

PART 3

Confidential Filing

Future of Quangos : Leo Pliatzsky

GOVERNMENT
MACHINERY

In attached folder.
Review of the Royal Commission.
Public Bodies 1983 and 1985
Mapping up Reports in box in CF
Report attached to Part 1

Part 1: July 1979

Part 3: March 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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25.3.81		13.11.81					
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PART 3 ends:-

SS/DOG to MS/MPO 31/7

PART 4 begins:-

TF to PM 1/8



The Rt Hon Richard Luce MP
Management and Personnel Office
Great George Street
LONDON
SW1

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

31 July 1986

Dear Richard

Norm

Thank you for your letter of 15 July about privatisation and quangos, and for your letter of 25 June to John Patten, concerning particular reservations you have about the consumer consultation arrangements we propose for a privatised water industry.

I certainly agree that our arrangements should be cost-effective and defensible, but there are also a number of reasons why in this particular case the quango count is not the best indication of what we are doing.

You compare the single advisory body being set up for gas and the 6 new advisory bodies created for telecommunications with our proposals for water which involve 20 (and not, as you feared, 40) such bodies. The reasons are by no means arbitrary. Our arrangements reflect the fact that the water industry is regionally based and covers a wide range of different activities. (The 10 water authorities are themselves amalgamations of nearly 1600 different bodies which existed prior to the 1974 reorganisation.)

What my Department is proposing would be a considerable rationalisation of the existing consultative arrangements. There are at present 43 consumer consultative committees (CCCs), 10 regional recreation and conservation committees (RRCs) and 10 fisheries advisory committees (FACs). Under our proposals, the CCCs would be reduced to 10, and the RRCs and FACs combined, so halving their numbers. The total number of committees will therefore be reduced from 63 to 20. Although we are proposing to allow the consumer committees to establish local sub-committees if they wish, this will not affect the quango count.

As you know, John Gummer has expressed reservations about combining fisheries with recreation. However, he has said that he is willing to consider administrative arrangements which would avoid the creation of a further 10 quangos.

The problem arises over the definition of an NDPB. The present committees are appointed by the water authorities themselves and do not count as quangos. The new committees are to be appointed by the Director General of Water Services or Government Ministers, and so will. It is important for the credibility of the new committees that they should be independent of the privatised authorities, and I do not regard continuation of the present arrangements as an option. An alternative might be to leave out of

the quango count the 10 consumer committees, which - unlike the national Advisory Committees on Telecommunications and the Gas Consumers' Council - will be appointed by the Director General rather than Ministers. I understand that it has already been agreed that new public bodies set up to deal with land drainage would not count as NDPBs since they would have a predominantly local authority membership.

Privatisation of the water authorities will transfer £27 bn of assets and 51,000 jobs from the public sector to the private sector. In order to succeed, we must be able to persuade a number of groups that their interests will be protected. Part of this is the establishment of effective and independent consultation arrangements. The technical creation of new NDPB's needs to be set against the overall shift in balance between the public and private sectors that the policy will achieve.

It would be helpful, therefore, if the arrangements for consultative bodies could be considered on their own merits. Once this main issue has been settled, we will be pleased to let you have a detailed response to the points you raised in your letter to John Patten.

/ Copies of this letter go to members of Cabinet and Sir Robert Armstrong.

[Handwritten signature]
[Handwritten signature]

NICHOLAS RIDLEY





CSG

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Management & Personnel Office
Great George Street
LONDON
SW1P 3AL

23 July 1986

NSPM

R. Luce

I have seen your letter of 15 July to Nicholas Ridley.

In devising the arrangements for consumer representation on privatisation of British Gas, full account was taken of the need to achieve the most cost effective arrangements consistent with the essential aim of ensuring that consumers continued to be fully protected. To this end, the Gas Bill provides that a single Gas Consumers' Council will replace not only the existing National Gas Consumers' Council but also the twelve Regional Gas Consumers' Council, a net reduction of twelve in the number of NDPBs. This, of course, well maintains our general policy stance on quangos.

I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

[Large handwritten signature]

PETER WALKER

GOLT MACH

QUANGOS

PT 3



500

From: Mr J Fuller

Date: 21 July 1986

MISS JENKINS
Efficiency Unit

cc PS/Minister of State,
Treasury
PS/Miss Mueller
Mr Hewes
Mrs Chapman

REVIEW OF NDPBs: PROGRESS REPORT

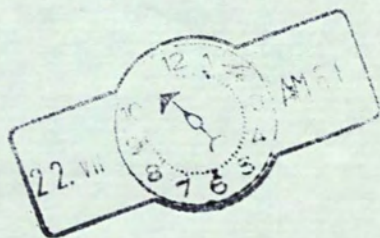
I attach a copy of the report sent by my Minister and Peter Brooke to the Prime Minister. I understand that you were involved in earlier stages of consultation on this, and No 10 have asked for the Efficiency Unit's comments on the report before it goes in to the Prime Minister.

2. I am copying this to Mark Addison.

JF

N.

JOHN FULLER
Assistant Private Secretary





Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
Richard Luce MP

Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

15 July 1986

Dear Mr Ridley, *NRPN.*
PRIVATISATION AND QUANGOS

I regret that arrangements for water privatisation have had to be postponed, but it does give me the opportunity to sound out your views and those of other colleagues on the general topic of our NDPB policy where it interacts with our plans for privatisation.

It appears that privatisation can have a somewhat arbitrary effect on the number of NDPBs created: the Telecommunications Act 1984 provides for 6 new advisory bodies (to represent interests of the 4 regions, of small businesses, and of the elderly and disabled); the current Gas Bill proposes a single Gas Consumers Council to represent all consumers' interests; and, as you know, there have been times when I feared that water privatisation might lead to the creation of up to 40 new quangos.

At present our stated policy is to resist pressures for new bodies: ie to set up a new NDPB only when its functions are essential and need to be in the public sector, and it is clear that an NDPB is the most cost-effective machinery. From 1979 to 1985 we have been able to report a reduction in the total number of NDPBs each year. The figures for 1986 are not yet available but I am not sure that this trend has been maintained. Pressures to set up new bodies come from many sources, including the need to represent interest groups when public sector activities are privatised.

It may be that we should be willing to accept a (modest) increase in NDPB numbers where this is a side effect of privatisation and, the point I am making is in no way intended as an obstacle or complication for our thrust towards privatisation. But,

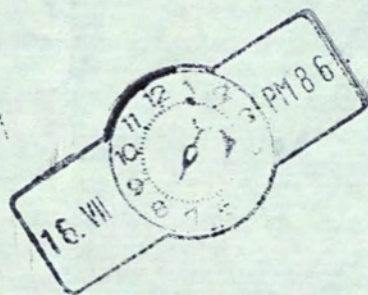
colleagues should be aware of the overall implications for maintaining our general policy stance on quangos.

In considering any future privatisation proposals (including for the water authorities) I feel sure that we should consider at an early stage the most cost-effective and defensible arrangements for any NDPBs that may have to be set up to represent consumers and/or other interest groups. Having reached an explicit view on this, we will all be better placed to justify any new NDPBs which result from privatisation.

I am copying this letter to members of Cabinet for their comments and to Sir Robert Armstrong.

Richard Luce

RICHARD LUCE





CEBG A

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

Bt on 15/7 pl.
MCA 16/7

14 July 1986

REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES: PROGRESS REPORT

... I attach a report from Peter Brooke and myself on the progress of the programme of reviews of non-departmental public bodies which you launched in a personal minute to Ministers in charge of departments on 22 October 1984.

- at 15/7 pt. 16
GOUVERNEMENT CANADIEN

The programme of reviews will be substantially completed by April 1987 and we will submit a report this time next year. The attached report summarises progress up to April 1986, and has been prepared to allow you and Ministers in charge of departments to take stock of progress to date. We propose that it should be regarded primarily as an internal working document and should not be published.

Half of all executive bodies have been reviewed, a quarter of advisory bodies and 40 per cent of tribunals. This review programme and parallel initiatives have saved £15 million (£13 million in the Agricultural and Food Research Council). The main results are that departments and NDPBs are committed to better planning and control, to developing performance measures and to setting value for money targets. This extends to NDPBs the approach we have been taking in the Civil Service.

The report makes recommendations for making the remainder of the review programme more effective and for future action. We endorse these recommendations and think it is particularly important that, for the remainder of the review programme:

- some reviews might be more selective in the issues investigated in depth, so as to concentrate on key areas such as measures of performance and value for money targets;
- reviews should lead to an action plan, with dates for implementing recommendations and targets for improved performance;
- departments should be alert to the possibility of comparison and collaboration between reviews of comparable bodies.

MINISTER OF STATE AFFAIRS

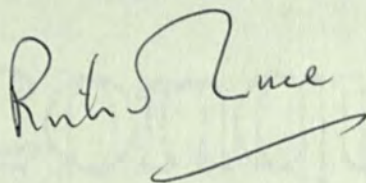
COMMISSIONER



MPO and Treasury officials will continue to monitor the review programme and the implementation of key recommendations, but it is of course primarily Ministers in charge of departments and their senior officials who can best ensure these reforms are used and become more widespread.

While this programme of reviews will thin out any NDPBs whose existence is no longer essential, we will only control the total number of quangos satisfactorily if we all robustly resist pressures to set up new bodies. As well as acting on the recommendations of this progress report, I therefore hope that Ministerial colleagues in charge of departments will renew their resolve not to consider setting up an NDPB unless this is demonstrably the most cost-effective option.

A copy of this minute and the report goes to Ministers in charge of departments.

A handwritten signature in dark ink, appearing to read 'Richard Luce', with a long horizontal flourish extending to the right.

RICHARD LUCE

Reviews of Non - Departmental Public Bodies

**PROGRESS
REPORT**

**Cabinet Office (MPO)
HM Treasury**

July 1986

Reviews of Non-Departmental Public Bodies

PROGRESS REPORT

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REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

Introduction: REASONS FOR REVIEWS

I.1 Non-departmental public bodies (NDPBs or quangos) account for a sizeable portion of the public sector. In 1985 there were some 1650 bodies; between them they employed almost 140,000 staff and recorded a total expenditure of £7.8 billion, of which £5.1 billion was funded by central Government. Two NDPBs, the MSC and the Housing Corporation, accounted for £2.3 billion of this public expenditure. The next 25 NDPBs in order of size accounted for approximately £2.1 billion.

I.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 1984 there were just over 400 executive bodies, almost 1100 advisory bodies and 71 tribunals. (There were also 120 'other' bodies, mainly Boards of Visitors to Penal Establishments.)

I.3 Although over 700 bodies had been wound up since the major review of NDPBs in 1979, 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." It was therefore decided that the regular programme of reviews of NDPBs should be strengthened by a cycle of financial management surveys to be largely completed by April 1987. This initiative was announced by the Prime Minister on 19 November 1984.

