 July 2009.
At: <http://news.bbc.co.uk/1/hi/education/8163088.stm>
- (Bovens 2007) Bovens, M., 'Public accountability' in Ferlie, E., Lynn, L., and Pollitt, C. (eds), *The Oxford Handbook of Public Management*, Oxford University Press, 2007.
- (BSAS 2009) National Centre for Social Research, British Social Attitudes Survey 1983–2008, Colchester, Essex: UK Data Archive, 2009.
- (CO 2002) *Better Government Services: Executive Agencies in the 21st Century* (The Alexander Report), Cabinet Office, 2002.
- (CO 2006a) Cabinet Office, *Capability Review of the Department for Education and Skills*, Crown Copyright, July 2006. At: www.civilservice.gov.uk/Assets/Capability_Review_DfES_tcm6-1056.pdf
- (CO 2006b) Cabinet Office, *Capability Review of the Department for Trade and Industry*, Crown Copyright, December 2006.
- (CO 2006c) Cabinet Office, *Public Bodies: A Guide for Departments*.
At: www.civilservice.gov.uk/about/resources/public-bodies.aspx (website last updated 9 April 2010).
- (CO 2007) Strategy Unit, *Building on Progress: The Role of the State*, Cabinet Office, May 2007.
- (CO 2008) Cabinet Office, *Public Bodies 2007*, Cabinet Office, 2008.
- (CO 2009) Cabinet Office, *Public Bodies 2008*, Cabinet Office, 2009.
- (CO 2010) Cabinet Office, *Public Bodies 2009*, April 2010.
At: www.civilservice.gov.uk/Assets/PublicBodies2009_tcm6-35808.pdf
- (CO various) Cabinet Office, *Departmental Capability Reviews*.
At: www.civilservice.gov.uk/cross-government/capability/reports.aspx
- (Cranfield 2009) Sealy, R., Vinnicombe, S., and Singh, V., for Cranfield University School of Management, *The Female FTSE Report 2009: A Decade of Delay*.
At: www.som.cranfield.ac.uk/som/dinamic-content/research/documents/ft2009.pdf
- (Democratic Audit 1994) Democratic Audit, *EGO TRIP: Extra-governmental Organisations in the UK and their Accountability*, Democratic Audit Paper No. 2, 1994.
- (Dolan et al 2010) Dolan, P., Hallsworth, M., Halpern, D. et al, *MindSpace: Influencing Behaviour Through Public Policy*, Institute for Government and Cabinet Office, 2010
- (Dunleavy 1989) P. Dunleavy, 'The architecture of the British central state, Part 1: Framework for analysis', *Public Administration*, vol. 67, 249–75 (1989).
- (Dunleavy and White 2010) Dunleavy, P. and White, A., *Making and Breaking Whitehall Departments: A Guide to Machinery of Government Changes*, Institute for Government, 2010.
At: www.instituteforgovernment.org.uk/pdfs/making_and_breaking_whitehall_departments.pdf

