

● PO-CH/NL/0445  
PART A

Begins: 14/1/88.  
Ends : 25/1/88.

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO CH | NL | 0445  
PT.A.

Chancellor's (Lawson) papers:  
Report on Reviews of Non-Departmental  
Public Bodies.

DD's : 25 Years

*Proctor*

7/2/96.

PO CH | NL | 0445  
PT.A.



*pmg*

C88/197

MINISTER OF STATE, PRIVY COUNCIL OFFICE

CH/EXCHEQUER	
REC.	15 JAN 1988
ACTION	PMG
COPIES TO	

PRIME MINISTER

*14/1/88.*

**REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES**

... I attach a report from the Paymaster General and myself on the programme of reviews of non-departmental public bodies (NDPBs) which you launched in a personal minute to Ministers in charge of departments on 22 October 1984. We sent you a progress report in July 1986.

2. The programme of reviews has now been completed in respect of nearly all the major NDPBs. Between October 1984 and April 1987 reviews were carried out in over 75% of executive NDPBs, 75% of advisory bodies and over 60% of tribunals. Setting aside one large executive body, the Manpower Services Commission where the review was postponed until after the election and has now been further postponed following the recent transfer of functions, over 90% of expenditure on executive NDPBs has been covered. The main omissions should be covered by the end of the year.

3. This review programme and parallel initiatives have saved some £30 million (and 1,830 staff) during the review period, as a result of winding up some 150 NDPBs and the rationalisation of others, financial management reviews, and other initiatives. Continuing savings over the 3 years to 1990/91 will amount to some £33 million per year ( and 290 staff).

4. Departments and NDPBs also expect the additional value for money improvements from better budgeting, improved target setting and better measurement of output and performance. This extends to NDPBs the financial management approach we have been taking in the Civil Service.

5. For the future, the report concludes that the main task now is to make the new system in NDPBs work effectively and to secure progressively better results year by year. The main responsibility for this must rest with managers in the NDPBs themselves. Ministers in charge of departments and their senior officials will need to keep a close oversight, by ensuring that clear objectives are set and their achievements monitored, for example through an annual corporate planning cycle for at least the major bodies, and by setting high standards.

6. Because NDPBs are by definition at arms length and subject to less Ministerial and Parliamentary control than government departments, the report also recommends that each NDPB should be subject to a comprehensive review at least every five years, starting from the basic issue of the continued justification for its existence. A review after a shorter period would always be possible if, for example, circumstances changed significantly.

7. I believe we should accept these recommendations, which are set out in more detail in the report itself, as a sensible route to achieving progressive improvements in value for money in NDPBs while maintaining an appropriate degree of critical scrutiny of their continued operations.

8. I also believe we should take this opportunity to bring our stated policy on NDPBs up to date, and indeed to develop it further. Over the last few years, the Government has created on average 60 new NDPBs per year (although the net total has continued to decline slowly), and the establishment of further NDPBs - eg Housing Action Trusts, bodies linked to water privatisation, the Legal Aid Trust, and the Polytechnics and Colleges Funding Council - are key elements in our current legislative programme. I therefore believe that we should restate the general policy so that the suitability of the NDPB option in certain situations is more clearly acknowledged, while at the same time continuing to stress that all new proposals will be subject to close critical scrutiny. I think it would also be right to establish publicly the principles that legislation setting up a new NDPB should normally contain provisions enabling it to be wound up without further primary legislation and that consideration should always be given to setting up NDPBs for a finite period only (a "sunset" provision).

9. There is some limited linkage between this work and the "Next Steps" proposals, in that some of the proposed agencies could be NDPBs. But most agencies would, at least initially, remain within government departments, and the impact of the NDPB review will in practice be felt in existing NDPBs and in ones being created as part of our current legislative programme. Press speculation about the "Next Steps" has been almost entirely in terms of Civil Service reform, not the creation of new quangos.

10. In consequence, I recommend that the outcome of these reviews should be announced as soon as possible (you announced the start of the review in 1984): I attach a draft arranged PQ for this purpose. The report itself should not be published unless there are requests from Members to make it available.

11. I am sending copies of this minute and report to Ministers in charge of departments, to the Paymaster General and to Sir Robin Butler.

*Richard Luce.*

RICHARD LUCE  
14 January 1988

DRAFT PQ

To ask the Prime Minister, whether the programme of reviews of non-departmental public bodies which she announced on 19 November 1984 (OR cols. 57 to 58) has now been completed, and if she will make a statement.

Yes. I have now received a report on the review programme from the Minister of State, Privy Council Office and the Paymaster General. By April 1987 reviews had been carried out in over 75 per cent of executive non-departmental public bodies (NDPBs), 75 per cent of advisory bodies and over 60 per cent of tribunals. For the period under review departments reported total savings from their funding of NDPBs of some £30 million and 1,830 staff, as a result of winding up some 150 bodies, rationalisation of others, financial management reviews and other initiatives. Further savings are planned of 290 posts leading in total to continuing savings of some £33 million per year. NDPBs also expect to achieve additional value for money improvements from better standards of financial management. In all, there were 524 fewer NDPBs on 1 April 1987 than in 1979.

For the future, I have accepted the recommendations in the report that the main responsibility for maintaining this progress should be placed on senior management in the NDPBs and their sponsoring Departments. In addition, all NDPBs will be subject to a comprehensive review at least every five years, which will consider the continued need for each NDPB, its objectives and its financial and other management systems.

For some particular tasks, non-departmental public bodies can be the most appropriate and cost-effective solution, but we shall continue to resist proposals for new bodies unless this can be clearly demonstrated, within a strict framework of financial and management controls. Legislation setting up new bodies should normally contain powers to permit winding up at a later date, if a fixed lifetime is not established at the outset.

*mp*

**Reviews of Non - Departmental Public Bodies**

**REPORT**

**Cabinet Office (OMCS)**  
**HM Treasury**

**January 1988**

## Reviews of Non-Departmental Public Bodies

### REPORT

Contents	Page
Summary of Conclusions and Recommendations .....	2
Chapter 1 : Reasons for reviews .....	5
Chapter 2 : Progress with reviews .....	8
Chapter 3 : Summary of results of reviews .....	16
Chapter 4 : Future arrangements .....	20
Chapter 5 : Conclusions .....	24
Annex A : Summary of reviews in sponsoring departments	
Annex B : Value for money improvements	
Table 5: Improvements in output or performance	
Table 6: Targets set	
Table 7: Improvements in planning, systems and procedures	
Annex C : Prime Minister's announcement of Review programme.	



## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. On 19 November 1984 the Prime Minister announced a programme of financial management surveys of non-departmental public bodies (NDPBs) to be completed by April 1987. The surveys were to consider ways of improving the planning and control of activities so as to produce better performance year by year. They were to be in addition to the regular programme of reviews of the justification of each NDPB. A Progress Report on this initiative was submitted to the Prime Minister in July 1986. The present report summarises progress with financial management surveys and policy reviews from November 1984 to April 1987 and makes recommendations for future arrangements.

2. Reviews have been conducted of over 75% of all executive NDPBs, 75% of advisory NDPBs and over 60% of tribunals. From November 1984 to March 1987 departments reported total savings from their funding of NDPBs of some £30 million and 1,830 staff, as a result of the winding up of some 150 bodies and the rationalisation of others, financial management reviews, and other allied initiatives. Over the 3 years to 1990/91, a further 290 posts will be saved leading in total to continuing savings of some £30 million per annum.

3. Departments have also reported arrangements for achieving better value for money in NDPBs, through the installation of financial management systems comparable with those within the civil service, and designed to improve budgeting, target setting and measurement of output and performance. Top management in NDPBs are responsible for realising these improvements and for securing progressively better results year by year. Ministers and senior managers in sponsoring departments are responsible for monitoring their performance in this as in other respects.

4. For the future, the report recommends that:

- (a) Outstanding financial management surveys should be completed by the end of 1988, except by agreement with Treasury and OMCS [paragraph 4.2].
- (b) The primary responsibility for the maintenance of adequate and up to date standards of financial management should rest with NDPB management, as a condition of continued funding [paragraph 4.8].
- (c) Sponsoring departments should ensure that NDPBs for which they are responsible

- have clear and, where possible, quantified objectives

- are held to proper account for the achievement of these objectives and the expenditure they incur

- are set good standards of financial management and performance targets, and use techniques such as an annual corporate planning cycle where appropriate

and should take prompt remedial action if they have any grounds for doubt about the standards of financial management within NDPBs [paragraph 4.8].

- (d) Sponsoring departments, in consultation with Treasury and OMCS, should undertake a programme of NDPB reviews each year. This should meet the minimum 5-yearly requirement at (e) below, but should also reflect review

priorities arising from e.g. policy evaluation work and the annual public expenditure Survey. Departments should provide an annual return to OMCS and the Treasury summarising reviews carried out and planned [paragraph 4.8].