I.4 In a financial management survey each department in collaboration with the management of its sponsored bodies would look for ways of improving the planning and control of what they do so as to produce better performance year by year. 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. In addition, all NDPBs would continue to be subject to policy reviews in which the basic justification for each body was critically examined and also the appropriateness of its current structure to performing its allotted functions.

I.5 This report summarises progress with financial management surveys and policy reviews up to April 1986.

Chapter 1: PROGRESS WITH REVIEWS

Executive bodies

1.1 Up to April 1986 a financial management survey, a policy review, or both, had been completed for almost half of all executive bodies. The bodies reviewed accounted for 45 percent of total Government funds spent through NDPBs and also for 45 percent of all staff employed by NDPBs. In general, departments with large numbers of NDPBs, such as the Scottish Office, Department of Employment and MAFF, reviewed a high percentage of their executive bodies. Table 1, in which departments are listed according to the number of executive bodies they sponsor, gives details of the number of bodies reviewed. The percentage of total departmental bodies and the percentage in terms of departmental expenditure through NDPBs and in terms of staff employed in NDPBs is also shown. Bodies sponsored by the Northern Ireland Office are included in this table and the rest of the report. 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 (47 executive, 44 advisory and 11 tribunals) have been excluded from the following tables and the remainder of this report.

Table 1: Executive Bodies Reviewed up to April 1986

<u>Department</u>	<u>NDPBs</u>		<u>Percentage Reviewed</u>		
	<u>Total</u>	<u>Number Reviewed</u>	<u>Number of NDPBs</u>	<u>Deptl. NDPB expenditure</u>	<u>Staff in NDPBs</u>
Scottish Office	75	50	67	64	92
DTI	57	2	4	19	27
DE	44	37	84	11	19
MAFF	35	29	83	40	16
DOE	28	11	39	66	51
OAL	20	1	5	45	5
DES	16	10*	62*	97*	92*
Welsh Office	16	9	56	17	33
Home Office	13	6	46	80	42
DHSS	12	7	58	76	94
NIO	7	0	0	0	0
FCO	7	3	43	0	0
ODA	6	4	67	3	75
DTp	6	3	50	100	97
MOD	6	0	0	0	0
HMT	2	0	0	0	0
DEn	1	1	100	10	10
IR	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	352	173	49	45	45
	—	—	—	—	—

*DES figures include the 5 Research Councils which have been the subject of a resource management study and an efficiency scrutiny of their common services. Financial management surveys of the Research Councils will be completed later in the current cycle. (If the Research Councils are excluded, 31% by number, 2% by expenditure, and 4% by staff numbers have been reviewed.)

Advisory bodies

1.2 Approximately one quarter of all advisory bodies have been subject to a policy review (238 out of 1022 bodies). Departments with large numbers of advisory bodies have, in general, reviewed between a quarter and a third of their NDPBs though there is considerable variation between departments: MOD has reviewed all of its 43 advisory bodies; the Home Office has reviewed 3 of its 131 advisory bodies (101 of which are Local Review Committees at prison establishments which will be reviewed in 1986-87); and the Lord Chancellor's Department planned no reviews of advisory bodies in 1985 but is working to a timetable which will ensure that all of its 217 advisory bodies have been reviewed by the end of 1986. Table 2 shows the number of advisory NDPBs so far reviewed by each department (departments listed in order of number of advisory bodies).

Table 2: Advisory NDPBs reviewed up to April 1986

<u>Department</u>	<u>No. of Adv. NDPBs</u>	<u>No. Reviewed</u>	<u>Percent Reviewed</u>
LCD	217	0	0
DE	183	62	34
HO	131	3	3
DHSS	130	51	39
Scottish Office	127	26	20
MAFF	52	12	23
MOD	43	43	100
Welsh Office	31	13	42
DTI	27	6	22
(incl. ECGD	1	1	100)
DOE	23	3	13
DES	13	3	23
CO(MPO)	9	4	50
HMT	7	1	14
FCO	6	4	67
ODA	5	4	80
DTp	5	0	0
OAL	4	1	25
DEn	4	1	25
NIO	2	0	0
SCA	1	0	0
COI	1	0	0
Total	<u>1022</u>	<u>238</u>	<u>23</u>

Tribunals

1.3 Out of 53 tribunals sponsored by departments in 1985, 20 had been reviewed up to April 1986. Table 3 gives details of the number of tribunals reviewed by each department. Responsibility for the VAT tribunal (previously sponsored by Customs and Excise) has recently been transferred to the Lord Chancellor's Department who will be reviewing this body.

Table 3: Tribunals reviewed up to April 1986

Department	<u>No. of Tribunals</u>	<u>No. Reviewed</u>
HO	11	4
DHSS	8	8
DTI	5	2
Welsh Office	4	1
DE	4	0
MAFF	3	0
DOE	3	1
LCD	3	2
Scottish Office	3	0
IR	2	0
FCO/ODA	2	1
SCA	2	0
DTP	2	0
DES	1	1
Total	<u>53</u>	<u>20</u>

Chapter 2: SUMMARY OF RESULTS OF REVIEWS

2.1 The objective of each financial management survey is to identify how the NDPB surveyed can improve its planning and control systems thus achieving better value for money. Policy reviews examine the need for each body and the appropriateness of its current structure to carrying out its agreed functions. The current cycle of reviews can therefore lead to

- (i) winding up or restructuring of an NDPB;
- (ii) identified savings;
- (iii) improved systems allowing better assessment of value for money.

2.2 This cycle of reviews should be seen in context. Since the major Pliatzky review in 1979 which led to 240 bodies being wound up, all NDPBs have been subject to regular reviews (every 3 to 5 years) and over 500 additional bodies have been wound up or rationalised as a result. Also, by early 1985, some departments were already looking at the objectives and resources of NDPBs within their top management systems. Savings, improved planning and control systems and decisions to wind up NDPBs have therefore stemmed from good management practice and other initiatives as well as the formal programme of reviews.

NDPBs wound up

2.3 As a result of this review cycle 15 NDPBs will be wound up: 1 executive body, the Eggs Authority, sponsored by MAFF (leading to a saving of £250,000 of public expenditure, £2.9m in other savings, mainly in statutory levies, and 35 staff who were employed by the body, offset by the need for 5 additional departmental staff to carry on the necessary statistical work), and 14 advisory bodies sponsored by DHSS which will result in savings of £216,000. The future of some other bodies is still under consideration: for example the National Seed Development Organisation (a MAFF body) will be privatised if this can be achieved on satisfactory terms.

2.4 Table 4 shows details of 40 bodies which have been wound up as a result of management decisions or other initiatives since April 1984. Winding up these bodies has produced annual savings of almost half a million pounds and 24 staff.

Table 4: NDPBs wound up since April 1984 (not as a result of current review cycle)

<u>Department</u>	<u>NDPBs wound up*</u>	<u>Savings</u> <u>£/year</u>	<u>staff</u>	<u>Source of decision</u>
DOE	5 Ex 3 Adv	15,000	2	Govt. policy on New town DCs; Ministerial decisions
Scottish Office	3 Ex 3 Adv	34,000		Previous reviews; Completion of tasks; Ministerial decision
DHSS	3 Adv 3 Tri	132,000		
LCD	5 Adv	33,000		
DTI	1 Ex 3 Adv	32,000	11	Legislation; Ministerial decisions
Welsh Office	2 Adv	44,000	1	Ministerial decision
DES	2 Adv	19,000		
HO	2 Adv	10,000	1	
DE	1 Ex 1 Adv	100,000	9	
DTp	1 Ex			
MAFF	1 Adv	13,000		Ministerial decision
ODA	<u>1 Adv</u>	<u>33,000</u>	<u> </u>	
Total	<u>40</u>	<u>465,000</u>	<u>24</u>	

* Ex = executive body
Adv = advisory body
Tri = tribunal

Savings identified

2.5 In the course of the NDPB reviews and as a result of allied initiatives a number of savings, both in money and staff, have been identified. The largest single reduction, of £13 million a year expenditure and a saving of over 1100 staff in the Agricultural and Food Research Council (AFRC), resulted from a reduction in its share of the Science Budget monies followed by a reduction in MAFF commissioned research at the AFRC. Table 5 shows details of this and other savings identified by departments. Savings forecast for 1986/87 are shown separately.

Table 5: Savings identified up to April 1986 (other than savings shown in Table 4)

<u>Department</u>	<u>Savings to date</u>		<u>Savings for 1986/87</u>	
	<u>£'000</u>	<u>Staff</u>	<u>£'000</u>	<u>Staff</u>
DES (AFRC)	13,000pa	1178	6,000pa	600
DES (other RCs)	295	38	9	1
DHSS	1,548	3	120	1
MAFF*	3	-	101	-
HO	-	3	97	-
DE	78	12	68	3
Scottish Office	38	1	20	-
LCD	-	1	8	1
HMT	-	-	7	-
Welsh Office	-	12	-	194
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Total	14,962	1248	6,430	800

*Subject to finalisation of reports

Excluding the AFRC contribution, almost £2m of savings have already been achieved with further saving of £430,000 estimated for 1986/87. There will be a further reduction in staff numbers in Research Councils: 30 fewer staff in SERC and 8 fewer in NERC. The savings of 12 staff to date recorded by the Welsh Office arose from the sale of its town centre by Cwmbran Development Corporation: the transfer of its residual housing and community related assets to the local authority on 1 April 1986 produced a further saving of 194 posts.

Value for money improvements

2.6 Departments reported value for money improvements under three headings: improvements in output or performance, targets set, for example for unit costs or increased earnings, and 'other improvements'. A summary of these value for money improvements appear in Annex B as Tables 6, 7 and 8. In these tables, departments are listed in descending order of central funding of NDPBs. This is shown in brackets underneath each department.

2.7 In general, the entries in tables 6, 7 and 8 record changes which resulted from the reviews or recent allied initiatives. There was, of course, considerable variation in the systems already being used by different NDPBs at the start of the cycle as well as in what departments chose to report. This has meant that changes recorded as leading to improved target setting or better value for money in one NDPB (for example the introduction of corporate planning) may not have been mentioned by another body whose systems were already developed to this stage (or beyond) at the beginning of the review cycle.

2.8 Short accounts of each department's progress with the review programme appear in Annex A.

Chapter 3: CONCLUSIONS AND RECOMMENDATIONS

3.1 So far the major outcomes of the NDPB reviews have been a commitment to introduce improved planning and control systems, clearer relationships between NDPBs and sponsoring departments, the development of performance measures and the setting of targets.

3.2 There is much in the results so far which is encouraging. Positive steps have been taken to extend to NDPBs the expectation of steadily improving performance and the setting of specific targets for better value for money. We should build on this progress and, for the remainder of the review cycle, emphasise the need for departments and NDPBs to agree at the end of each review a precise action plan, with dates for implementing key recommendations and targets for improved performance.