- (Elgie 2006) R. Elgie, 'Why do governments delegate authority to quasi-autonomous agencies? The case of Independent Administrative Authorities in France', *Governance*, vol. 19, no. 2, 207–27 (2006).
- (Farrugia and O'Connell 2008) Farrugia, B. and O'Connell, J., for The TaxPayers' Alliance, *ACA to YJB: A Guide to the UK's Semi-Autonomous Public Bodies*. At: www.taxpayersalliance.com/sapb.pdf
- (Flinders 2008) M. Flinders, *Delegated Governance and the British State: Walking Without Order*, Oxford University Press, 2008.
- (Foster 2009) A. Foster, Sir, *A Review of the Capital Programme in Further Education*, Commissioned by Secretary of State for Innovation, Universities and Skills and the Chair of the Learning and Skills Council, Crown Copyright, March 2009.
- (Gash et al 2008) Gash, T., Hallsworth, M., Ismail, S., and Paun, A., *Performance Art: Enabling Better Management in the Public Services*, Institute for Government, December 2008. At: www.instituteforgovernment.org.uk/performance/
- (Glover 2009) Glover, J., 'Public rejects Murdoch views of BBC, says ICM poll' in [Guardian.co.uk](http://www.guardian.co.uk), 4 September 2009. At: www.guardian.co.uk/media/2009/sep/04/bbc-icm-poll-james-murdoch
- (Greer 2004) Greer, P., *Transforming Central Government. The Next Steps Initiative*, Open University Press, 2004.
- (Halpern 2010) Halpern, D., *The Hidden Wealth of Nations*, Polity Press, 2010.
- (HMT 2009a) Her Majesty's Treasury, *Managing Public Money*, 2009, p. 51.
- (HMT 2009b) Her Majesty's Treasury, *Operational Efficiency Programme: Final report*, April 2009. At: www.access2gov.co.uk/ContentFiles/Reportsandpublications/The%20Operational%20Efficiency%20Programme.pdf
- (HMT 2010a) HM Treasury, *Reforming Arm's Length Bodies*, March 2010. At: www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_186443.pdf
- (HMT 2010b) HM Treasury, *The Spending Review Framework*, June 2010. Cm 7872. At: www.hm-treasury.gov.uk/d/spending_review_framework_080610.pdf
- (HoC 2005) House of Commons Library, Research Paper 05/33, *General Election 2005*, March 2006. At: www.parliament.uk/documents/commons/lib/research/rp2005/rp05-033.pdf
- (Hogwood 1995) Hogwood, B., 'Whitehall families: core departments and agency forms in Britain', *International Review of Administrative Sciences*, vol. 61, 1995.
- (HoL 2004) House of Lords Select Committee on the Constitution, *The Regulatory State: Ensuring its Accountability*, Volume I: 6th Report of Session 2003–04, 6 May 2004
- (HoL 2007) House of Lords Select Committee on Regulators, *UK Economic Regulators*, Volume I: 1st Report of Session 2006–07, 13 November 2007. At: www.publications.parliament.uk/pa/ld200607/ldselect/ldrgltrs/189/189i.pdf
- (Ibbs 1988) Ibbs, R., *Improving Management in Government: The Next Steps: Report to the Prime Minister* (The Ibbs Report), Prime Minister's Efficiency Unit, HMSO, 1988.

- (IfG 2010) *Managing at Arm's Length*, four guidance notes by the Institute for Government.
At: www.instituteforgovernment.org.uk/content/137/arms-length-government
- (IFS 2010) Institute for Fiscal Studies, *The IFS 2010 Green Budget: 2010*.
At: www.ifs.org.uk/publications/4732
- (ippr and PwC 2009) ippr and PricewaterhouseCoopers, *Who's Accountable? The Challenge of Giving Power Away in a Centralised Political Culture*, PricewaterhouseCoopers, 2009.
At: www.ippr.org.uk/publicationsandreports/publication.asp?id=708
- (Jenkins 2008) Jenkins, K., *Politicians and Public Services: Implementing Change in a Clash of Cultures*, Edward Elgar Publishing, 2008.
- (Leslie and Dallison 2009) Leslie, C. and Dallison, O., *You've Been Quango'd! Mapping Power Across the Regions*, New Local Government Network, 2009.
- (LGA 2009) Local Government Association, *Who's in charge? The Quango Report Cards*, LGA, November 2009.
- (Magee 2010) Magee, I., *Review of Legal Aid and Governance*, Crown copyright, March 2010.
At: www.justice.gov.uk/publications/docs/legal-aid-delivery.pdf
- (Majone 2001) Majone, G., 'Two logics of delegation: agency and fiduciary relations in EU governance' in *European Union Politics*, vol. 2, no. 1, 103–22 (2001).
- (McCrae et al 2009) McCrae, J., Myers, J. and Blatchford, K., *Undertaking a Fiscal Consolidation: A Guide to Action*, Institute for Government, 2009.
At: www.instituteforgovernment.org.uk/pdfs/Undertaking%20a%20fiscal%20consolidation.pdf
- (Moore 1995) Moore, M., *Creating Public Value: Strategic Management in Government*, Harvard, 1995.
- (MORI 2008) Ipsos MORI poll in *Survey of Public Attitudes Towards Standards in Public Life*, Committee on Standards in Public Life, 2008.
- (Moyes and Wood forthcoming) Moyes, W. and Wood, J., *Research into Ministerial Accountability* (title to be confirmed).
- (NAO 2000) National Audit Office, *Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies*, March 2000 (HC 272 1999–2000).
- (NAO 2003) National Audit Office, *Improving Service Delivery: The Role of Executive Agencies*, March 2003 (HC 525 2002–03).
- (NAO 2009) National Audit Office, *Assessment of the Capability Review Programme*, February 2009 (HC 123 2008–09).
- (NAO 2010a) National Audit Office, *Non-Departmental Public Bodies Performance Reporting to Departments*, May 2010.
At: www.nao.org.uk/guidance__good_practice/good_practice/performance_measurement.aspx
- (NAO 2010b) National Audit Office, *Reorganising Central Government*, March 2010.
- (NAO forthcoming) National Audit Office, *The Delivery Landscape*, forthcoming