(e) In conjunction with the Treasury, the OMCS should ensure that departments fulfil the requirement for a comprehensive review of the continued need for each NDPB, its objectives, its level of resources, and its financial and other management systems, at least every 5 years [paragraph 4.8].

(f) The arrangements at (a)-(e) above should be introduced from 1988/9 onwards [paragraph 4.10].

(g) "Non-Departmental Public Bodies: A Guide for Departments" should be revised in the light of this report and other developments since 1985, and a new edition published in summer 1988 [paragraph 5.6].

## REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

### Chapter 1: REASONS FOR REVIEWS

1.1 Non-departmental public bodies (NDPBs or quangos) are a significant portion of the public sector. In 1986 there were 1658 such bodies; between them they employed almost 150,000 staff and accounted for a total expenditure of £8.2 billion, of which £5.3 billion was funded by central Government. Two NDPBs, the MSC and the Housing Corporation, accounted for £2.5 billion of this public expenditure. The next 25 NDPBs in order of size accounted for approximately £2.1 billion.

1.2 There are three main categories of NDPB:

bodies with executive, administrative, regulatory or commercial functions, which usually employ their own staff and spend money (referred to below as "executive" bodies);

advisory bodies, normally supported by civil servants in the sponsoring department and not usually responsible for allocating resources;

tribunals, which perform a quasi-judicial role and do not normally employ their own staff.

In April 1986 there were 406 executive bodies, 1062 advisory bodies and 64 tribunals. (There were also 126 Boards of Visitors to Penal Establishments and their Northern Ireland equivalent.)

1.3 Although the trend in overall numbers of NDPBs has been downwards since the major review conducted by Sir Leo Pliatzky in 1979, new bodies have continued to be created. 130 new bodies were created in the period April 1985 - April 1987, including the 7 Residuary Bodies, Urban Development Corporations and the Scottish Legal Aid Board. Current proposals include those relating to Housing Action Trusts, to further Urban Development Corporations, to bodies associated with water privatisation, to the Polytechnics and Colleges Funding Council and other educational bodies, and to the Legal Aid Board. Up to April 1987, over 800 bodies had been wound up since the Pliatzky review, with a net reduction of 524.

1.4 While NDPBs are part of the public sector, by definition they have greater independence from Ministers and from Parliamentary scrutiny. For this reason, it is important that the justification for their greater independence should be re-evaluated periodically, and that the systems of financial management and control within the bodies, and between them and their sponsoring departments, should fully match current best practice in Government generally.

1.5 Since the 1979 Pliatzky report, departments have been required to review the justification on policy grounds of each NDPB and to examine critically the appropriateness of its current structure to performing its allotted functions. Subsequently, it was made clear in the context of the Financial Management Initiative (FMI) that responsibility for ensuring that NDPBs had effective management systems rested with sponsoring departments, and that the criteria for assessing effectiveness of such systems were to be based on similar principles to those guiding the development of the FMI within departments. Nevertheless, a study by the Financial Management Unit in 1984 found that some bodies still lacked "adequate mechanisms for defining and refining their objectives, for setting targets and for assessing actual achievements; the arrangements for forecasting and controlling

expenditure could also be improved." Ministers decided that the programme of policy reviews of NDPBs should be strengthened by a series of financial management surveys to be largely completed by April 1987. This initiative was announced by the Prime Minister on 19 November 1984. The terms of the Prime Minister's announcement are contained in Annex C.

1.6 In a financial management survey each department in collaboration with the management of its sponsored bodies was to look for ways of improving the planning and control of activities so as to produce better performance year by year, in line with established FMI principles. The aim was to give ministers and managers the means to define objectives, set targets and assess achievements. Tangible improvements in value for money were to be looked for from 1985/86 onwards.

1.7 Separately, all NDPBs continued to be subject to policy reviews. The current requirement is that policy reviews should be carried out every 5 years in the case of executive bodies and tribunals and every 3 years in the case of advisory bodies.

1.8 This report summarises progress on financial management surveys and policy reviews from November 1984 to April 1987. Except where otherwise indicated, it includes reviews which were the subject of the Progress Report submitted to the Prime Minister in July 1986.

1.9 The report includes reviews of bodies sponsored by the Northern Ireland Office. Reviews of bodies sponsored by Northern Ireland Departments are the subject of a separate report being prepared by the Department of Finance and Personnel (NI). These bodies (49 executive, 46 advisory and 12 tribunals) have been excluded from this report and from the tables it contains.

## Chapter 2: PROGRESS WITH REVIEWS

### Executive bodies

2.1 As a result of the Prime Minister's statement in 1984 a financial management survey and/or a policy review was completed for over three-quarters of all executive bodies by April 1987. These reviews have been carried out in the main from within departments, although in some cases departments have drawn on the expertise of private sector consultants. Table 1, in which departments are listed in alphabetical order, gives details of the number of bodies reviewed. Table 2 shows the figures as a percentage of total departmental bodies, of total departmental expenditure through NDPBs and of staff employed in NDPBs.

2.2 Departments have sensibly concentrated their attention on those NDPBs which represent the bulk of departmental expenditure and of staffing. All the large NDPBs were reviewed by April 1987 with the exception of:-

(a) Manpower Services Commission (Department of Employment), the review of which was postponed with the agreement of Treasury, MPO (now OMCS) and the Efficiency Unit until after the General Election, and has now been further postponed following the transfer of certain functions to the Department of Employment and the renaming of MSC as the Training Commission;

(b) Horseshoe Totalisator Board (Home Office), which has been separately reviewed in recent years;

(c) Criminal Injuries Compensation Board (Home Office), which was the subject of an efficiency scrutiny in 1982 and a staff inspection in 1984, and where a review was postponed by agreement with Treasury pending current legislation to place the Board on a statutory footing;

(d) Crown Agents (Overseas Development Agency), which have been subject to a separate programme of reviews following a fundamental re-organisation in 1983/84; and

(e) English National Board for Nursing, Midwifery and Health Visiting and UK Central Council for Nursing, Midwifery and Health Visiting (DHSS), which will be reviewed in the light of a current major policy review of nurse education and training; like all major DHSS executive bodies, the Board is subject to annual accountability reviews of performance and objectives.

2.3 The National Economic Development Council and Office (HM Treasury), have in effect been reviewed as part of the exercise leading to a significant reduction in their current activities, following the Chancellor of the Exchequer's announcement to the NEDC on 1 July 1987.

2.4 Except in cases where a body has only recently been established, Departments expect to complete outstanding financial management surveys by the end of 1988/89.



**Table 1: Executive Bodies**

<u>Department</u>	Total number of bodies (as listed in "Public Bodies 1986")	Number of bodies reviewed (by April 1987)
MAFF	35	33
OAL <sup>1</sup>	20	20
MOD	7	7
DES	16	14
DE	43	40
DEn	2	2
DOE	29	27
FCO	7	7
DHSS <sup>2</sup>	11	7
HO	13	8
NIO	7	3
ODA	6	4
SO	76	61
DTI <sup>3</sup>	61	26
DTp	6	5
HMT	2	0
WO	16	14
<b>TOTAL</b>	<b>357</b>	<b>278</b>

1. Annex A paragraph A.7 summarises the programme of across-the-board reviews in the NDPBs sponsored by the Office of Arts and Libraries.

2. Excludes separate programme of annual accountability reviews of policy and financial management.

3. Includes 12 Regional Gas Consumers Councils abolished under the Gas Act 1986.

**Table 2: Executive Bodies reviewed as a percentage of total departmental expenditure on NDPBs and of total staff employed by executive NDPBs.**

<u>Department</u>	PERCENTAGE REVIEWED (April 1987)		
	Number of NDPBs	Departmental NDPB expenditure	NDPB staffing
	<u>%</u>	<u>%</u>	<u>%</u>
MAFF	94	99	98
OAL <sup>1</sup>	100	100	100
MOD	100	100	100
DES	88	99	100
DE	93	11	21
DEn	100	100	100
DOE	93	100	95
FCO	100	100	100
DHSS <sup>2</sup>	64	42	84
HO	62	83	43
NIO	43	98	97
ODA	67	100	36
SO	80	97	94
DTI <sup>3</sup>	43	80	84
DTP	83	100	99
HMT	0	0	0
WO	88	84	73
	<u>78</u>	<u>64<sup>4</sup></u>	<u>67<sup>4</sup></u>

1. See Table 1 Footnote 1.

2. Excludes separate programme of annual accountability reviews of policy and financial management. If included, percentages are 100.

3. See Table 1 Footnote 3. Omitting the Regional Gas Consumers Councils the percentage is 54%.

4. Percentage of Totals excluding MSC: 91% and 78% respectively.

## Advisory bodies

2.3 75% of all advisory bodies have been subject to a policy review during the current cycle (763 out of 1014 bodies). In several cases a significant proportion of outstanding reviews are of multiple bodies. For example, in the case of the Scottish Office 73 multiple bodies will be dealt with in only 3 reviews. Remaining bodies will be the subject of reviews during the continuing programme. Table 3 shows the number of advisory NDPBs reviewed by each department between 1984 and 1987.