3.3 The report in April 1986 by Sir Robin Ibbs on value for money targets emphasised that the arm's length relationship between central government and NDPBs is conducive to good target setting. Reviews should aim to pinpoint opportunities for departments to agree targets with their sponsored bodies for example as being developed by the DOE and the London Dockland's Development Corporation via the LDDC's corporate plan.

3.4 Many Departments have already made efforts to review the need for each NDPB and to consider its objectives and resourcing within their top management systems; DHSS, for example, has used the Divisional Management Accounts system to carry out an

annual check on advisory and tribunal bodies and has introduced annual accountability reviews for the major executive bodies in the health field. In other cases the reviews have resulted in departments deciding to integrate the planning and budgeting cycles of specific bodies with their own planning cycle - for example SITPRO (the Simplification of International Trade Procedures Board) at the DTI.

3.5 However the review programme has consumed significant resources and, for the remainder of the review programme, it is important that such resources are used as effectively as possible.

3.6 We have discussed this draft report with departments who are genuinely keen to make the reviews more productive and together we have formulated the following recommendations.

3.7 Recommendations for remainder of review cycle

(i) departments should continue to review NDPBs in accordance with the programmes they agreed with the Cabinet Office (MPO) and Treasury;

(ii) some reviews might be more selective in the major issues they investigate starting with a quick overview of the body's operations and then concentrating on identified areas of concern. It is up to departments and NDPBs to select these areas but they should continue to give particular attention to -

the formal and informal relationships between the NDPB and the department;

the means of setting measurable objectives and targets for improving value for money;

bringing together the means by which the NDPB's targets and resources are decided (corporate plan, business plan, etc) and the decisions on priorities and resources for the department's programme in its top management system and the public expenditure survey;

(iii) an action plan, with dates for implementing key recommendations and targets for improved performance, should be agreed at the end of each review and included in the review report;

(iv) departments with large NDPBs due for review in 1986-87 should consider whether some reviews should be carried out as efficiency scrutinies;

(v) as well as learning from experiences with early reviews of their own NDPBs, departments should be alert to the possibility of learning from and collaborating with other departments who sponsor bodies operating in comparable areas. Similar planning and control systems may be appropriate for bodies with comparable objectives and areas of operation. Also, collaboration between departments in carrying out policy reviews may identify areas of overlap between bodies sponsored by different departments.

(vi) MPO/Treasury should select a few examples of workmanlike reviews and ask the departments who produced them to make copies of these reports available to other departments.

3.8 Systems must be used

The best of corporate plans or management systems still relies on top management using it to challenge plans and decide what performance should be expected from what resources. Ministers and senior staff in NDPBs and in departments should use new or existing systems to conduct dialogues about plans, priorities and targets.

3.9 Future action

The Treasury and MPO should report again on the review programme in summer, 1987. They should also continue to monitor implementation of the recommendations by looking for improved definitions of objectives, value for money improvements, and targets for improvements. These should appear in annual reports, in corporate plans and in the Public Expenditure Survey.

ANNEX A

SUMMARY OF REVIEWS IN SPONSORING DEPARTMENTS

A.1 This annex summarises progress with the review programme in each department. Departmental sections are arranged in order of total central funding devoted to NDPBs by the sponsoring department. 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 (£1720m; 40,800 staff)

A.2.1 The DE reviewed 37 of its 44 executive bodies, including ACAS, HSC/E, 26 Wages Councils and 7 Industrial Training Boards. These bodies account for £181m of public expenditure and employ some 7850 staff. DE also reviewed 62 of their 183 advisory bodies, including 55 Area Manpower Boards. Industrial Tribunals and the Employment Appeals Tribunal are, subject to recognised judicial independence, fully integrated with DE's own management systems and were reviewed within this framework.

A.2.2 As a result of earlier initiatives ACAS had already achieved savings in administrative costs and was monitoring a number of output measures. For example between 1984 and 1985 staff numbers were reduced from 628 to 610 but more diagnostic surveys, advisory projects, extended training exercises and collective conciliation cases were handled. The number of individual conciliation cases rose from 42,720 in 1984 to just under 42,000 in 1985. Following the financial management survey it has been agreed that ACAS will submit annual management reports to the DE Permanent Secretary.

A.2.3 Though not included in the NDPB review cycle, so far, MSC reported a number of value for money improvements. Indicators such as cost per start, starts per member of staff and programme cost per person off unemployment count are recorded for all major MSC schemes: in general these have been held constant or moved in the right direction over the last year. A number of practical advantages are recorded resulting from devolved budgetary control - for example challenging a quotation of £400,000 for re-roofing a Skillcentre resulted in comparatively minor repairs to guttering being carried out instead at a cost of £30,000.

A.2.4 No change was found desirable in the advisory bodies reviewed.

A.2.5 Initiatives in the Industrial and the Employment Appeal Tribunal have lead to a total saving of about £80,000 (in reduced staff) and further savings of about £70,000 are expected in 1986/87.

A.3 Department of the Environment(£1248m; 8500 staff)

A.3.1 DOE has reviewed 11 of its 28 executive NDPBs (accounting for £845m of public expenditure and employing 4900 staff), 3 of its 23 advisory bodies and 1 of its 3 groups of tribunals. The executive bodies reviewed include the Housing Corporation, one of the biggest NDPBs spending over £700m a year, the Commission for New Towns and the six remaining New Town Development Corporations.

A.3.2 Corporate planning had already been introduced in the Housing Corporation and targets set for each of the Corporations main objectives. As a result of the financial management survey, targets have been set for the development of further performance measures which will enable comparison to be made between tenures and different constituents of the Corporation programme.

A.3.3 No change was recommended in two advisory bodies (the Building Regulations Advisory Committee and the Royal Commission on Environmental Pollution) but working arrangements have been streamlined in the Property Advisory Group by arranging fewer formal meetings and conducting work through more focused ad-hoc sub-groups.

A.3.4 A system of benchmarks has been introduced for the 13 Rent Assessment Panels to achieve greater consistency of staff to workload ratios between panels. Annual staff in post targets have been set for these tribunals: the 1986/87 target is to reduce staff from 128 to 120.

A.4 Department of Education and Science(£632m; 12,800 staff)

A.4.1 DES has 16 executive bodies, 13 advisory bodies and 1 tribunal. The 5 Research Councils, which between them received over £610m, form the biggest block of executive bodies.

A.4.2 By April 1986 DES had completed policy reviews of 3 bodies which between them employed some 240 staff and received just over £1m grant in aid in 1985 (Business and Technician Education Council, BTEC, the Centre for Information on Language Teaching and Research, CILT, and the Council for Educational Technology, CET). The Research Councils were all included in the recent Resource Management Study at DES and, in addition, the DES Parliamentary Under Secretary of State had held a series of

discussions with the Heads of Research Councils on corporate planning, the peer review system and value for money. The DES have also arranged the completion of an efficiency scrutiny of the common services of the Research Councils. These studies will underpin financial management surveys of the Research Councils which are scheduled for later this year or early in 1987.

A.4.3 The financial management systems of the CNAA had recently been scrutinised by Price Waterhouse and the Lindop Committee's investigation of this body took the place of a standard policy review. A Pliatzky review of the National Youth Bureau had been carried out in 1983 and the implementation of its recommendations was still under consideration in DES in early 1985. This earlier review has therefore been counted as part of the current cycle.

A.4.4 A number of value for money improvements have been identified in DES sponsored bodies; savings of £400,000 per year have been identified in the MRC through improved purchasing procedures; improved financial management information systems at the CNAA provide senior staff with the basis for target setting and have led to reductions in registration fees the effect of which is still being quantified. Separate reviews and decisions have lead to a reduction of over 1000 staff at the AFRC and savings of £13m.

A.5 Scottish Office (£381m; 16,100 staff)

A.5.1 By April 1986 the Scottish Office had reviewed 50 of its 75 executive bodies and 26 of its 127 advisory bodies. The executive bodies reviewed accounted for £244m of public expenditure and employed almost 14,800 staff. The review programme is being tackled systematically with a computer programme keeping up-to-date records of progress and future timetable. Although it has been agreed that their timetable for completing all reviews should be extended because of the large

number of NDPBs sponsored by the Scottish Office, the programme should be substantially finished by April 1987 with all major executive bodies having been reviewed by then.

A.5.2 Reviews completed so far have resulted in a management reorganisation of the Scottish Agricultural Colleges which will be completed by April 1987 and a decision to amalgamate two Agricultural Research Institutes. Potential savings of £20,000 per year and further as yet unquantified savings have been identified at the Scottish Tourist Board and the STEAC report has recommended that the 7 Scottish Colleges of Education should be reduced to 4. Final decisions have yet to be taken on these reports. As a result of a review, sponsorship of the Scottish National Camps Association is to move to the voluntary sector and this body will then cease to be an NDPB.

A.6 Northern Ireland Office (£268m; 16,200 staff)

A.6.1 The Northern Ireland Office has started reviews of 3 of its 7 executive bodies. The largest of these is the Police Authority, Northern Ireland (PANI) which employs some 15,000 staff and has annual funding of over £250m. PANI's plans include upgrading or replacing existing computerised systems and devising an effective management accounting structure. Studies within the Royal Ulster Constabulary have led to the development of new manpower orientated control systems and a decision that all levels of command will become involved in the setting of force financial targets. The policy review of the Police Complaints Board will be contained in the setting up of a new Commission to replace the Board. The necessary legislation should be drafted by mid-July and the order laid by December 1986.

A.6.2 One advisory body has been reviewed and no change recommended.

A.7 Office of Arts and Libraries (£221m; 7,400 staff)

A.7.1 The OAL is a small department (about 50 staff) virtually all of whose PES allocation is devoted to funding its 20 executive NDPBs - which include the Arts Council and 14 major museums and galleries. When the current cycle of NDPB reviews was launched OAL had already embarked on a programme of staff inspections, reviews and scrutinies of particular systems in its sponsored bodies. The Department has therefore continued this programme of work supplemented where appropriate by reviews of individual bodies. The principal efficiency exercises which OAL has pursued for groups of NDPBs are listed in Annex B. In addition, a review of organisation and management systems of the Arts Council has been completed, and other efficiency scrutinies of individual bodies are under way.

A.8 Department of Energy (£200m; 14,000 staff)

A.8.1 The Department of Energy sponsors only one executive NDPB, the Atomic Energy Authority whose annual funding from central government is approximately £200m. This body was the subject of a policy review in 1984 which led to a decision by Ministers to set the AEA up as a trading fund with effect from 1 April 1986. This body will be reviewed once it has had time to settle into its new operational mode as a trading fund.