- (NAO unpublished analysis) Research conducted by the NAO for Institute for Government, examining the 2007–08 resource accounts of Executive NDPBs.
- (NESTA 2008) LSE Public Policy Group, Innovation in Government Organizations, *Public Sector Agencies and Public Service NGOs*, NESTA Working Paper, September 2008.
- (Nuffield 2000) Nuffield College, Whitehall Programme, *The Quest for a Taxonomy of Government Organisations* (2000). At: www.nuff.ox.ac.uk/politics/whitehall/Taxonomy.doc
- (OCA 2009a) Office of the Commissioner for Public Appointments, *Code of Practice*, August 2009.
- (OCA 2009b) Office of the Commissioner for Public Appointments, *Commissioner for Public Appointments Annual Report 2008–09, 2009*.
At: <https://www.publicappointmentscommissioner.org/web-resources/resources/9a3d3f1200f.pdf>
- (OECD 2002) Organisation for Economic Co-operation and Development, *Distributed Public Governance: Agencies, Authorities and other Government bodies*, OECD Publishing, November 2002.
- (ONS 2009) Office for National Statistics, *Civil Service Statistics*.
At: www.statistics.gov.uk/StatBase/Product.asp?vlnk=2899&Pos=&ColRank=1&Rank=422
- (OPSR 2002) Office of Public Service Reform and HM Treasury, *Better Government Services: Executive Agencies in the 21st century*.
At: <http://archive.cabinetoffice.gov.uk/opsr/documents/pdf/opsr-agencies.pdf>
- (Parker et al 2010) Parker, S., Paun, A., McClory, J. and Blatchford, K., *Shaping Up: A Whitehall for the Future*, Institute for Government.
At: www.instituteforgovernment.org.uk/pdfs/shaping-up-a-whitehall-for-the-future.pdf
- (PASC 2001) Public Administration Select Committee, *Mapping the Quango State* (vols I and II), March 2001 (HC 367 2000–01).
- (PASC 2003) Public Administration Select Committee, *Government by Appointment: Opening up the Patronage State*, July 2003 (HC 165 2002–03).
- (Peters and Pierre 2005) Peters, G. and Pierre, J., *Governing Complex Societies: Trajectories and Scenarios*, Palgrave Macmillan 2005
- (Peters and Waterman 1982) Peters, T. and Waterman, R., *In Search of Excellence: Lessons from America's Best-Run Companies*, Harper & Row, Publishers, Inc., 1982.
- (Pliatzky 1980) Pliatzky, Leo, Sir, *Report on Non-Departmental Public Bodies*, 1980, Cm 7797.
- (PMEU 1991) Prime Minister's Efficiency Unit, *Making the Most of Next Steps: The Management of Ministers' Departments and their Executive Agencies* (The Fraser Report), PMEU, 1991
- (Pollitt and Bouckaert 2004) Pollitt, C. and Bouckaert, P., *Public Management Reform: A Comparative Analysis* (2nd edn), Oxford University Press, 2004.
- (Pollitt and Talbot 2004) C. Pollitt and C. Talbot (eds), *Unbundled Government*, Routledge Series in Public Management, 2004.