**Table 3: Advisory Bodies**

Department	Total number of bodies (as listed in "Public Bodies 1986)	Number reviewed (April 1987)	Percentage reviewed (April 1987)
			%
MAFF	47	40	85
OAL <sup>1</sup>	4	4	100
CO (MPO)	9	5	56
COI	1	0	0
MOD	44	44	100
DES	13	9	69
DE	185	77	42
DEn	5	2	40
DOE	21	18	86
FCO	6	6	100
DHSS	125	125	86
HO	136	132	97
LCD	205	205	100
NIO	2	2	100
ODA	5	4	80
SCA	1	1	100
SO	125	43	34
DTI	38	18	47
DTp	5	2	40
HMT	7	1	14
WO	30	25	83
<b>TOTAL</b>	<b><u>1,014</u></b>	<b><u>763</u></b>	<b><u>75</u></b>

1. See Table 1 Footnote 1.

## Tribunals

2.4 Out of 59 tribunals sponsored by departments in 1986, 37 had been reviewed up to April 1987. Table 4 gives details of the number of tribunals reviewed by each department.

**Table 4: Tribunals**

<u>Department</u>	<u>Total number of bodies(as listed in "Public Bodies 1986")</u>	<u>Number reviewed (April 1987)</u>	<u>Percentage reviewed (April 1987)</u>
			%
MAFF	3	1	33
DE	4	0	0
DOE	3	2	67
FCO/ODA	3	2	67
DHSS	7	7	100
HO	8	4	50
IR	2	0	0
LCD <sup>1</sup>	5	2	40
SCA	2	2	100
SO	3	2	67
DTI	6	6	100
DTp	2	0	0
WO	11	9	82
<b>TOTAL</b>	<b>59</b>	<b>37</b>	<b>63</b>

1. Of the three tribunals not reviewed, two, the Immigration Appeals and Adjudicators, were transferred from the Home Office on 1 April 1987. The third, the VAT tribunal, which was transferred to LCD on 1 April 1986, is currently being reviewed.

### Chapter 3: SUMMARY OF RESULTS OF REVIEWS

3.1 Policy reviews and financial management surveys can lead to:

- (1) winding up or restructuring of an NDPB;
- (2) specific identified savings;
- (3) the prospect of future savings from a clearer statement of policy objectives for the body and a better framework for control by departments and from better management within the body, leading to improved value for money.

However, similar outcomes can result from other management initiatives by departments which may or may not be related to the formal reviews. In the case of specific savings, for example, departments found it difficult in some cases to distinguish between those which arose directly as a result of the formal reviews and those which resulted from other management action such as the closer scrutiny of expenditure following the widespread introduction of Top Management Systems within departments, or the effect of wider policy changes on NDPBs. This is not surprising. The application of improved value for money tests following the implementation of the FMI and related management reforms was bound to have an effect on the funding and financial management of NDPBs. The results therefore reflect the impact of overall improvements in financial management and not just the formal reviews.

## Overall results

3.2 Short accounts of each department's progress with the formal review programme are contained in Annex A. For the period November 1984 to March 1987 departments reported total savings from their funding of NDPBs of some £30 million and 1,830 staff, either as a result of winding bodies up, financial management reviews or other allied initiatives. The continuing effect of all savings identified by departments over the remaining three years of the current PES period, ie to 1990/91, is some £110 million and a further 290 staff, on the assumption that previous funding levels would have continued in the absence of these actions. This represents total continuing savings of some £30 million per annum. Further, as yet unquantifiable savings, or greater outputs for the same inputs, should arise from the introduction of improved financial management procedures and systems.

### NDPBs wound up

3.3 In the period November 1984 to March 1987, reviews and other management initiatives resulted in nearly 200 bodies being wound up or rationalised with public expenditure savings of just over £2 million and 86 staff. The continuing effect of these savings and the planned winding up of other NDPBs over the PES period will lead to further savings of £17.6 million and 219 staff. The bulk of this saving is accounted for by the abolition of the Washington Development Corporation in 1988 with potential savings of some £9.5 million of public expenditure and about 120 staff. In addition the sale of the National Seed Development Organisation was completed in October.



### Other savings identified

3.4 For the review period, departments reported savings, such as those from improvements in efficiency, of over £29 million in public expenditure and 1,744 staff. The continuing effect of these and other savings expected over the remainder of the PES period is likely to reduce public expenditure on NDPB funding by a further £91 million and 70 staff. By far the largest single savings were in the General Practice Finance Corporation and the Agricultural and Food Research Council. By securing funds from the private sector the General Practice Finance Corporation (GPFC) achieved a reduction in public funding of £15 million in 1987/88. The recent White Paper on Primary Health Care (Cm 249) announced that the Government would be seeking powers to change the constitution of the GPFC to allow the maximum use of private sector funds. The Agricultural and Food Research Council (AFRC) has produced savings of £13 million per annum (over 1,100 staff). This reflects a reduction in the AFRC research commissioned by MAFF, an earlier reduction in its share of the science budget and reallocation of resources to new priority areas identified by the Council. AFRC has forecast further reductions of £5 million per annum (401 staff). Reforms to Wages Councils have resulted in possible administrative savings of almost £2 million.

### Value for money improvements

3.5 Departments reported value for money improvements under three headings: improvements in output and performance; targets set, for example for reducing costs or increasing earnings; and improvements in planning, systems and procedures. A summary of these value for money improvements is shown in Annex B. Improvements recorded in the Progress Report are not included.

3.6 A large number of the benefits to emerge are in the form of improved financial management procedures and systems, the effects of which cannot be readily quantified. In line with the objectives of the FMI and the programme of financial management surveys, departments report that a higher proportion of NDPBs now have systems in place which enable better budgeting, improved target setting and better measurement of output and performance. There are also firm commitments from an increasing number of NDPBs to introduce or improve corporate planning, a development welcomed by the PAC in its Fifteenth Report, Session 1986/87 (HC38). The ultimate success of this work will have to be judged by the extent to which NDPBs accept and deliver more demanding targets for outputs and performance, or cope with reduced resources, year by year.

## Chapter 4: FUTURE ARRANGEMENTS

4.1 The programme of reviews launched in 1984 concentrated on making sure departments and NDPBs had in place a framework of management and control systems and practices based on FMI principles which would allow them to produce progressive improvements in performance. Departments have confirmed that, with very few exceptions, such systems have now been established in all the major executive NDPBs.

4.2 A number of executive NDPBs had not been the subject of a financial management survey by April 1987. We recommend that outstanding financial management surveys should be completed by the end of 1988, unless postponed by agreement with Treasury and OMCS.

4.3 Now that NDPBs have, in the main, caught up with FMI practices adopted in departments, we have considered whether there should continue to be a formal programme of reviews in future. In its Fifteenth Report, Session 1986/87 (HC 38), the Public Accounts Committee commented that financial management and policy reviews are essential to effective sponsorship of NDPBs. In the sense that these reviews epitomise good financial management by Departments, that remains our view. There can be no question of discontinuing the substance of this work. Departments are bound from time to time to consider whether bodies should be retained, what level of funding is appropriate in relation to the objectives set for the body and whether the financial systems in place are adequate to protect public funds and maximise value for money. The issues now are how best to maintain good management within NDPBs; how best to ensure that these broader reviews take place at appropriate intervals; and whether Treasury/OMCS should continue to impose central requirements.

4.4 There is little doubt that the existence of the formal and externally imposed review programmes has acted as a stimulus. But as chapter 3 has noted, it has become difficult to distinguish in some cases between the benefits arising from the formal reviews and those resulting from other management action by departments, triggered by the wider improvements in financial management in recent years. Within departments there is now greater awareness of the need to review all expenditure systematically in terms of the extent to which it is fulfilling its objectives; and greater awareness of the need for adequate systems throughout the expenditure chain. It will also continue to be open to the central departments, for example in the context of the annual public expenditure Survey, to suggest reviews of particular programmes and activities. These considerations point to dispensing with a formal review cycle as intense as has applied recently.

4.5 Similarly, now that FMI principles have been applied to the bulk of NDPBs we do not think it appropriate for departments to be constantly reviewing their own arrangements for supervising NDPBs or the internal financial management arrangements within them. The tasks now are to bed-down the changes recently introduced, and to ensure that new systems are used and that good management practice in government continues to be applied promptly in NDPBs.

4.6 Against this must be set past experience which suggests that NDPBs - particularly smaller bodies - might not receive enough attention, given the need in exercises such as the public expenditure Survey to focus on larger issues. In this context, some departments have indicated to us that they regard the existence of a separate review programme as a useful discipline. In particular, it is likely to be easier for departments to handle relations with NDPBs they sponsor if reviews looking at the continued need for NDPBs can be presented as a centrally imposed requirement, and not necessarily an implied criticism of the work done by the NDPB in question.

4.7 Parliamentary concern over the arms length nature of NDPBs and the absence of direct Ministerial accountability also makes it of continuing relevance for the Government to be able to demonstrate that NDPBs give good value for money and have well defined and suitable policy objectives and adequate financial systems.