A.9 Department of Health and Social Security (£163m; 3,200 staff)

A.9.1 The DHSS has integrated the NDPB reviews with their other FMI implementation. Their annual objective setting and performance review process has been extended to bodies which manage significant resources and other bodies have been

incorporated in their Departmental Management Accounts process. Within this framework 7 of their 12 executive bodies have been reviewed, including the English National Board for Nursing, Midwifery and Health Visiting, ENB, (expenditure of £67m in 1984/85) and the Public Health Laboratory Service Board, PHLSB, (which employs over 2000 staff and received central funding of £34m in 1984/85). In total, the executive bodies reviewed account for £124m and employ just over 3,000 staff). 51 out of 130 advisory bodies have been reviewed and all 8 tribunals.

A.9.2. As a result of the reviews or other initiatives 17 advisory bodies have been wound up, savings of over £1.5 million have been achieved so far in executive bodies and a large number of value for money improvements have been identified. These include increased workload and productivity at the PHLSB (since 1979/80 staff have been reduced by 6% while workload has increased by 18%); increased administrative workload of about 20% has been contained within existing resources at the National Biological Standards Board and a number of targets set for reviewing the Board's management and control systems; the ENBNMHV has been set targets of achieving a 1 per cent savings (£40-£45,000) on HQ operations and of examining the scope for using performance indicators to approve institutions and to monitor their output and use of resources; the Health Education Council has been set targets of developing management accounting in 1986/87, moving to cost-centre budgeting in 1987/88 and building evaluation into campaign planning.

A.10 Foreign and Commonwealth Office (£85m; .4300 staff)

A.10.1 Reviews are still under way of the major NDPBs sponsored by the Foreign and Commonwealth Office, namely the British Council (annual funding approximately £157m) and the Commonwealth Institutes (annual funding £2.3m). Reviews have

been completed for 3 minor executive bodies (total funding under £0.3m, employing 9 staff) and 3 advisory bodies but no changes have been recommended. The review of one minor tribunal, the Foreign Compensation Commission revealed that its work programme was progressing very slowly. A number of brisk and sensible recommendations were made to improve work practices, save staff and wind up the Commission when its task has been completed.

A.11 Welsh Office (£78m; 1700 staff)

A.11.1 The Welsh Office has reviewed 9 of its 16 executive NDPBs including the Sports Council for Wales (spending £2.8m and employing 140 staff) and the Wales Tourist Board (spending £6.4m and employing 110 staff). Cymru Development Council (spending £4m and employing 312 staff) was the subject of a separate Ministerial review. The 6 Welsh Agricultural Wages Committees (AWC) were covered by the MAFF review of the AWCS for England and Wales. Work is in hand with the Sports Council for Wales to develop better performance indicators and to improve their financial management information systems.

A.11.2 One tribunal was reviewed and some potential longer term savings were identified. Thirteen advisory bodies were reviewed. The Department will provide the Welsh Medical Committee with a structured yearly programme of issues on which their advice will be sought. The coverage of the Welsh Scheme for the Development of Health and Social Research will be changed and the scheme better publicised.

A.12 Overseas Development Administration (£45m; 1300 staff)

A.12.1 The Overseas Development Administration has reviewed 4 of its 6 executive NDPBs (accounting for about £1m of public expenditure and employing some 970 staff) and 4 of its 5

advisory bodies. Savings of over £100,000 in 1986/87 are forecast at the Institute of Development Studies and work is in hand on performance indicators and other value for money improvements at the UK Trade Agency for Developing Countries (UKTA). There have been significant increases in output in several UKTA activities, for example in 1984 43 company profiles covering 63 product groups were produced while in 1985 65 company profiles covering 76 product groups were produced. There has been a fourfold increase in the number of importer enquiries handled over the last few years and also in the number of outlets through which trade opportunities are disseminated.

A.13 Department of Trade and Industry(£25.8m; 1230 staff)

A.13.1 The DTI has completed reviews of two executive bodies, the Simplification of International Trade Procedures Board (SITPRO) and the Design Council which, between them, account for £4.8m and employ some 330 staff. A review of the Monopolies and Mergers Commission is under way. Although DTI is recorded as having 57 executive bodies, 45 of these are small consumer consultative bodies 13 of which will be wound up with the privatisation of British Gas. The British Film Fund Agency will also be wound up shortly. Six advisory bodies (out of 28) and 2 (out of 5) tribunals have also been reviewed.

A.13.2 Both in SITPRO and the Design Council activity has increased considerably in recent years with no comparable increase in resourcing. SITPRO's earned income has increased from £57K in 1980/81 (11% of total expenditure) to £318K in 1985/86 (37% of total expenditure). The staff complement has increased by only 1 since 1980/81. SITPRO has set itself annual targets and has in fact already achieved that set for 1987/88. The targets will be reviewed at the year end. The Design Council has

achieved break-even on all its major commercial activities except one and has been set a target of improving on this performance. Design Council staff have been reduced from 340 in 1979/80 to 302 in 1985.

A.13.3 No change was recommended in the 2 tribunals or 5 of the advisory bodies reviewed (this includes the Export Guarantees Advisory Council which was reviewed by ECGD). The remaining advisory body reviewed, the Mobile Radio Committee, has been wound up but will be replaced by the Civil Land Mobile Radio Committee as recommended following the Merriman report.

A.14 Ministry of Agriculture, Fisheries and Food
(£24.6m; 2300 staff)

A.14.1 MAFF has reviewed 29 of its 35 executive NDPBs and 12 of its 52 advisory bodies. These bodies account for just under £10m of public expenditure and employ some 370 staff. The decision to wind up the Eggs Authority will save 35 staff employed by the Authority (offset by an increase of 5 departmental staff to carry on statistical work) and £250,000 per year of grant as well as £2.88 million other savings, mainly in statutory levy. Savings of £28,000 per year have been identified between the Agricultural Wages Board and the 24 Agricultural Wages Committees. The Agricultural Wages Committees have been set a target of producing savings of 5 percent (£600) in the running costs of their sub-committees by 1987/88. At the National Institute of Agricultural Botany* a 20 percent increase over 5 years in the number of varieties tested has been contained by efficiency improvements.

*NIAB is not counted as an NDPB. It is an independent charitable trust which, on behalf of MAFF, promotes the improvement of existing varieties of seeds, plants and crops in the UK and aids the introduction or distribution of new varieties.

A.14.2 No change was recommended in any of the 12 advisory bodies reviewed.

A.15 Home Office (£17.5m; 1200 staff)

A.15.1 The Home Office reviewed 6 of its 13 executive bodies (accounting for £14m of public expenditure and employing some 500 staff), 2 of its 131 advisory bodies and 4 of its 11 tribunals.

A.15.2 Two major executive bodies, the Commission for Racial Equality (funding of £9m) and the Equal Opportunities Commission (funding of £3.5m), were reviewed together. The review concluded that the work of both bodies needed to have a sharper focus and to be set in a strategic context. A major weakness identified in both cases was the lack of effective arrangements either for planning and costing work or for monitoring its effectiveness. The review recommended that both bodies should adopt a new annual planning and monitoring framework based on the Home Office Annual Performance Review system. The relevant documents would then be available to the Home Office so that the Department should in future be better able to assess the value for money of its grant. Both Commissions have accepted this recommendation and the new arrangements are being introduced this year. The review of the Gaming Board identified improvements expected to lead to annual savings of almost £100,000.

A.15.3 No change was recommended in the advisory bodies or tribunals reviewed.

A.16 H M Treasury (£8m; 220 staff)

A.16.1 The Treasury has reviewed one of its advisory bodies, the Review Board for Government Contracts, and recommended that a tighter job description should be provided for its secretariat and this function then put out to competitive tender.

A.17 Ministry of Defence (£3m; 1400 staff)

A.17.1 To date the Ministry of Defence have not completed reviews of any of their 6 executive bodies. All of their 43 advisory bodies have been reviewed but no changes have been recommended.

A.18 Inland Revenue (£0.2m; 0 staff)

A.18.1 At the Inland Revenue, reviews of the General Commissioners of Income Tax and the Section 463 Tribunal are being undertaken as an integrated part of the IR's top management system, the SMS.

A.19 Department of Transport (£0.03m; 2800 staff)

A.19.1 The Department of Transport has completed a review of the financial management and accounting arrangements of the General Lighthouse Authorities (who employ of the 2,700 of the 2,800 staff and account for all the expenditure). The majority of the recommendations, made by Arthur Young McLelland Moore, have been implemented and the Authorities have participated in a PES style of budgeting for the current year. The Pilotage Commission is to be abolished by legislation proposed in the coming session.

A.20 Lord Chancellors Department (0 executive bodies)

A.20.1 The Lord Chancellor's Department reviewed the Lands Tribunal and the Pensions Appeal Tribunal. They identified savings of 2 members of staff and approximately £8,000 and also a number of improvements in administrative procedures. All of LCD's 217 advisory bodies will be reviewed during the remainder of 1986.

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

A.21.1 Four out of their nine advisory bodies have been reviewed by the Cabinet Office and MPO. The remit of the Advisory Committee on Research and Development is to be expanded to cover work previously carried out by the Information Technology Advisory Panel, an ad hoc group which will now be wound up.

A.22 Scottish Courts Administration (0 executive bodies)

A.22.1 The one advisory body and the two tribunals sponsored by the Scottish Courts Administration will all be reviewed during 1986.

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

A.23.1 The one advisory body sponsored by the Central Office of Information, will be reviewed in 1987.

ANNEX B

Value for money improvements

Departments recorded value for money improvements under three headings: improvements in output or performance, targets set, for example for unit costs or increased earnings and 'other improvements'. The main value for money improvements are listed in tables 6, 7 and 8. In these tables, departments are listed in descending order of central funding of NDPB. This is shown in brackets underneath each department.

Entries in the following tables record changes which resulted from the reviews or allied initiatives. There was, of course, considerable variation in the systems already being used by different NDPBs at the start of the cycle as well as in what departments have chosen to report. Thus changes recorded as leading to improved target setting or better value for money in one NDPB may not have been mentioned for another body whose systems were already developed to this stage (or beyond) at the beginning of the review cycle.