(Pollitt et al 2004) C. Pollitt, C. Talbot, J. Caulfield and A. Smullen, *Agencies: How Governments do Things through Semi-autonomous Organisations*, Palgrave Publishing, 2004.

(Riddell and Haddon 2009) Riddell, P. and Haddon, C., *Transitions: Preparing for Changes of Government*, November 2009.

At: www.instituteforgovernment.org.uk/content/73/transitions-preparing-for-changes-of-government

(Rones 2003) Rones, P.G., *Categorizing State Organizations in Theory and Practice, in General and in Norway*, Paper prepared for seminar on organisational forms, autonomy and control in the public sector, Bergen, December 2003.

(Sainty 1975) Sainty, J., *Office-Holders in Modern Britain: Volume 5 – Home Office Officials 1792–1870*, Institute of Historical Research. At: www.british-history.ac.uk/source.aspx?pubid=75

(Scotsman 2009) Comment at News.Scotsman.com, July 2009, in relation to article by Lydall, R., 'Cameron pledges a "bonfire of the quangoes"', *News.scotsman.com*, 7 July 2009.

At: <http://news.scotsman.com/conservativeleader/Cameron-pledges-a--39bonfire.5433696.jp>

(Street 2010) Street, S., *Safeguarding the Future: A Review of the Youth Justice Board's Governance and Operating Arrangements*, Office of Public Sector Information, Crown copyright, 2010.

At: <http://publications.dcsf.gov.uk/eOrderingDownload/Safeguarding-the-Future.pdf>

(Thatcher and Stone Sweet 2002) Thatcher, M. and Stone Sweet, A., 'Theory and practice of delegation to non-majoritarian institutions', *West European Politics*, vol. 25, no. 1, 1–22 (2002).

(TPA 2009) The TaxPayers' Alliance, *Public Sector Rich List 2009*, December 2009.

At: www.taxpayersalliance.com/publicsecrichlist2009.pdf

(Veredus 2006) Veredus, *Right from the Start: Lessons Learned from the Start-up of Non-Departmental Public Bodies*, Veredus, 2006. At: www.veredus.co.uk/library/documents/Right_from_the_start-107/

(Wilson 1989) J.Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It*, Basic Books, 1989.

Acronyms

ALB	arm's length body
CEO	Chief Executive Officer
CO	Cabinet Office
DCSF	Department for Children, Schools and Families
DfES	Department for Education and Skills
ESRC	Economic and Social Research Council
FOI	Freedom of Information
FTE	full-time equivalent
GAP	Governance and Performance
GMC	General Medical Council
HMRC	Her Majesty's Revenue and Customs
LSC	Legal Services Commission
NAO	National Audit Office
NDPB	non-departmental public body
NHS	National Health Service
NICE	National Institute for Clinical Excellence
NMD	non-ministerial department
NSG	National School of Government
OCPA	Office of the Commissioner for Public Appointments
ONS	Office for National Statistics
PASC	Public Administration Select Committee
YBJ	Youth Justice Board