4.8 On balance, and bearing in mind particularly the findings in Chapter 3 that improvements in financial management are not now so dependent on formal external reviews, we conclude that for the future there should be a more flexible approach, recognising clearly the respective roles of NDPB management, sponsoring departments, and Treasury/OMCS at the centre of Government. Specifically, we recommend that

(a) The primary responsibility for the maintenance of adequate and up to date standards of financial management should rest with NDPB management, as a condition of continued funding.

(b) Sponsoring departments should ensure that NDPBs for which they are responsible

- have clear and, where possible, quantified objectives

- are held to proper account for the achievement of these objectives and the expenditure they incur

- are set good standards of financial management and performance targets, and use techniques such as corporate planning where appropriate

and should take prompt remedial action if they have any grounds for doubt about the standards of financial management within NDPBs.

(c) Sponsoring departments, in consultation with Treasury and OMCS, should undertake a programme of NDPB reviews each year. This should meet the minimum 5-yearly requirement at (d) below for individual NDPBs, but should also reflect review priorities arising from e.g. policy evaluation work and the annual public expenditure Survey. Departments should provide an annual return to OMCS and Treasury summarising reviews carried out and planned.

(d) In conjunction with the Treasury the OMCS should ensure that departments fulfil the requirement for a comprehensive review of the continued need for each NDPB, its objectives, its level of resources, and its financial and other management systems, at least every 5 years.

4.9 The effect of these recommendations would be to relax the present requirement for policy reviews for executive bodies and tribunals every 5 years and for advisory bodies every 3 years to a uniform minimum 5 year requirement; and would put reviews of financial management systems on to the same basis. Reviews after a shorter interval would not in any way be precluded if departments wished e.g. in the face of changed circumstances. The terms of reference for a comprehensive review as at paragraph 4.8(d) would need to reflect the nature of the body in question, as at present: the scale of a review of financial systems would clearly be much larger for a major executive body (e.g. the Arts Council) than for a small advisory body with no permanent staff.

4.10 We recommend that the arrangements described in paragraph 4.8 above should be introduced for 1988/89 onwards.

## Chapter 5: CONCLUSIONS

5.1 The programme of reviews announced by the Prime Minister has been substantially completed within the specified timetable. The few significant exceptions are outlined in paragraph 2.2 above, and we have recommended (paragraph 4.2) that these should be completed by the end of 1988. In line with recommendations in the Progress Report, departments have agreed precise action plans with NDPBs for implementation of reviews, with dates for implementing key recommendations and introducing targets for improved performance.

5.2 The programme asked departments to look at the scope for improving management and control systems and practices. This has been reflected by departments in recommendations relating to the establishment of clear financial and operational objectives and in an improved planning cycle. Departments expect the implementation of these recommendations to lead to the progressive improvements in NDPBs' performance which was the original aim of the programme as launched by the Prime Minister in 1984.

5.3 Departments will have a continuing role in supervising implementation and monitoring the results achieved. The review programme therefore can not be seen as a one-off exercise. The benefits of improved management and control systems will be realised only if they are used by Ministers and top management (both in NDPBs and in sponsoring departments) to assess performance and ensure that challenging targets continue to be set.

5.4 As explained in Chapter 3 above, it has proved difficult to distinguish savings arising directly as a result of formal reviews and those resulting from other management action, though worthwhile savings have been achieved. However we regard the installation of good management practices on FMI principles in NDPBs, and in their relations with sponsoring departments, as a significant step forward.

5.5 In the period since the 1979 review, parliamentary discussion of NDPBs has continued to place emphasis primarily on the reduction of the number of such bodies. Although the number of NDPBs abolished each year provides some measure of performance of NDPB policy, the main objective must be to maintain their cost-effectiveness, and, indeed, for some time it has not in practice been Government policy to reject proposals for new NDPBs on numbers grounds alone. However, while NDPBs can be the appropriate machinery to achieve particular objectives, clearly proposals for new bodies should continue to be examined to ensure that they are only set up if fully justified, and subject to strict financial and management controls within an appropriate policy framework.

5.6 Central guidance to departments is contained in "Non-Departmental Public Bodies: A Guide for Departments", prepared by OMCS and HM Treasury. The most recent edition was published in 1985 and was written within the context of the review programme announced in 1984. In particular, it will be necessary to set out the revised review arrangements described in Chapter 4 so that there is no ambiguity about what is required and to improve the guidance on eg the need for clear objectives and corporate plans. We recommend that the Guide should be revised in the light of this report and of developments since 1985, with a view to publication of a new edition by the summer of 1988.



## ANNEX A

### SUMMARY OF REVIEWS IN SPONSORING DEPARTMENTS

A.1.1 This annex summarises progress with the review programme in each department. It does not include reviews reported on in the comparable annex to the Progress Report submitted to the Prime Minister in July 1986, except where changes in the outcome of these reviews have been notified subsequently.

A.1.2 Departmental sections are arranged in order of total central funding devoted to NDPBs by the sponsoring department in 1985/86. This is shown in brackets at the beginning of each departmental section along with the total number of staff employed in executive bodies.

A.2 Department of Employment (Annual funding of NDPBs: £1,860m; Staff employed in NDPBs: 40,700 )

A.2.1 DE is responsible for 43 executive bodies, and had reviewed all but three of them by April 1987. The largest of the executive bodies still to be reviewed is the Manpower Services Commission which accounts for nearly £1,600m of public expenditure and employs 21,000 staff. The Commission will be the subject of a review in the future.

A.2.2 Of the other executive bodies, there has been slippage in the early stages of the joint policy reviews and financial management survey of Remploy Ltd (£60m public expenditure and 11,000 staff) but a draft report has now been received. The review of the Co-operative Development Agency (£0.228m expenditure and 7 staff) is also under way.

A.2.3 Initiatives in the Hotel and Catering Industry Training Board reduced staff from 177 to 165 between March 1984 and March 1986, with a saving of around £150,000 p.a. In addition guidelines have been drawn up for all ITBs for levy proposals submitted after 1 April 1987 and requiring Boards to produce strategic plans; it is anticipated that the guidelines should further assist improvements in output and performance. All 7 ITBs will be further reviewed before they are reconstituted in 1988. Reforms to Wages Councils included in the Wages Act 1986 have produced administrative savings of nearly £2m.

A.2.4 No change was recommended in the 15 advisory bodies reviewed since April 1986, but small savings have been produced in reducing the number of meetings of 2 advisory bodies associated with the Technical and Vocational Training Initiative. 77 of the 185 advisory bodies sponsored by DE have been reviewed in the current cycle. Reviews have still to be undertaken of the four tribunals the Department sponsors.

A.3 Department of the Environment (Annual funding of NDPBs: £1,280m; Staff employed in NDPBs: 13,200 )

A.3.1 DOE has now reviewed all but 2 of its executive bodies. A review of the Royal Commission on Historical Monuments (in receipt of £2.65m public expenditure and employing 155 staff) has been postponed so that it can be carried out jointly with parallel Scottish and Welsh bodies. The Commission for the New Towns (£33m gross expenditure and 521 staff) has reverted to its original review timetable because of pressure of work arising from 2 NAO reports on dispersal of new town assets and the financial restructuring of Development Corporations. Both reports are expected by the end of 1987.

A.3.2 As a result of the review of the Nature Conservancy Council savings of £8,000 p.a have been identified through reduced servicing costs and the abolition of the salary of the Chairman

of the Advisory Committee on Birds; further savings have been produced with the loss of one clerical post. In addition computerisation within the Housing Corporation will produce a net present benefit of £1.8m over six years, including staff savings of 25. Two New Town Development Corporations are due to be wound up at the end of 1987/88 with potential savings of up to 150 staff.

A.3.3 DOE has now reviewed all but three of its advisory bodies and all but one of its tribunals. No change was recommended in the reports on the 4 advisory bodies reviewed in 1986/87, but small savings have been produced by the curtailment of the work of the research sub-committee of the Building Regulations Advisory Committee. As was foreshadowed in a report in 1985/86 the London Housing Staff Commission has been wound up with a saving of £0.002m p.a.

A.4 Department of Education and Science (Annual funding of NDPBs: £670m; Staff employed in NDPBs: 12,900 )

A.4.1 DES has reviewed all but 2 of its 16 executive bodies; the remainder, amounting to just under £4m public expenditure and 45 staff, will be reviewed in 1987/88. Two of the bodies reviewed have been in existence for only 3 years and no recommendations have been made relating to savings. However a number of changes have been recommended in the Centre for Information on Language Teaching and Research and the Central Bureau for Educational Visits and Exchanges (in receipt of more than £2m public funds).