Table 6: Improvements in output or performance

Department	NDPB	Improvements in output/performance
DE (£1693m)	ACAS	Diagnostic surveys increased from 167 to 190 from 1984 to 1985; Advisory projects up from 464 to 554; Extended training exercises up 54 to 60; Individual conciliation cases up from 42,723 to 42,887; Collective conciliation cases up 1448 to 1475; Industrial conciliation at same level; some reduction in other work but monthly average staff numbers down from 628 in 1984 to 610.
	MSC	Programme cost/start down for £2,078 to £1,066 on Adult Training Scheme; Starts /staff year up from 76 to 124; Recipients/staff unit up from 158 to 187 on Enterprise Allowance Scheme
DOE (£1248m)	Rent Assessment Panels	Cost per case reduced by 10% since 1979.
DES (£632m)	BTEC	Quicker processing of student registrations and issue of awards has led to better overall credit control in terms of earlier fee income.
	CNAA	Registration fee restructured and reduced: savings not yet quantifiable
DHSS (£163m)	Public Health Lab. Services Board	Workload and productivity increases (since 1979/80 staff down by 6% workload up by 18%);
	Nat. Biol. Standards Board	Increased admin workload of 15 to 20% over last 3 years contained within existing resources
	Med. Practices C'ttee	Increase of 7% in caseload in last 2 years contained within existing resources
	Nat. Dev. Team for Mentally Handicapped	More visits, more enquiries handled, reports more timeous
ODA (£44m)	UK Trade Agency	Increase of over 50% in monthly production of Company Profiles (1984: 43 covering 63 product groups 1985: 65 covering 76 product groups). Fourfold increase in outlets through which trade opportunities are disseminated. Fourfold increase in importer enquiries handled over last few years.

Table 6: continued

Department	NDPB	Other VFM improvements
ODA (contd)	Inst. of Development Studies	Increased revenue from publications and operational and research work. Increased seminar/course participation.
DTI (£26m)	SITPRO	Earned income increased from £57K in 1980/81 (11% of total expenditure) to £318K in 1985/86 (37% of total expenditure). Staff complement up by only 1 since 1980/81 while activity has increased considerably.
	Design Council	Earned income up from £2.09m in 1979/80 (40% of gross expenditure) to £4.3m in 1985/86 (47% of gross expenditure). Staff have been reduced from 340 to 302 while activity has increased considerably.
MAFF (£25m)	National Institute of Agric. Botany	20% increase over 5 years in number of varieties tested contained by efficiency improvements.
Home Office (£18m)	Gaming Board for Great Britain	New procedures, reorganisation of staff and computerisation of casework leading to performing essential work with up to 10 fewer posts. Major changes in organisation of Inspectorate - one regional office closed.

Table 7: Targets Set

Department	NDPB	Targets
DE (£1693)	ACAS	Running costs limits set for 1985/86 to 1988/89
	HSC/E	Recover full production costs on priced publications.
DOE	Housing Corp.	Target deadlines for each internal Corporation objective (eg introduction of computer based schemework systems) set and monitored in corporate plans.
		Average fair rent scheme costs to match Total Indicative Cost Index
		10% accuracy in forecasts of receipts
		Performance measures to be developed to enable comparisons to be made between tenures and constituents of Corp. programme
	New Town DCs and Commission for the New Towns	Financial performance to be monitored by reference to break-even dates, wef 1986/87 accounts.
		Targets to be introduced 1986/87 for capital receipts for asset disposal and for net income from property assets.
	Rent Assessment Panels	Staff-in-post targets set (Reduction from 128 to 120)
DES (£632m)	CNAA	Computer system providing better financial and managerial information to be installed by October 1986.
Scottish Office (£381m)	Scottish Examination Board	Reduction in running costs in specified areas
	Scottish Agric. Colleges	Reduce running costs by radical management reorganisation, to be effective from 1.4.87.
DEn (£200m)	Atomic Energy Authority	Financial target of 5% on CCA capital employed over 1986/87 to 1988/89.
DHSS (£163m)	Pub. Health Lab Services Board	Annual accountability reviews to be introduced in 1986.
		Corporate strategy to be produced by autumn 1986. Internal cash limits to be introduced.

Table 7 : Continued

Department	NDPB	Targets
DHSS (contd)	Nat. Biol. Standards	Forward plan to be drawn up for 1986/9. Report to be made on review of charging policy. Independent survey to be carried out of admin services. Review of estate management systems to be completed next year.
	Eng Nat Board for Nursing etc.	1½% savings on HQ operation (£40 - £45,000) Introduce performance reviews of Education Advisory groups and programme of cost improvements in basic nurse training funds. Consider use of additional performance indicators for approving institutions and monitoring their output and use of resources.
	Health Ed. Council	Development of management accounting to be used in 1986/87. Review of organisational structure to be completed by July 1986. Move to cost-centre budgeting by 1987/88 Develop job evaluation system with DHSS inspectorate
	Nat. Radiological Protection Board	Annual accountability reviews to be introduced in 1987.
	Ind. Injuries Adv. Council	13% reduction in expenditure targets set for completion of reports.
	Nat Dev Team for Mentally Handicapped	Smaller secretariat, fewer members on visits
DTI (£26m)	SITPRO	SITPRO has set itself annual targets for sales, percentage growth of sales and level of self-funding up to 1987/88. These targets will be reviewed at the end of this year.
	Design Council	Break-even on major commercial activities. Specific targets set for each area of activity in Council's annual management plan (eg improve mail order sales from Design Centre shops by 10% and achieve budgetted surplus

Table 7 : Continued

Department	NDPB	Targets
DTI (contd)	Design Council (contd)	overall of £93,000 before central charges in 1986/87; generate attendances of at least 950,000 at exhibitions; increase advertisement revenue of Engineering Magazine by 10%; achieve paid circulation of £25,000 for Design Selection Magazine.
MAFF (£25m)	Agric Wages C'ttees	Running costs savings of 5% (£600) for sub-committees by 1987/88.
	British Wool Mktg. Board*	Bring forward fixing of the guaranteed price - to be implemented by January 1987.
	Nat. Inst. of Agric. Botany+	Savings of £13,000/year on implementation of computerised systems in 1987/88. Efficiency savings of $\frac{1}{4}$ to $\frac{1}{2}$ % per year in running costs from 1987/88. Increased income of £600,000/yr on statutory work as result of decision to increase recovery rates.
Home Office (£18m)	Gaming Board of Great Britain	Set more realistic fees to ensure that income matches fully the costs of the regulatory system. Targets for each activity and measures of effectiveness and information on costs to be considered within new Annual Performance Review system.

*BWMB is not listed as an NDPB. It is a producer organisation constituted under the Agricultural Marketing Acts 1931-1958 to promote the marketing of British Wool.

+NIAB is not listed as an NDPB. It is an independent charitable trust which carries out certain functions on behalf of MAFF (see page A10)

Table 8: Other VFM Improvements

Department	NDPB	Other VFM improvements
DE (£1693m)	ACAS	Sub-committee of the Council set up to monitor VFM
	Industrial Training Boards	Better planning in Engineering ITB. Improved control systems in the Engineering and Road Transport ITBs. Increase in revenue earning activities at offshore Petroleum, Hotel and Catering and Clothing ITBs.
	HSC/E	Costing out option in accommodation transfers, leading to savings of £429,000pa for London HQ. Contracting out cleaning and catering. (Savings of £14,000pa from contracting out cleaning)
	MSC	Considerable number of savings resulting from devolved budgeting. For example, a quote of £160,000 for premises work at a skillcentre was reduced to £70,000 through the minor works scheme; £1000pa saved in one office by no longer sending out business reply labels with all application forms - but no appreciable effect on level of returns.
DOE (£1248m)	Housing Corporation	Quantitative measures (eg average unit costs and development times) in 1986 corporate plan. Streamlining and computerising of admin systems. Functional cost analysis of administrative expenditure being developed. Results to be fed into 1987/88 grant-in-aid settlement. Analysis of comparative costs of constituents of programme and information on lettings being developed to improve allocation of resources.
	Commission for the New Towns	Improved corporate planning arrangements to be introduced, 1986/87.
	Property Advisory Group	Working arrangements streamlined and use of resources rationalised (eg 2 rather than 6 formal meetings per year): more ad-hoc subgroup work focused on specific remits concerning eg Use Classes Order (Town and Table

Table 8: Other VFM Improvements (contd)

Department	NDPB	Other VFM improvements
DOE (contd)	Property Advisory Group (contd)	Country planning legislation); and Landlord and Tenant business lettings review.
	Rent Assessment Panels	System of benchmarks introduced to achieve greater consistency in staff/ workload ratios between panels. Reduction in Presidential/Vice Presidential input in two panels leading to savings in salaries at TSRB rates. Chairmen's fees for committees reduced by more frequent use of Presidents/Vice Presidents as chairmen.
	Sports Council	Comprehensive monitoring of performance and VFM against objectives and targets on all major activities - should yield results in 1987/88. VFM pursued in 2 major programmes, facilities and participation in 1985/86. Grants policy under review to secure better targetting. Large reviews planned for 1986/87 cover performance of National Sports Centres (by Sept 86) and targetting of activity in inner city. Sponsorship action plan for 1986/87 developed, to be rolled forward 1 year every year.
DES (£632m)	BTEC	Streamlining of procedures has reduced course validation work at BTEC and at colleges
	National Youth Bureau	An improved overall Management Committee and structure. More precise objectives and work programmes: staff reorganisation to give tighter structure: new data bank and better quality information for users. In short an improved service without additional funding.
	MRC	Improved purchasing procedures save £400,000 per annum.
	CNAA	Better management accounting information regularly presented to senior staff as basis for target setting. Formal investment strategy. Improved organisation and training of staff.

Table 8: Other VFM Improvements (contd)

Department NDPB		Other VFM improvements
DES (contd)	CNAA (contd)	Implementation of recommendations in Lindop report expected to lead to reductions in staffing and costs targets for which are to be agreed with CNAA by December 1986. Effectiveness of new validation arrangements to be monitored.
Scottish Office (£381m)	Scottish Tourist Board	Planning arrangements and management structures improved.
	Commission for LA Accounts in Scotland	Improvements in management information for charging to reduce unproductive working.
	New Town DCs	Revised funding arrangements and improvements in planning and control systems.
	Scottish Examination Board	Better forward planning
	Scottish Council for Research in Education	Possibilities identified for improved planning
	Scotvec	Areas identified for contracting out: Better management structures for new body.
OAL (£221m)	National Board for Nursing etc in Scotland	Improved unit costing and planning procedures: Review of basis for indexing and examination fees.
	All major bodies	Review of financing of national museums and galleries and change to grant-in-aid status from 1 April 1986. Corporate or strategic plan for years ahead to be submitted to Dept. Preparation of new financial memoranda attached to grant-in-aid. Rolling programme of staff inspections. Improved internal audit arrangements.
	Arts Council	Review of NMGs' planning, funding and execution of building and maintenance arrangements.
		Review of organisation and management systems.