Endnotes

- 1 The Budget speech, 22 June 2010, forecast public sector net debt of 62% of GDP in 2010–11 rising to 70% in 2013–14.
- 2 A recent example is the March 2010 decision by the Ministry of Justice to change the status of the Legal Services Commission from an executive NDPB to an executive agency.
- 3 The Oxford English Dictionary interestingly points out that it is quite unclear whether the acronym stands for quasi non-government(al) organisation or for quasi-autonomous national government organisation.
- 4 See www.instituteforgovernment.org.uk/137/arms-length-government
- 5 There is debate over which areas fit into this category but there is some consensus across nations and political parties that statistical functions, most regulatory functions and some quasi-judicial decision-making (e.g. on prisoner remand decisions) are in scope. Grant-making also tends to be regarded as in scope, although this has been challenged in recent Scottish and Welsh reforms (OECD 2002; Peters and Pierre 2005; Thatcher and Stone Sweet 2002; HoC 2005).
- 6 Pliatzky noted rightly the difficulty of providing any meaningful categorisation of these organisations, highlighting that there were 'no legal definitions to determine what should go in these lists or into some other category' (Pliatzky 1980).
- 7 Most trading funds are classified by the ONS as public corporations in the National Accounts.
- 8 It is important to note that data in this area are notoriously unreliable, with information on different 'types' of body rarely held in a single repository and often suffering from data quality issues. The TaxPayers' Alliance has conducted another attempt at classification and counting (Farrugia and O'Connell 2008).
- 9 The NAO does not audit the accounts of all public corporations.
- 10 Treasury documents state that 'Around £80bn of public money is distributed through arm's length bodies every year' (HMT 2010a).
- 11 Measuring organisational performance requires comparison, meaning that the absence of any standardised performance assessment (like the Comprehensive Area Assessment for local government bodies, for example) is highly problematic.
- 12 Note that these comments are strikingly similar to those made by people involved in within-government machinery of government changes (Dunleavy and White 2010).
- 13 The 2009 National Audit Office Assessment of the Capability Review Programme was critical of the reviews' ability to effectively evaluate NDPB management: 'The reviews' coverage of complex delivery arrangements, including delivery shared with other departments and delivery by executive agencies and executive Non-Departmental Public Bodies, is limited. The quality of such arrangements is central to citizens' experience of government.' Some NMDs (notably HMRC and the National School of Government (NSG)) have been subject to Capability Reviews, although NSG's evaluation was not published (NAO 2009).

- 14 It is not clear, for example, why the Legal Services Commission, which was set up as an executive NDPB in 1999, was given a different institutional status from Jobcentre Plus as both organisations effectively administered a system of government allowances (legal aid and social security).
- 15 In addition to tensions between ALBs and sponsor teams, examples were raised of problematic relationships between ALB chairs and chief executives. Such tensions are, however, not unusual in the private sector where these roles exist and there is a wide literature on the challenge of maintaining strong relationships. A previous study has shown that problems are rarely major but also argued that they are greatest where chief executives are appointed prior to chairs, writing that 'In [the] 2 cases... [when] the chief executive had been appointed first, relevant respondents described relationships which had been wholly unsuccessful, resulting in the inability to resolve issues around role and remit, and ultimately in relationship breakdown' (Veredus 2006).
- 16 The Institute for Government has recently supported, and currently hosts, the Public Chairs Forum to help plug this gap.
- 17 The 'Fraser Figure' took its name from the 1991 Fraser Report (PMEU 1991) that recommended such figures exist to arbitrate disputes between departments and new agencies. Where they were implemented, there were mixed results and the practice of having one senior figure has become less common since this review.
- 18 See www.instituteforgovernment.org.uk/137/arms-length-government
- 19 We have excluded the judicial bodies from scope at this stage.
- 20 Quinquennial Reviews cost approximately £6 million (real terms) but the process did not differentiate between ALB types. In addition, the Cabinet Office have conducted their second round of Capability Reviews at considerably lower cost than the first and it should be possible to learn from their experience – and imitate their improvement over time.

The Institute for Government is here to act as a catalyst for better government

The Institute for Government is an independent charity founded in 2008 to help make government more effective.

- We carry out research, look into the big governance challenges of the day and find ways to help government improve, re-think and sometimes see things differently.
- We offer unique insights and advice from experienced people who know what it's like to be inside government both in the UK and overseas.
- We provide inspirational learning and development for very senior policy makers.

We do this through seminars, workshops, talks or interesting connections that invigorate and provide fresh ideas.

We are placed where senior members of all parties and the Civil Service can discuss the challenges of making government work, and where they can seek and exchange practical insights from the leading thinkers, practitioners, public servants, academics and opinion formers.

Copies of this report are available alongside other research work at:

www.instituteforgovernment.org.uk

July 2010

© Institute for Government 2010

2 Carlton Gardens
London
SW1Y 5AA

Tel: +44 (0) 20 7747 0400

Fax: +44 (0) 20 7766 0700

Email: enquiries@instituteforgovernment.org.uk

The Institute is a company limited by guarantee registered in England No. 6480524

Registered Charity No. 1123926

COI REF. 400043/0510