A.4.2 The bulk of DES expenditure on NDPBs, amounting to nearly £640m, relates to the 5 Research Councils. In addition to the recently completed Resource Management Study of all 5 Councils, Financial Management Surveys will be undertaken of particular aspects of the Councils' business. Following the second stage of a reduction in commissioning funds from MAFF, together with

reorganisation and other reviews, the AFRC lost 401 posts in 1986/87. These reductions will save at least £5.4m per annum from 1987/88 onwards. However costs of £4.5m in 1986/87 and continuing costs of £0.7m per annum must be offset against these savings. Taking account of staff losses in 1985/86 to meet the first stage of the reduction in MAFF commissioning funds, AFRC will have saved £10.8m per annum. In addition there is a reduction of 6.5 staff in SERC and savings of £0.044m. The total savings identified in these two bodies amount to over 1,600 staff and nearly £20m.

A.4.3. The 4 advisory bodies not yet reviewed out of the total of 13 bodies will be examined in 1987/88. Following the passing of the Teachers Pay and Conditions Act the two Burnham Committees ceased to exist, with a saving of £113,000. However they are to be replaced by an Interim Advisory Committee.

A.5 Scottish Office (Annual funding of NDPBs: £410m; Staff employed in NDPBs: 18,200 )

A.5.1 The Scottish Office has reviewed 61 of its 76 executive bodies and 44 of its 125 advisory bodies and 2 of its 3 tribunals. All but 2 of the outstanding reviews were originally programmed for 1987/88 or later years. Of the bodies still to be reviewed, the largest is the Highlands and Islands Development Board, which receives £30m funding from central government and employs 263 staff; the Board has been the subject of a Financial Management Survey (reflected in this report) but a Policy Review is still being undertaken. Of the outstanding advisory bodies 73 multiple bodies will be dealt with in only 3 reviews.

A.5.2 The reviews carried out in 1986/87 have identified savings of £0.72m over the next three years in Colleges of Education and £2,000 in the Scottish Community Education Council. The Scottish Health Education Co-ordinating Committee will be wound up later this year with savings of £0.001m and the National

Committee for In-Service Training of Teachers has been replaced by a new advisory body. A further 2 executive and 4 advisory bodies have been wound up in separate initiatives, with a total saving of £0.017m. These include the Fire Services Examination Board (Scotland), which has been merged to form a UK body, and the Orkney Islands Shipping Company, which has been transferred to the local authority sector.

A.6 Northern Ireland Office (Annual funding of NDPBs: £290m; Staff employed in NDPBs: 16,500)

A.6.1 The Northern Ireland Office has completed reviews of the Police Authority for Northern Ireland, the Probation Board (NI) and the Police Complaints Board for Northern Ireland. The review of the Police Complaints Board recommended that the Board should be replaced by a new Police Complaints Commission.

A.6.2 The 4 executive bodies still to be reviewed comprise the 4 training schools management boards. A major joint review was carried out between 1976 and 1979 but its main recommendation cannot be implemented until legislation can be introduced in 1990. Until the new structure is in place, NIO do not regard a further review as appropriate.

A.6.3 Both of the advisory bodies for which NIO is responsible have been reviewed and no changes recommended. A review of the 6 Prison Boards of visitors will be postponed until it can be carried out jointly with the Home Office once the recommendations of the Prior Committee have been agreed and implemented.

A.7 Office of Arts and Libraries (Annual funding of NDPBs: £230m; Staff employed in NDPBs: 7,600)

A.7.1. The OAL is responsible for 20 executive bodies and 4 advisory bodies. In addition to comprehensive reviews of the Arts Council and the National Film and Television School, and

major structural studies of the National Maritime Museum and the National Museums and Galleries on Merseyside, it has met its obligations to the present programme by a combination of across-the-board policy reviews and studies of individual bodies and functions. This approach takes account of the fact that its executive bodies, in particular the 10 national museums and galleries, fall into groupings which logically must be reviewed together, as well as of the limited resources within OAL.

A.7.2.           Reviews have included a substantial examination of arrangements for central government financing of national museums and galleries, which has resulted in a change to grant-in-aid finance from 1986-87 onwards. In addition, following a major study, plans are now well advanced for the transfer of responsibility for building and maintenance work from the Property Services Agency to the national museums and galleries during 1988/89. OAL has also made considerable progress with the introduction of corporate planning for all its major NDPBs and the preparation of new or revised financial memorandums to be issued to them. Studies conducted in individual bodies include visitor surveys in a number of the museums and galleries as well as such matters as internal audit arrangements and the provision of daily cleaning. There is a continuing programme of staff inspections.

A.7.3.           By way of examples, the review of posts at the National Maritime Museum is expected to save £290,000 (8 per cent of the salary costs) this year, and more next. Improvements in the security arrangements at the British Museum over the next three years will reduce security costs by £300,000 per annum. The Wallace Collection has negotiated the printing of a new series of catalogues at a significant discount.

A.8 Department of Energy (Annual funding of NDPBs: £190m; Staff employed by NDPBs: 14,000)

A.8.1 The Department of Energy sponsors only 2 executive bodies. The UK Atomic Energy Authority represents virtually all the Department's NDPB funding and was the subject of a major policy review in 1984; as was recorded in the Progress Report, it is being allowed time to settle into its new operational mode as a trading fund. The Oil and Pipelines Agency (in receipt of funding of £0.7m and employing 41 staff) was established only in December 1985.

A.8.2 Of the Department's 5 advisory bodies, 4 have been established or reviewed since 1984, and the remaining one will be reviewed shortly.

A.9 Department of Health and Social Security (Annual funding of NDPBs: £160m; Staff employed by NDPBs: 3,300)

A.9.1. The DHSS has integrated the NDPB reviews with its other FMI implementation. Annual accountability reviews which set objectives and review performance have been introduced for the major executive bodies. Advisory bodies and tribunals have been incorporated in the DHSS Departmental Management Accounts process.

A.9.2 Within this framework DHSS has reviewed all but 4 of the 11 executive bodies listed in "Public Bodies 1986". Of the remaining bodies, the English National Board for Nursing, Midwifery and Health Visiting (employing 178 staff and in receipt of £66.8m in public funds) and the UK Central Council for Nursing, Midwifery and Health Visiting (97 staff and £0.32m in public funds) will be reviewed in the light of a major policy review currently being undertaken of nurse education and

training. The Health Education Council (77 staff and £10.2m) has been reconstituted as a Special Health Authority and is no longer classified as an NDPB.

A.9.3 In addition to value for money savings listed in Annex B, savings of £15m in forecast PSBR have been identified as a result of the review of the General Practice Finance Corporation. Staff inspections of the Central Council for Education and Training in Social Work and of the HQ operations of the English National Board for Nursing, Midwifery and Health Visiting have identified savings of £125,000 and £45,000 respectively. In addition to savings so far of £28,000 in the Public Health Laboratory Services Board, an efficiency savings target has been set of £500,000 over the period to 1991/92. There is also a forecast saving of £2,000 per annum from a reduction in remuneration fund to the Chairman of the Medical Practices Committee.

A.10 Foreign and Commonwealth Office (Annual funding of NDPBs: £90m; Staff employed in NDPBs: 4,400)

A.10.1 The FCO has completed reviews of all of its bodies. These included reviews of its two largest bodies, the British Council (with voted funding of nearly £90m) and the Commonwealth Institutes (£2.5m) as well as the Marshall Aid Commemoration Commission. No changes were recommended, but a number of value for money proposals were identified (see Annex B).

A.10.2 No changes were recommended in the 2 advisory bodies reviewed but the review of the Irish Pensions Appeals Tribunal recommended savings (as yet unquantified) from the transfer of administrative and other functions to the DHSS office in Dublin.



A.11 Welsh Office (Annual funding of NDPBs: £80m; Staff employed in NDPBs: 1,500)

A.11.1 The Welsh Office has reviewed all but 2 of its 16 executive bodies. The review of the National Museum of Wales (in receipt of £7.6m government funding and employing 372 staff), has been postponed to allow the Director to bring forward proposals for an improved management structure in the light of comments by the PAC in January 1987. The review is to be undertaken as soon as possible this year. Reviews have also been completed of 25 of the Welsh Office's 30 advisory bodies and 9 of its 11 tribunals.

A.11.2 As a result of the reviews, savings amounting to £0.005m pa have been identified in the All Wales Advisory Panel on Development of Services for Mentally Handicapped People. In addition the Health Education Advisory Committee for Wales has been replaced by the Welsh Health Promotion Authority. The Mortality Survey Group, which has completed its work, has been wound up with savings affecting a number of administrative and professional staff.

A.12 Department of Trade and Industry (Annual funding of NDPBs:£60m; Staff employed in NDPBs: 1,270)

A.12.1 DTI has reviewed 26 of the 61 executive bodies listed in "Public Bodies 1986" (12 Regional Gas Consumer Councils have since been abolished). Of the remainder, the two largest are the National Consumer Council (total funding £1.6m) and the Gas Consumers Council (funding estimated at £2.7m in its first year of operation). The review of the National Consumer Council has been postponed until 1987/88 to allow a new Director, appointed at the beginning of 1987, to settle in. The Gas Consumers Council was established under the Gas Act 1986 and it would be premature to review it at this stage. Reviews of 5 other bodies established in 1985 will also be postponed. With 1 exception, the remaining bodies to be reviewed are nationalised

industry consumer councils (amounting to £0.8m total funding and employing 37 staff). Reviews of these have had to be deferred to 1987/88 because of pressure on the branch concerned.