Table 8: Other VFM Improvements (contd)

Department NDPB	Other VFM improvements
DEn (£200m)	Atomic Energy Authority AEA set up as a trading Fund. Departmental financing now negotiated under Programme Letters which specify what work is required, its objectives, and milestones for measuring performance. Corporate planning has been introduced.
DHSS (£163m)	Public Health Lab Service Board Project costing introduced, full economic charging for products and services. More effective marketing leading to increased income. Options under consideration for cost-sharing arrangements with health authorities and for rationalisation of network of labs.
Nat Biol Standards Board	Progress monitored via annual accountability reviews. Working group set up to examine planning and monitoring systems: performance indicators being considered.
Eng Nat Board for Nursing etc	Annual accountability reviews chaired by Minister. Review of fees and introduction of fees for services to health authorities and private sector. Performance indicators for training institutions
Health Education Council	Annual accountability reviews introduced and targets set for management and cost-effectiveness. Most recent review chaired by Parly Under-Sec (Health). All costs except overheads allocated to the main programme planning groups. Evaluation built in to campaign planning.
Medical Practices Committee	Improved work procedures stemming from staff inspection. Surveys of FPC classification to be carried out every 3 years instead of annually.
Nat Dev Team for Mentally Handicapped	Tasks and priorities redefined. Performance indicators identified.

Table 8: Other VFM Improvements (contd)

Department	NDPB	Other VFM improvements
DHSS (contd)	Office of President of Soc Sec and Med Appeals Tribunal	Annual account of stewardship and objectives produced and reviewed by DHSS top management.
	Office of Chief Adjudication Officer	as above
	Occupational Pensions Board	Annual Accountability Review introduced.
	Standing Dental Advisory Committee.	Change in work priorities
FCO (£85m)	Foreign Compensation Commission	Recommendation that targets be set for completing the task of the Commission and the Commission then wound up.
Welsh Office (£78m)	Sports Council for Wales	Planning arrangements improved. Better performance measures to be developed.
	Welsh Medical Committee	Better structured annual programme of work to be laid down by Department.
	Welsh Scheme for Development of Health and Social Research	Change in coverage of scheme. Better publicising of activities.
DTI (£26m)	SITPRO	Increased employee productivity as a result of internal management improvements (eg earned income per head up from £2,200 in 1980/81 to £12,350 in 1984/85; invoices handled up from 1514 to 5770)
	Design Council	Improved internal financial management. Leading to improved identification and allocation of costs and thus more effective marketing.
		Break-even achieved on all except one of major commercial activities; tighter control over pricing, expenditure and financial systems. More effective monitoring by Dept via regular quarterly meetings to begin in July 1986. Improved financial planning and resource allocation through a system reflecting PES requirements.

Table 8: Other VFM Improvements(contd)

Department	NDPB	Other VFM improvements
MAFF (£25m)	Sea Fish Industry Authority*	<p>Setting up of corporate planning system including aims, targets and measures of effectiveness. Extension of devolved budgeting. Better management information systems.</p> <p>Application of review techniques (eg cost benefit analysis and investment appraisal) to budget preparation, and production of options. Capital investments to be subject to investment appraisal.</p> <p>Simplification of application procedures for grants and loans.</p> <p>More cost-effective use of manpower.</p> <p>Introduction of competitive tendering procedures in awarding MAFF R & D projects.</p> <p>Post-completion appraisal and monitoring of R&D projects to ensure results are dispersed to industry.</p>
	British Wool Marketing Board*+	<p>Better planning and review systems.</p> <p>Board to submit summary of annual plans to Depts with commentary of previous year plans.</p>
	Nat Inst of Agric Botany+	<p>Formal written statement of Directors terms of reference in relation to statutory work.</p> <p>Restructuring of 5-year development plan: objectives to be set for each programme; performance indicators to be worked out. Plan to be reviewed annually with MAFF and to be dovetailed with MAFF's own planning cycle.</p> <p>Improved systems for budgeting, resource allocation and monitoring.</p>
Home Office (£18m)	Commission for Racial Equality Equal Opportunities	<p>New arrangements to be agreed with Home Office for planning, costing and monitoring of work will be introduced later this year.</p>
	Gaming Board for Great Britain	<p>New planning arrangements: the Home Office will now receive information about the Board's output and performance and the cost of their activities.</p>

*Subject to finalisation of reports.

+See footnotes on page B6.

Table 8: Other VFM Improvements (contd)

Department	NDPB	Other VFM improvements
HMT (£8m)	Review Board for Government Contracts	Provision of Secretariat to be put out to competitive tender. Secretariat to be given tighter job description.
LCD (£3.8m)	Lands Tribunal and Pensions Appeal Tribunal	Planned integration of support services for PAT and LT will make better use of resources. Revised booking arrangements for tribunals will limit demands for additional court rooms.



1. If - WJee
2. p.c.

PS/PRIME MINISTER

From: Mrs M B Chapman
Date: 17 December 1985

PUBLIC BODIES 1985

Please find enclosed a copy ^{/ See inside of cover} of the Cabinet Office (Management and Personnel Office) publication "Public Bodies 1985", an annual catalogue of non-departmental public bodies which is published today by HMSO.

In addition to providing extensive coverage of non-departmental public bodies, "Public Bodies 1985" also gives key statistics for a wide variety of public sector bodies including National Health Service authorities and nationalised industries. For the first time it includes summary tables showing the number of bodies, staff numbers and expenditure in 1979 and then annually since 1982 both globally and by sponsoring department.

Further copies can be borrowed from the Cabinet Office/HMT library or, exceptionally, can be obtained from Mr M C Dawson in the Machinery of Government Division of the Management and Personnel Office. His telephone number is 233-8232.

For your information I also enclose a copy of the Press Notice.

Mrs M B Chapman

MRS M B CHAPMAN
233 7592



Cabinet Office

Management & Personnel Office

Whitehall SW1

PRESS RELEASE

16/85

FEWER QUANGOS

17 December 1985

The number of quangos (properly called non-departmental public bodies or NDPBs) continues to fall.

In reply to a Parliamentary Question today, Mr Richard Luce, Minister of State, Privy Council Office said: "On 1 April 1985 there were 1653 non-departmental public bodies. That is 28 fewer than last year and over 500 fewer than in 1979. These bodies are listed in 'Public Bodies 1985'* published today."

The number of quangos fell by over 400 during the early 1980s following a fundamental review in 1979. Current emphasis is on value for money - this means ensuring that any NDPB whose functions are no longer essential is wound up, that all existing NDPBs are managed cost-effectively and that a new body is set up only after rigorous scrutiny. In the last year there was a net reduction of 28 bodies; staff numbers fell by 3000 (from 141,000 to 138,000 in round terms) and central government spending on NDPBs, measured at current prices, fell by £60m (from £5,160m to £5,100m).

"Public Bodies 1985" gives key statistics for a wide variety of public sector bodies including National Health Service authorities and nationalised industries as well as NDPBs. Its many footnotes give further information about individual bodies, and show any plans for changes in their organisation.

'Public Bodies' monitors the trend in numbers of NDPBs and the resources they consume. This data is of particular interest in the light of the Government's current initiative to scrutinise the need for each and every body and to increase the cost effectiveness of all NDPB operations. 'Public Bodies' provides a useful reference for the companion publication "Non-departmental Public Bodies: a Guide for Departments" (ISBN 0 11 430007 0) published by HMSO in September.

Information Services
Room 57/G
Government Offices
Great George Street
LONDON SW1P 3AL

Tel - 01-233-6147

* HMSO: Price £11.00 ISBN 011 430008 9

NOTES TO EDITORS

1. Public Bodies 1985 is a factual document, the fourth in an annual series.
2. It includes the following information:
 - i) Non-departmental bodies and NHS authorities
 - number of staff employed
 - gross expenditure of body
 - amount of expenditure funded by government
 - (where available) expenditure by the body's sponsoring department in acting as a 'sponsor'
 - appointments to Boards (men and women shown separately).
 - ii) Nationalised industries and Public Corporations
 - details of appointments to the Board (men and women shown separately)
 - address
 - availability of the body's Annual Report
3. This year, for the first time, summary tables are included in "Public Bodies". These show the number of NDPBs, staff numbers and expenditure in 1979 and then annually since 1982 both globally and by sponsoring department.*
4. In November 1984 the Prime Minister announced new review arrangements for NDPBs. Each NDPB is to undergo a policy review in which the need for the body and the appropriateness of its current structure is closely questioned. The financial management systems of bodies with executive functions are also to be scrutinised. This programme of reviews will be substantially completed by 1987. The summary figures published in "Public Bodies" provide one way of monitoring some of the effects of such reviews.
5. Questions about individual bodies should be addressed to the sponsoring department, or, where appropriate, the body itself.

* A copy of the first summary table is attached to this note.

Summary of Non-Departmental Public Bodies 1979-1985

	Number of Bodies				Total	No. of Staff (a)	Total Expenditure £m(b)	Amount Funded by Government £m(b)	Other Departmental Expenditure £m(b)
	Executive	Advisory	Tribunal	Others					
1979	492	1,485	70	120	2,167	217,000	6,150	2,970	70
1982	450	1,173	64	123	1,810	205,500	8,330	3,910	87
1983	437	1,074	65	121	1,697	196,700	9,940	5,120	94
1984(c)	402	1,087	71	121	1,681	141,200	7,280	5,160	115
1985	399	1,069	64	121	1,653	138,300	7,770	5,100	111

(a) Figures include staff at ACAS, HSE and MSC who are civil servants.

(b) Current Prices.

(c) Staff and expenditure figures from 1984 exclude the English and Welsh Water Authorities which were reclassified as Nationalised Industries. Staff numbers in 1983 approx. 58,000; expenditure approx. £26m.



This is a small but significant step forward in a little to highly regulated sector. A short letter will help to stiffen Mr Topling's somewhat hesitant resolve.
CCBG
RE Allen 22

To:

1. Mr Allen - GP4B
2. PS/Secretary of State

CC PS/Prime Minister
PS/PUSS (CCA)
PS/Sir Brian Hayes
Mr Liesner
Mr Treadgold
Mr Vile

From:

M WATSON
GP4b
Room 635A
1 Victoria Street
215-4051

CDP
!

22nd November 1985

ABOLITION OF EGGS AUTHORITY

Problem

1. The Minister of Agriculture has written to the Chancellor of the Exchequer and has copied his letter to other members of E(CP) proposing to announce his decision to abolish the Eggs Authority in the second reading of the Agriculture Bill on Monday 25th November. He has asked whether the Chancellor agrees with his proposed course of action (copy of letter attached).

Recommendation

2. I recommend that the Secretary of State should write to the Chancellor supporting this course of action along the lines of the short draft attached which indicates that the proposal is a welcome start to promoting competition in this sector.

Timing

3. It would be preferable for the letter to reach the Chancellor by 25th November.

Background

4. The Eggs Authority was established under the Agriculture Act 1970 with the general duty of improving the marketing of Eggs. The Authority's functions include advertising, the provision of market intelligence and research and development.



Cont'd....

5. The Authority was reviewed in 1979 (along with all public bodies within MAFF's field of responsibility). Following that review, the Government concluded that the Authority continued to have an important role in the industry's future but it would continue to be subject to regular review. This latest review by a small committee led by Lord Peyton of Yeovil is in accordance with ^{those} arrangements.