A.12.2 The reviews of a number of bodies, including the Monopolies and Mergers Commission, the British Technology Group and the 4 Post Office Users Councils and 13 Electricity Consultative Councils, have produced structural and operational improvements that will lead to increased efficiency. In addition, the staff of the British Technology Group has been reduced by 16 as a result of staffing and business rationalisation. The British Film Fund Agency is due to be wound up following a change in policy, with a saving of £0.008m. It is intended that the National Metrological Co-ordinating Unit will be wound up by secondary legislation with effect from 1.1.88.

A.12.3 DTI has reviewed 18 of its 38 advisory bodies and all of its 6 tribunals. Of the remainder, 17 are advisory committees on technology requirements. These were reorganised in 1985/86 and will be reviewed as a group in 1987/88. No change has been recommended in 12 of the advisory bodies reviewed in 1986/87. The China Clay Council has ceased to be a public body now that previous ministerial appointees have resigned. In addition the Space Consultative Committee has been wound up following a departmental review of space policy with a saving of £0.001m. The Licensed Dealers Tribunal will be wound up when its functions are taken over by the Financial Services Tribunal to be set up under the Financial Services Act.

A.13 Ministry of Agriculture, Fisheries and Food (Annual funding of NDPBs: £30m; Staff employed by NDPBs: 2,300)

A.13.1 MAFF is responsible for 35 executive bodies, 47 advisory bodies and 3 tribunals. It has reviewed 33 executive bodies, 40 advisory bodies and 1 tribunal.

A.13.2 Reviews have identified savings of £0.01m in the Wine Standards Board through a renegotiation with the Vintners Company of its funding basis, and, subject to finalisation of report, of up to £0.12m in the Agricultural Training Board through an introduction of charging for tutor training and a revised official car policy. Adoption of FMI principles and efficiency principles resulting from the review of the ATB should lead to further savings of to per cent in running costs. Comparable savings in Food from Britain are subject to finalisation of the report. There have been further savings from a reduction of 15% in the number of committee members of the 20 Experimental Centres Advisory Committees.

A.14 Home Office (Annual funding of NDPBs: £20m; Staff employed in NDPBs: 1,200 )

A.14.1 The Home Office has reviewed 8 of its 13 executive bodies (amounting to over 80% of the Home Office's total funding of NDPBs in this category), 132 of its 136 advisory bodies and 4 of its 10 tribunals. The executive bodies not so far reviewed include a number of bodies recently established, as well as the Horserace Betting Levy Board, which has been separately reviewed in recent years, and Horserace Totalisator Board, neither of which are in receipt of public money.

A.14.2 No change has been recommended in the bodies reviewed in 1986/87.

A.15 Overseas Development Administration (Annual funding of NDPBs: £14m; Staff employed in NDPBs: 1,300)

A.15.1 The Overseas Development Agency has reviewed 4 of its 6 executive NDPBs and all 5 advisory bodies. Of the executive bodies reviewed in 1986/87, the Developing Countries Trade Agency was the subject of a management review and staff inspection in May 1986, and was established as a company limited by guarantee later that year. It is too early to quantify current or future savings but the Agency will be reviewed again in 1989. No change was recommended in the Commonwealth Scholarship Commission and Commonwealth Development Corporation. Annex B lists value for money savings identified in the Commonwealth Development Corporation.

A.15.2 There has been no specific review of the Crown Agents, following a fundamental examination and re-organisation in 1983/84 with a view to eventual privatisation. A review of the business arrangements between ODA and the Crown Agents has been undertaken recently. The Crown Agents Holding and Realisation Board is to be wound up once a suitable home can be found for some contingent liabilities. This would produce savings of £0.14m. Continuing reviews have identified savings of £2-3m on procurement, £94,000 a year on pensions and £250,000 through rationalising the activities of a loss-making subsidiary.

A.16 HM Treasury (Annual funding of NDPBs: £8m; Staff employed in NDPBs: 215)

A.16.1 The Chancellor of the Exchequer told the National Economic Development Council (NEDC) on 1 July 1987 of the conclusions the Government had reached on the frequency of the Council's meetings and the number of publicly funded Economic Development Committees (EDCs). Following a period of consultation with the other NEDC parties, the Chancellor announced the

Government's conclusions on EDCs, which amount to roughly a halving of sectoral tripartite committees. NEDO has itself taken steps to reduce its staff to 125 through natural wastage and voluntary redundancies by 1 April 1988 and has agreed with the Treasury a grant-in-aid of £5m for 1988/89.

A.16.2 As these changes have worked through the Treasury has, in practice, been carrying out both a policy review of the NEDC/NEDO and the appropriate elements of a financial management review, though they will continue to seek improvements in NEDO's internal financial management and accounting procedures.

A.16.3 The review of the Treasury's other executive body has been held over.

A.16.4 Outstanding reviews of 6 advisory bodies, including the 5 pay review bodies, are scheduled for completion by April 1988.

A.17 Ministry of Defence (Annual funding of NDPBs: £4m; Staff employed in NDPBs: 1,500)

A.17.1 MOD has completed reviews of all of its NDPBs. 5 out of the 7 executive NDPBs are service museums which ceased to be funded directly from MOD votes in 1984. They now receive annual grant-in-aid to cover their running costs and a small portion of the purchase cost of exhibits. The museums have been encouraged to develop a keener commercial awareness and to devote more effort to generating funds from private sources. As a result of a full scale management review, as well as other

organisational and financial improvements, potential savings of 3 staff have been identified for 1988/89 in the RAF museum, subject to a decision on the question of admission charges.

A.18 Department of Transport (Annual funding of NDPBs: £0.3m; Staff employed in NDPBs: 2,800)

A.18.1 The Department of Transport has completed reviews of 5 of its 6 executive bodies. The review of the Red Sea Lights Company Ltd, whose expenditure is met by contributions from 15 contracting governments, has been held over. Following the 1984 review of the 3 General Lighthouse Authorities, a further consultancy study has been undertaken into the Authorities' tender fleet requirements and is expected to recommend substantial savings in ship procurement. The Pilotage Commission is to be wound up following full implementation around 1989 of the Pilotage Commission Act 1987; this will produce savings of £324,000 p.a. and 5 staff.

A.18.2 Of the 2 advisory bodies reviewed, the review of the Standing Advisory Committee on Trunk Road Assessment has recommended a reduction in the size of the committee and that of the Advisory Committee on the Landscape Treatment of Trunk Roads revised terms of reference and a new structure.

A.19 Inland Revenue (0 executive bodies)

A.19.1 Reviews of the 2 Tribunals for which Inland Revenue is responsible have been held over.

A.20 Lord Chancellors Department (0 executive bodies)

A.20.1 The Lord Chancellors Department has reviewed all of its 205 advisory bodies. No changes were recommended in these bodies. However other initiatives identified savings of £30,000

p.a. in the Law Commission, which is the largest single body with funding of £1.7m; the savings arise from the appointment of a specialist legal editor and contract proof readers and from the use of word processors compatible with the Parliamentary press. However, the savings achieved in practice in 1986/87 amounted to £114,000 and are expected to rise to £246,000 p.a. by 1988-89. Savings equivalent to 15% of an HEO were separately identified as arising from the amalgamation of the Legal Services Conference and Legal Aid Advisory Committee.

A.20.2 A review of the VAT Tribunals is currently being undertaken.

A.21 Cabinet Office (including Management and Personnel Office)  
(0 executive bodies)

A.21.1 In addition to the 4 bodies reviewed in 1985/86 a review has also been carried out of the Civil Service Appeal Board. No change was recommended. The remaining 4 advisory bodies are scheduled for review in 1987/88. (On 1 October 1987 the Management and Personnel Office was reconstituted as the Office of the Minister for the Civil Service, following the transfer of certain functions to the Treasury).

A.22 Scottish Courts Administration (0 executive bodies)

A.22.1 The Scottish Courts Administration has completed reviews of its 1 advisory body and 2 tribunals. Savings amounting to 1 staff member and £17,000 p.a. have been produced in the Lands Tribunal for Scotland/Scottish Land Court with long term potential savings in the costs of the Court of 5 members of staff and £120,000 p.a. (about one-third of the costs of the Court).

A.23 Central Office of Information (0 executive bodies)

A.23.1           The one advisory body sponsored by COI was reviewed in November 1987.



## ANNEX B

### VALUE FOR MONEY IMPROVEMENTS

Departments recorded value for money improvements under three headings: improvements in output and performance, targets set, for example for reducing costs or increasing earnings and improvements. The main value for money improvements are listed in Tables 5, 6 and 7. They do not include improvements reported in the comparable Annex to the July 1986 Progress Report, except where further information has subsequently been made available. Departments are listed in order of total central funding devoted to NDPBs in 1985/1986 (shown in brackets under each department).

Table 5: Improvements in output or performance

Department	NDPB	Improvements in output/performance
D. Emp (£1,860m)	Hotel and Catering Industry Training Board	Training courses offered rose from 8,000(1984/5) to 11,000(1985/86).  Commercial income as a proportion of total income increased from about 1/4 in 1982/83 to about 2/3 in 1985/86.  Non-exemptible levy on employers wages bills reduced from 0.05% in 1985/86 to 0.045% in 1986/87 and to 0.035% in 1987/88.
	British Board of Agreement	Increased productivity through tighter internal costs control.  Improved market penetration by more market research and better longer term strategy.
DOE (£1,280m)	Development Commission/Council for Small Industries in Rural Areas	General improvement of performance, especially factory programme; £3.9m from factory sales and receipts, £1.9m above target. Rate of return for 1985/86 of 5.82% compared to target of 5.2%.
	Council for National Academic Awards	Student registration fees reduced further in 1986/87.  New computer system and increased delegation to institutions enabled some staff to take on extra work.
DES (£670m)	Colleges of Education	Staff/student ratio tightened.
	Ancient Monuments Board	Number of meetings kept to 3 per year despite increase in number of cases.

DHSS (£160m)	Medical Practices Committee	7% increased workload contained within existing resources.
	Public Health Laboratory Services	In diagnostic work for NHS, specimens, per member of staff increased by 20% during the period 1980/81 - 1985/86.
MOD (£4m)	Services Sound and Vision Corporation	Engineering department improved manpower utilization by 18-20% enabling introduction of new services without any increase in staff.

Table 6: Targets set

Department	NDPB	Targets
D.Emp (£1,860m)	Hotel and Catering Industry Training Board	Treble YTS intake in hotel and catering within 3 years.
		Raise training standards so that 93% gain exemption from levy (60% in 1985/86)
DOE (£1,280m)	British Board of Agreement	Phase out non-exemptible levy on employers wages bills by 1989/90 by increasing commercial income.
		Cover costs of commercially based activities from 1988/89 onwards.
	Countryside Commission	Remaining areas of heritage costs to be designated by 1989/90.
		A further 8 countryside advisors to be appointed in 1987/88; and full national coverage to be completed by 1990.
		Review of publications policy by November 1987.
		Proposals for cutting costs of telephones, office machinery by November 1987
		Working party to report on performance measures to be included in next corporate plan by November 1987.
	Targets in place for factory programme rate of return and COSIRA fees and charges.	
	Development Commission/Council for Small Industries in Rural Areas	Target deadlines for increase in receipts.
	Housing Corporation	Target of 2 weeks for processing grant recovery forms.
	London Dockland Development Corporation/Merseyside Development Corporation	Timetable set for implementation of review recommendations.

	Nature Conservancy Council	Targets for income generation to be considered; revised performance indicators for research programme to be developed.
		Some NCC sites to be disposed of to voluntary bodies; status of remaining sites to be reviewed every 5 years.
DES (£670m)	Council for National Academic Awards	Targets to be agreed for elimination of all but essential cash reserves and reductions in staffing and running costs by July 1987.
	Central Bureau for Educational Visits and Exchanges (CBEVE)	Full cost breakdown to be introduced for each of Bureau's 3 offices.
		Reviews of individual committees by August 1987.
		Introduction of more accurate costing mechanisms.
		Develop effective dissemination of policy by June 1987.
	School Curriculum Development Committee/Secondary Examinations Council	Set up SEC R&D Committee by Summer 1987
		Financial memoranda to be reviewed by Summer 1987
		Improve mechanisms for funding and financial control by Summer 1987.
Scottish Office (£410m)	Electricity Consultative Councils	Targets proposed for telephone postage and travel costs.
	Highlands and Islands Development Board	Consider scope for levying charges in certain marketing and advisory services.
	Colleges of Education	Staff/student ratio of 1:10 by 1988/89
	Scottish Council for Post Graduate Medical Education	Reduction in size

	Scottish Community Education Council	Establish arrangements for improved performance monitoring.
NIO (£290m)	Probation Board for NI	70% successful completion of Probation Orders.
DHSS (£160m)	General Practice Finance Corporation	Reduced public sector borrowing
	National Radiological Protection Board	Annual accountability review to be undertaken in November 1987
	English National Board for Nursing, Midwifery and Health visiting	Take forward work already done on performance review of Education Advisory Groups, and achieve cost improvements in respect of basic nurse training funds.
		Continue work on performance indicators for approving institutions and for monitoring their output and use of resources.
Welsh Office (£80m)	Welsh Development Agency	1: 4 leverage ratio for WDA investment in relation to other sources of funding.
		Target for annual reduction in unit costs of factory buildings.
	Wales Advisory Panel on the Development of Services for Mentally Handicapped people	Smaller panel of 6 compared with 16 members.
MAFF (£30m)	Wine Standards Board	Improve cash flow planning and forecasting to achieve optimum monthly bank balance by April 1987.
		System of annual staff assessments to be introduced in 1987.
	Food from Britain*	¼% to ½% reduction in running costs.
		Review relevance and cost effectiveness of research and management studies by April 1988.

\* Subject to finalisation of report

		Consider alternative financial strategies for co-operatives by early 1988.
Royal Botanic Gardens, Kew		Reduce size of directly employed labour force by April 1988 in return for flexible working/bonus scheme -possibly saving £22,000.
		Corporate plan to be completed by Autumn 1987.
		Introduction of stock control system by March 1989.
	Agricultural Training Board*	¼% to ½% reduction in running costs - saving £19,000 to £38,000.
		Recoup greater proportion of costs from industry. Increase penetration of industry to 30% without increase in grant.
ODA (£14m)	Commonwealth Development Corporation	Ratio of gross and net operating costs to total investments and commitments not to exceed 1985 level.
LCD (£5m)	Judicial Studies Board	Target of approximately 50 days of studies in 1987.
SCA (£1m)	Lands Tribunal for Scotland/Scottish Land Court	Workload and performance indicators for Court and Tribunal to be proposed by October 1987.
		Tribunal membership to be reviewed by Summer 1987.

\*Subject to finalisation of report

Table 7. Improvements in planning, systems and procedures.

Department	NDPB	Other VFM Improvements
D. Emp (£1,860m)	Hotel and Catering Industry Training Board	Improved planning through introduction of 3 year strategic plans.
	British Tourist Authority/English Tourist Board	Recommendations leading to more measurable objectives; more systematic review of past performance and studies on effectiveness of marketing.
DOE (£1,276m)	British Board of Agreement	Improved internal financial management, leading to better planning and forecasting; introduction of cost centres; restructuring of accounts; new arrangements for payment of grant; and a more commercial emphasis as regards future Board and staff appointments.
	Countryside Commission	Better corporate planning and improved performance measurement; improved forecasting and profiling of expenditure.  Programme of value for money studies (3 per year) introduced in 1985. New work programme structure introduced in 1987/88.
	Development Commission/Council for Small Industries in Rural Areas	Amalgamation of DC and COSIRA. Leading to better structure and tighter management control.
	Housing Corporation	Improved corporate planning and performance indicators: eg, more details on factory programme cost per job information and leverage ratios.  More information on performance: development times and unit cost of different types of housing provided. New investment code with effect from 1987/88 to identify housing needs to be met by association investment. Survey of lettings to improve targetting of investment.



	Local Government Boundary Commission	Research to establish effects of boundary changes to help future decision-making. Proposals for better financial management planning, target setting and performance monitoring.
	London Dockland Development Corporation/Merseyside Development Corporation	Proposals leading to more effective corporate planning and tighter financial control and better investment appraisal.
	Nature Conservancy Council	Greater financial control through improved accounting practices and more financial appraisal of projects. Improved corporate planning and performance measures eg staff per hectare of reserve and species indicators.
	Historic Buildings and Monuments	Internal planning arrangements improved. Quantified output and performance measures to be developed. Improved internal control and financial management by, eg the introduction of cost centres and revision of financial memorandum.
DES (£673m)	Secondary Examinations Council/Schools Curriculum Development Committee	Substantial unspecified saving from contracting out of distribution of teacher training material for introduction of GCSE.  Savings in region of £42,000 expected from SEC proposals to broadcast video teacher training materials.  SCDC commercial tendering for major distribtuion activities.  Savings of approx. £40,000 expected from pooling of SEC/SCDC common services.
Scottish Office (£406m)	Scottish Development Agency  Colleges of Education	New planning cycle integrating planning and budgeting and linking output targets to expenditure.  New policy evaluation to be set up.  Proposed changes in legislative and grant framework to reduce subsidies.