M. Watson

M WATSON

DRAFT

Addressed to:

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

File No.

Copies to:
PS/Prime Minister
PS/PUSS(CCA)
PS/Sir B Hayes
Mr Liesner
Mr Treadgold
Mr Allen

Originated by:
(Initials and date)

MW
22.11.85

Seen by:
(Initials and date)

RMH 22/11

Enclosures:

Type for signature of

Secretary of State
(Initials and date)

DEPARTMENT OF TRADE AND INDUSTRY

EGGS AUTHORITY

Michael Jopling's letter to you of 18 November set out how he intends to proceed following the review of the Eggs Authority by a Committee under the Chairmanship of John Peyton which concluded that the Authority should be wound up.

I would agree that the Committee's conclusions along with the general thrust of our policy on NDPBs and deregulation now justify a decision to abolish the Authority. This would also be consistent with our overall ^{policy of} ~~line on~~ freeing the markets and promoting competition ~~(in this sector)~~ ^{wherever possible.}

I do not see that there is anything inherently self-contradictory in abolishing the Eggs Authority while at the same time looking to the industry to contribute in the future towards the costs of Government research and

(CONTINUE TYPING HERE)

File No.

development, though I agree that this is a matter which will need careful handling.

I am copying this letter to the other members of E(CP) and to Sir Robert Armstrong.

D.H.L.L.

RECEIVED
15 NOV 1985



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

For Information Mr ^{Mr} ~~Mr~~ ^{GP} ~~GP~~ ^{Mr Allen}
PS | PM. ^{Shd. be quickly}
PS | Sir B.H. ^{wrph in in approx?}
Mr Kiesner
Mr Wright
Mr Thornton.
Mr
- 201.

From the Minister

IN CONFIDENCE

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

/S November 1985

Dear Chancellor of the Exchequer

EGGS AUTHORITY

At the E(CP) meetings on 22 April and 24 July, I undertook to inform the Committee of the outcome of the review of the Eggs Authority. As time is short and there is no early meeting of E(CP) scheduled, I am writing to let you know how I am intending to proceed.

The review team under John Peyton's chairmanship (which reported at the end of July) concluded that the Authority should be wound up. The points which mainly influenced them in this were doubts about the value of the generic advertising of eggs; their finding that the Authority's R & D effort into processing and marketing had yielded no important results; and their view that essential market intelligence data could be collected and published by MAFF at no great cost. And, while they felt that there should continue to be some central body to represent the egg industry, they believed that this function could best be carried out by the British Egg Industry Council (a voluntary body on which all the major interests in the egg industry are represented), and that any necessary public relations work on the industry's behalf could be financed on a voluntary basis.

The Peyton recommendations place me in considerable difficulty. While they have been welcomed by the majority of the larger companies in the industry, the Farmers' Unions - who claim to represent producers owning over two-thirds of hens - feel very strongly that the Authority should be retained; and indeed this is the view of all the organisations representing producers with the single exception of the one that represents the "big boys".

/I and my

10/20/11

I and my colleagues would therefore be subject to considerable criticism if we were to go ahead with abolishing the Authority. Nevertheless, bearing in mind the Government's overall policy towards NDPBs and deregulation, we are prepared to press ahead with abolition and to provide for this in the Agriculture Bill which is being put through the House this session. I have already obtained the provisional agreement of the H and QL Committees for the drafting of a suitable clause for inclusion in the Bill, and L Committee recently agreed that we could propose a suitable amendment during the Committee stage.

I propose to announce the decision to abolish the Authority on 25 November when I have the second reading debate on the Bill. I should thus be glad to hear quickly that you are content with my proposed course of action.

One line of criticism to which we shall be exposed is ^{that} abolishing the Eggs Authority makes no sense when the Government is looking to the various sectors of the agriculture industry to make contributions in future towards the cost of Government research and development. I shall need to counter this by being ready to consider sympathetically whatever arrangements the egg industry work out. One possibility will be to use the 1947 Industrial Development and Organisation Act to set up a Development Council, an approach likely to be used by the horticultural industry.

I am copying this letter to the other members of E(CP) and to Sir Robert Armstrong.

Yours sincerely

Setty Good

for MICHAEL JOPLING

(Despatched in the Minister's
absence)



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

N 3m

FROM THE PARLIAMENTARY UNDER-SECRETARY OF STATE

The Rt Hon The Earl of Gowrie PC
Chancellor of the Duchy of Lancaster
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

7 August 1985

Dear Grey,

NDPB MANAGEMENT : CENTRAL GUIDANCE

In the absence of Keith Joseph I am responding to his copy of your 30 July minute to the Prime Minister, to which was attached the latest draft of the above document.

I have only one significant reservation: the Guide, particularly chapters 7-10 on financial management and the review arrangements, prescribes various procedures which are not wholly appropriate to some of our non-controlled executive bodies - I have the Business and Technician Education Council and the Council for National Academic Awards particularly in mind. This matter has been discussed at official level between our Departments and I understand that it has been agreed that the document is to be treated very much as a guide, and not a rulebook.

In the light of this understanding I do not propose to suggest any further drafting amendments, and am content that publication of the Guide should proceed. It is a most useful document.

I am copying this letter to copy recipients of your minute.

Lus eva

Pm

PETER BROOKE



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

N 31m

FROM THE PARLIAMENTARY UNDER-SECRETARY OF STATE

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Chancellor of the Duchy of Lancaster
Cabinet Office
70 Whitehall
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I am copying this letter to copy recipients of your minute.

Lus eva

Pm

PETER BROOKE

Will request if required





10 DOWNING STREET

From the Private Secretary

5 August 1985

**NON-DEPARTMENTAL BODIES:
A GUIDE FOR DEPARTMENTS**

The Prime Minister has seen Lord Gowrie's minute of 30 July and is content that a revised version of the 1981 guide should be published in September.

I am copying this letter to Rachel Lomax (H.M. Treasury), Sir Robin Ibbs and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

Paul Thomas, Esq.,
Chancellor of the Duchy of Lancaster's Office.

STW



Chancellor of the Duchy of Lancaster

Prime Minister ^①

This came forward your initiative
of last November. Agree to publication
in September.

AT
1/8

Yes not

PRIME MINISTER

You announced last November an important initiative designed to get better value for money from non-departmental public bodies. We followed up your announcement with interim guidance to Departments. But we have now rewritten the main guide on NDPB management to incorporate the changes you announced and to present our policy more clearly. A copy of the new guidance is attached. If you agree, it will replace the guidance you approved in 1981 ('Non-Departmental Bodies: A Guide for Departments) following Sir Leo Pliatzky's review.

Much of the basic advice, except that on financial management and the review arrangements, is the same. The emphasis and presentation are new. We have tried to draft the guidance in a way that underlines the key importance of getting real improvements in value for money through good financial management, without losing the old guide's emphasis on regular scrutiny of the case for keeping such bodies in existence. The changes in structure and presentation reflect many useful comments and suggestions made by departments who have been using the 1981 guide. The guide is quite long - but comprehensive; bearing in mind the wide range of NDPBs, I am sure this is the right approach. We are preparing a full index.

I hope that you and other colleagues will agree to the publication of the new guide. We should like to aim for September. Attention might then be drawn to the existence of the new guide by means of a PQ in the October overspill.

I am sending copies of this minute and of the draft guidance to members of Cabinet, the Lord Advocate, Sir Robin Ibbs and Sir Robert Armstrong. We should be grateful for your clearance by 8 August to help us meet the printing timetable.

9,

GOWRIE
30 July 1985

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CHAPTER 1: INTRODUCTION

THE PURPOSE OF THE GUIDE

1.1 The Guide describes the framework of control, accountability and review which should apply to non-departmental public bodies (NDPBs), and sets out criteria for considering proposals for new bodies. It reflects developments in policy and practice since the 1981 edition, particularly the Government's drive to strengthen financial management.

1.2 Government policy towards NDPBs reflects two main concerns. First, a major aim of economic policy is to contain the share of the nation's income spent by the public sector. This implies that the justification for all public functions, and the resources committed to them, should be reviewed from time to time. Secondly, there is a need to ensure that non-departmental bodies are adequately accountable (via Ministers) to Parliament for their use of public funds and for their activities generally.

1.3 Policy towards NDPBs is governed by three main principles:

- a. **The continuing justification for each NDPB, and the appropriateness of its current role and functions, should be re-examined at regular intervals.**
- b. **Departments should encourage good standards of management, to ensure that NDPBs operate efficiently, effectively and economically, giving the taxpayer good value for money.**
- c. **All proposals for new NDPBs should be rigorously examined.** A new body should be set up only where this is the most appropriate and cost-effective way to do a particular task.

THE DEFINITION OF AN NDPB

1.4 For the purpose of this Guide, **an NDPB is a body which has a role in the processes of national government, but is not a government department, and accordingly operates to a greater or lesser extent at arm's length from Ministers.** This definition excludes a number of bodies in the public sector to which separate accountability and review arrangements apply. Appendix A lists the main excluded categories. There are three categories of NDPB:

- a. **bodies with executive, administrative, regulatory or commercial functions.** NDPBs in this group are engaged in a wide variety of activities and are constituted in a variety of ways. Typically they carry out prescribed functions within government guidelines, but the degree of their operational independence varies.
- b. **advisory committees and commissions.** This group consists mainly of bodies (other than committees of officials) set up by Ministers to advise them and their departments on particular matters. Most Royal Commissions are also advisory and are included in this group.
- c. **tribunals and other judicial bodies.** These are bodies whose functions, like those of courts of law, are essentially judicial. Independently of the executive, they decide the rights and obligations of private citizens towards each other or towards a government department or other public authority.

1.5 The current list of NDPBs, following this classification, is published annually in the Cabinet Office booklet "Public Bodies": latest edition: "Public Bodies 1984" (HMSO price £10.50, ISBN 0 11 630714 5). When a new body is to be set up, it is for the sponsor department to agree with the Cabinet Office (Machinery of Government Division) whether it should be treated as an NDPB and, if so, in which of the three categories it should be placed. Temporary bodies with a life of less than 12 months are excluded from "Public Bodies". Indications, but not necessarily conclusive indications, of whether a proposed body is an NDPB are:

a **is it a "body" rather than an informal ad hoc group?** Does it have characteristics normally associated with a body, such as terms of reference, defined membership, a chairman, records of its proceedings, and so on?

b. **are some or all of its members appointed by Ministers?** The higher the proportion of ministerial appointments, the more likely it is that the body is an NDPB.

c. **is a Minister answerable ultimately for the performance of the body and its continued existence?** Does he have the power, if necessary with parliamentary approval, to wind it up?