		Improved cost analysis to inform decision taking, including pricing of repayment services.
	Highlands and Islands Development Board	Development of objectives and output and performance indicators.
		New guidelines for factory building and social development grant.
		Improved appraisal procedures in financial assistance cases.
	Countryside Commission for Scotland	Improvements recommended by FMS in corporate planning, objective setting, budgeting, performance monitoring, financial controls, personnel management and management organisation.
	Historic Buildings Council for Scotland	Simplified system for consideration of small grants.
		SEC/SCDC catering privatised, leading to significant savings with no decline in quality of service.
NIO (£290m)	Probation Board for NI	Reorganisation of Board's senior management structure and establishment of Senior Management Group.
		Resource allocation and budgeting arrangements improved. In year monitoring of expenditure.
		Improved measures of output and performance.
	Police Complaints Board for NI	New complaints and discipline procedures including the establishment of the Independent Police Complaints Commission (to replace Board).
		Clarification of the Board's powers and duties in respect of staff recruitment, delegated financial authorities and the public expenditure planning cycle.

	Police Authority for NI	Annual strategic plan to include goals, objectives and priorities for year ahead.  Improved management accounting system. Review systems for monitoring and controlling the use of police manpower.
DEn (£190m)	United Kingdom Atomic Energy Authority	Better internal financial management following change to trading fund status.
DHSS (£160m)	Central Council for Education and Training in Social Work (UK)	Improved financial control arrangements introduced following staff inspection.
	National Radiological Protection Board	Recently installed integrated accounting system provides earlier and more detailed financial information.  Financial control procedures have been improved, and consultants' advice sought on budgetary techniques.
	Public Health Laboratory Services Board	Annual accountability reviews and internal cash limits introduced. Corporate Strategy produced.  Various managerial initiatives including introduction of trading accounts, computerised management information system, equipment committee to scrutinise priorities and best buys and performance indicators.
	General Practice Finance Corporation	Additional funds to be sought from private sector.
FCO (£90m)	British Council	Improvements in Council's internal management and planning, including: corporate planning, review of purchasing policy and procedures, and improvements in internal audit.

	Commonwealth Institute	Planning arrangements and management structure improved. Plans to examine potential for development of London site for tourism and commerce. Improvements in revenue raising from sponsors and others.
	Marshall Aid Commemoration Commission	Plans to set up students organisation as part of effort to raise profile of scholarships and value of HMG's investment.
	Irish Pensions Appeals Tribunal	Possibility of lower costs from transferring administrative and other functions to the DHSS Office in Dublin.
Welsh Office (£80m)	Welsh Development Agency	Introduction of an annual Business Plan and 5 year corporate plan, with performance indicators, for example: number of projects secured and value of associated investment and jobs; start ups as a percentage of all investments.
DTI (£60m)	Monopolies and Mergers Commission	Better financial planning and monitoring: new system of quarterly financial returns to allow appraisal of Commission's performance.  Industrial advisers reduced from 10 to 5; staff inspection in 1987 to recommend new manpower ceiling.
	British Technology Group	Introduction of corporate planning; improved monthly management accounts; and new performance appraisals and bonus pay.
	Post Office Users National Council. POUCS for Wales, Scotland and N. Ireland	Evaluation of performance in complaint handling to be developed.  Regular internal audit and staff inspection to be established.
	Electricity Consumers Council. Area Electricity Consultive Councils	Study of regional divergencies in unit costs recommended. Introduction of new system of allocation of funds among Councils.

MAFF  
(£30m)

Wine Standards Board

Proposals for a mini forward plan showing objectives, targets and measures of effectiveness.

Output measurement of individual inspections and of organization as a whole to be introduced.

Agricultural\*  
Training Board

Better purchasing procedures; costing system to be re-examined; and more emphasis on monitoring performance.

Home  
Office  
(£20m)

Police Advisory  
Board

New constitution introduced in November 1984 reduced outside membership from 28-15 and established a new standing committee on conditions of service. Main Board is now able to concentrate on major policy issues while the Standing Committee clears backlog of less important items.

Broadcasting  
Complaints  
Commission

Streamlined procedures - leading to one of the rounds of written evidence being dropped on a trial basis. The review has made recommendations designed to lead to tighter budget estimates, which have in the past frequently exceeded actual expenditure.

Community Projects  
Foundation

Shift in emphasis proposed from fieldwork towards consultancies, training and dissemination of good practice. Expected reduction of approximately £100,000 in planned level of Home Office grant in 1988/89.

Commission for  
Racial Equality

Annual planning document introduced and chief executive appointed (cost met by abolishing two other posts). Increased support through training and funds for work of law and advice centres, with a view to reducing Commission's direct involvement in complaints work.

\* Subject to finalisation of report.

ODA  
(£14m)

Crown Agents

Cessation of business of a loss making subsidiary saving £250,000. Scheduled transfer of pensions administration work from Crown Agents to ODA likely to save £94,000 a year from August 1989.

More goods procured for the same money through savings incentive scheme.

Commonwealth  
Development Corporation

Better project evaluation. More accountability as a result of a revised planning framework memorandum.

LCD  
(£5m)

Law Commission

Improved internal control of priorities, staff time and other costs.

MOD  
(£4m)

RAF Museum

Organization, procedures and financial improvements, including a reduction of 3 staff in warding posts.

SCA  
(£1m)

Lands Tribunal for  
Scotland/Scottish  
Land Court

Long term strategy for fee increases, leading to reduced workload for court, saving 5 posts and £120,000 a year.

Pension Appeal  
Tribunal for  
Scotland

New performance indicator: maximum time taken for cases to be heard. Provision of quarterly 'delay' statistics.

**PRIME MINISTER'S ANNOUNCEMENT OF REVIEW PROGRAMME**

c.1 A programme of work to improve performance and value for money in non-departmental public bodies was announced on 19 November 1984 by the Prime Minister. In reply to a Commons written Parliamentary Question, the Prime Minister also confirmed that the Government's policy of regular scrutiny of the need for each NDPB, and of any proposals for new bodies, would continue.

C.2 The full text of the question and reply were as follows:

**Sir Philip Holland** asked the Prime Minister: "whether it remains her policy to keep the numbers and spending of non-departmental public bodies under tight control; and whether she will ensure that the drive for increased efficiency and effectiveness in the Civil Service is followed through by similar action in public bodies."

**The Prime Minister** replied: "Yes. We shall continue to keep all non-departmental public bodies under regular scrutiny to ensure that they and their programmes give value for money. We shall resist pressures for new bodies unless we are convinced that a non-departmental public body is the most appropriate way to do a particular task. Substantial savings have already been made. Since 1979 we have wound up or substantially reduced the expenditure of nearly 700 such bodies saving some £118 million a year. But there is more to be done. A recent report of the Cabinet Office/Treasury Financial Management Unit, copies of which are being placed in the library, shows that some bodies need better systems for defining their objectives, setting targets and assessing achievements. Over the next two years therefore departments will be looking, in

collaboration with the management of their sponsored bodies, at the scope for improving management and control systems and practices, with the aim of producing progressive improvements in performance. The main programme of work should be completed by April 1987."





*pay*

CH/EXCHEQUER	
REC.	22 JAN 1988
ACTION	PMG
COPIES TO	

✓  
22/1

10 DOWNING STREET  
LONDON SW1A 2AA

21 January 1988

From the Private Secretary

*Dear Eleanor,*

REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

The Prime Minister has seen your Minister's minute of 14 January.

The Prime Minister notes that the programme of reviews has now been completed for most of the major NDPBs, but is slightly concerned that the full programme is not yet completed. She attaches importance to full completion by the end of 1988 as your Minister now proposes.

The Prime Minister is content with the proposed handling of the reviews of NDPBs in future and with the terms of the proposed PQ answer. She does however attach particular importance to the need rigourously to demonstrate the case for any new NDPBs. She welcomes the emphasis on the importance of strict financial and management controls, and hopes as many NDPBs as possible set up effective corporate planning systems.

The Prime Minister would be grateful for a further report in two years on how the system is operating.

Perhaps you could let me know whether your Minister has any preference on the timing of the arranged PQ.

I am copying this letter to the Private Secretaries to Ministers in charge of departments, the Paymaster General and to Sir Robin Butler.

*Yours sincerely,  
Paul Gray*

PAUL GRAY

Miss Eleanor Goodison,  
Office of the Minister of State Privy Council Office.



CH/EXCHEQUER	
REC.	26 JAN 1988 2/1
ACTION	PMG
COPIES TO	

OFFICE OF ARTS AND LIBRARIES  
Horse Guards Road  
London SW1P 3AL  
Telephone 01-270 5929

*pmg*

From the Minister for the Arts

C88/443

Paul Gray Esq  
10 Downing Street  
LONDON SW1A 2AA

25 January 1988

Dear Paul,

**REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES**

Thank you for your letter of 21 January recording the Prime Minister's comments on this Report.

Officials have been asked to reflect these views in the new edition of the Guide to Departments on Non-Departmental Public Bodies and in other material they issue. A further report will be prepared in two years on how the new arrangements are operating.

On timing, the arranged PQ might ideally be answered in the course of this week to ensure that it is well out of the way before any announcement is made on the "Next Steps". Please let me know which day suits you best, so that we can alert our Press Office to respond to enquiries.

I am copying this letter to recipients of your letter.

Yours ever

Judy

MISS J WRIGHTON  
Assistant Private Secretary