1.6 For PES and national accounting purposes, most NDPBs are classified to the public sector (either as general government or public corporations) but there are exceptions. For example, NDPBs include some educational bodies classified to the personal sector, and one or two are classified as industrial and commercial companies.

USE OF THE GUIDE, AND FURTHER ENQUIRIES

1.7 The Guide mostly provides advice on good practice which should be followed as a general rule. But in some instances it sets out rules or procedures which are binding unless it is specifically agreed with the Cabinet Office or Treasury that they are inappropriate in a particular case.

1.8 Given the variety of NDPBs, the advice needs to be interpreted for the circumstances of each body. Some departments may find it helpful to issue supplementary guidance to sponsor divisions. If necessary, they should seek further guidance, either from the specialist division concerned in Cabinet Office or Treasury or, on general questions, from:

Machinery of Government Division
Cabinet Office
Government Offices
Great George Street
LONDON SW1P 3AL.

1.9 Although the Guide is primarily intended for departments, it is hoped that NDPBs will also find it useful. They should direct any questions arising to sponsor departments in the first instance.

SCOTLAND AND NORTHERN IRELAND

1.10. The Guide does not reflect special legal or constitutional factors which may apply in Scotland or Northern Ireland. Allowances should be made where appropriate.

1.11. In Northern Ireland, any enquiries arising from the Guide should be addressed initially to:

Department of Finance and Personnel
Management and Manpower Review Division
The Arches Centre
13 Bloomfield Avenue
BELFAST BT5 5AD

SUMMARY OF KEY POINTS IN CHAPTER 1

Paragraphs

- 1.1-1.3 The justification for each NDPB should be re-examined regularly.

 Departments should encourage good standards of management in NDPBs.

 All proposals for new NDPBs should be rigorously examined.
- 1.4-1.6 An NDPB is a body with a role in national government which is not a government department and operates at arm's length from Ministers.

 NDPBs are classified as:
- bodies with executive, administrative, regulatory or commercial functions;
 - advisory committees and commissions;
 - tribunals and other judicial bodies.
- 1.7-1.11 The Guide provides advice on good practice and in some instances sets out rules or procedures. It needs to be interpreted for the circumstances of each body.

CHAPTER 2: POLICY ON THE CREATION OF NEW NDPBs

2.1 It is government policy to transfer work out of departments to the private sector - by contracting out or privatisation - whenever this is practicable and cost-effective. **New NDPBs should be set up only if the functions they are to carry out are essential and need to be in the public sector, and if it is clear that an NDPB is the most suitable and cost-effective machinery.** Proposals for new bodies therefore need rigorous scrutiny.

CRITERIA FOR EXAMINING PROPOSALS FOR NEW BODIES

2.2 A proposal for a new advisory body with small running costs will merit less extensive analysis than one for a statutory executive NDPB with significant functions and expenditure. But certain general principles apply to every proposal. Departments should:

- a. define the functions of the proposed body and their contribution to government policy objectives;
- b. consider how the body would be constituted, organised and managed; and
- c. assess its likely cost-effectiveness, compared with other options.

Executive etc Bodies

2.3 For NDPBs with executive, administrative, commercial or regulatory functions, questions to be considered are likely to include the following:

- a. are the proposed tasks essential; does the benefit from them justify the cost of carrying them out?
- b. if so, do they need to be carried out in the public sector, or could they be carried out by the private or voluntary sector?
- c. if they need to be carried out in the public sector, why is a new NDPB needed; could they be carried out as economically and effectively by a government department or an existing NDPB?
- d. if a new NDPB is justified, what arrangements for ministerial responsibility are needed to strike the right balance between accountability and independence?

2.4 Opportunities for transferring functions to the private or voluntary sector (2.3b) should not be overlooked. An executive function which can be managed within relatively clear-cut pricing and quality guidelines may be very suitable for contracting out to the private sector. Self-regulation by responsible persons, if necessary with government encouragement and some initial funding, may be a viable alternative to a new regulatory NDPB.

2.5 Reasons for conferring functions on an NDPB in preference to a government department (2.3c) include:

- a. **distancing activities from direct ministerial responsibility** in order to demonstrate the independence of judgements - eg investigative/regulatory functions of bodies such as the Audit Commission for Local Authorities in

England and Wales, the Monopolies and Mergers Commission and the Data Protection Registrar, whose remit extends either to government itself or to other parts of the public sector;

b. **involving outside interests** in a representative capacity, or others with relevant expertise, in executive responsibility for decisions - eg functions as diverse as those of the Manpower Services Commission, the Research Councils, the Sports Council and the Trustee Museums;

c. **freeing quasi-commercial/entrepreneurial decisions** from the traditional Civil Service framework - eg functions such as those of the Scottish and Welsh Development Agencies.

2.6 A desire to improve managerial accountability and expertise will seldom in itself be sufficient reason for hiving off a function from government to an NDPB. Appendix B describes ways in which this may be achieved within a departmental/Civil Service framework.

2.7 Legislation (see Chapter 3) is normally required to establish any new executive NDPB which will require continuing government funding. It may also be needed to provide for particular powers or obligations. Before deciding to set up an NDPB, departments should consider possible legislative vehicles and timing. Legislation will be hard to justify where tasks are of a kind which could be completed within a limited timescale, or are likely to change; a government department is a more flexible instrument for responding to policy and organisational changes.

2.8 An assessment of the cost-effectiveness of a new NDPB relative to using a government department or an existing NDPB should cover:

a. comparable running costs of the NDPB, including manpower costs, superannuation, accommodation and other overheads;

b. offsetting savings in central government or other public bodies - eg reduced demand on common services;

c. extra costs in central government or other public bodies arising from setting up the NDPB - eg new requirements for policy or financial advice to Ministers, new appeals machinery to safeguard the rights of those affected by the NDPB's decisions;

d. transitional costs - eg costs of legislation, once-for-all extra overheads, redundancy payments or detriment compensation.

Guidance on investment appraisal is published by the Treasury: "Investment Appraisal in the Public Sector: a Technical Guide for Government Departments" (HMT 1984, price £2.00 to non-Exchequer bodies. ISBN 0 947819 02 9. Available from Treasury Committee Section). Advice on costing redundancy or detriment payments is available from Treasury Superannuation Division.

2.9 Conferring functions on an NDPB involves recognition that a degree of independence of Ministers in carrying out those functions is appropriate (2.3d); otherwise the functions should be carried out by a government department. Nevertheless, the responsible Minister is answerable to Parliament for the degree of independence which an NDPB enjoys, for its usefulness as an instrument of government policy, and so ultimately for the overall effectiveness and efficiency with which it carries out its functions. Ministers also remain answerable to

Parliament for public money spent by an NDPB as much as for money spent by departments; Chapter 8 deals with means of supporting this answerability.

2.10 Departments will need to identify whether in the circumstances of a particular NDPB Ministers will need to retain control over, and so answerability to Parliament for, certain aspects of the NDPB's activities, whether for instance:

- questions of policy can be left to the NDPB acting in accordance with the functions and responsibilities conferred by the instrument establishing it, or whether Ministers will need to direct or modify policy;
- decisions in individual cases can be left to the NDPB, subject only to appeal to the courts or a tribunal, or whether appeal to Ministers is needed on some matters;
- where income will derive substantially from levies, fees or charges, whether their level needs to be approved by Ministers or Parliament or whether this can be left to the NDPB, subject to a financial framework (statutory or otherwise) agreed with the sponsor department.

Appendix C indicates the form that ministerial powers might take. The more extensive the responsibility which Ministers need to retain, the more difficult it will be to justify conferring functions on an NDPB.

Tribunals

2.11 The development of tribunals has reflected the growth of legislation affecting individuals' rights and obligations, and the view that administrative tribunals may be best adapted to resolve matters requiring expert knowledge of particular administrative schemes. The Franks Report, "Committee on Administrative Tribunals and Enquiries" (Cmnd 218, 1957), noted that tribunals often had advantages over the courts, namely "cheapness, accessibility, freedom from technicality, expedition and expert knowledge of their particular subject".

2.12 In deciding whether or not a new tribunal should be set up, departments should consider:

- a. whether the issue to be adjudicated upon is a justiciable issue (that is, whether the issue is one that can be determined by the application of set rules to facts about which evidence can be given and tested);
- b. whether, even if the issue is justiciable, it would nevertheless be better for the Minister to make the decision (in accordance with natural justice) bearing in mind that adjudication by a court or tribunal (whether existing or to be created) means that the responsible department will not have administrative control of the outcome of the adjudication;
- c. if it is not appropriate for the Minister to make the decision (and the issue is justiciable), which of the following judicial bodies could most appropriately adjudicate upon the issue:
 - i. the existing courts;
 - ii. an existing tribunal;
 - iii. a new judicial body (whether it be a court or tribunal).

Where possible, jurisdiction should be given to the existing courts or to an existing tribunal unless a clear case can be made for undertaking the expense of a new, separate system.

2.13 If it is proposed that work be given to the existing courts or a new judicial body, departments should consult the Lord Chancellor's Department (and, for Scotland, the Scottish Courts Administration) at an early stage. Such consultation would also be helpful if the judicial workload of an existing tribunal is likely to be affected.

2.14 Before a new tribunal is created, the Lord Chancellor and the Lord Advocate should be invited to consider whether it should be placed under the supervision of the Council on Tribunals. Such supervision may be effected either by primary legislation or by a Statutory Instrument (made by the Lord Chancellor and the Lord Advocate) to bring the tribunal within the provisions of the Tribunals and Inquiries Act 1971. The Council on Tribunals should be notified of the proposed creation of a new tribunal as soon as possible after its constitution and functions are decided upon. The Council's address is St Dunstan's House, 133-7 Fetter Lane, London EC4A 1HD.

Advisory bodies

2.15 Before setting up a new advisory NDPB, a department should be satisfied that:

- a. there is a continuing need for advice in the field covered by the body;
- b. the need cannot be met satisfactorily in any other way (eg by ad hoc consultation with appropriate experts or interests, or by expanding the remit of an existing body); and
- c. the proposed constitution and operating methods are likely to be economical and effective.

2.16 There should be a clear understanding with the chairman and other members about their remit (which should be set out in formal terms of reference), and about the broad timescale for their work. Where an advisory body is given a finite remit, it will be dissolved automatically once the work is done. Otherwise, when setting up a body, a provisional date should be set for formal review under the arrangements described in Chapter 10.

CONSULTATION WITH THE CENTRAL DEPARTMENTS

2.17 The Machinery of Government Division, Cabinet Office should be consulted about **all** proposals to set up new NDPBs. The Division is responsible for monitoring the effectiveness of government policies to control NDPBs, and for maintaining a record of NDPBs. The Treasury should be consulted about proposals for new NDPBs which are expected to spend £5,000 or more per year; and in other cases where there are other implications for government expenditure, or it is proposed that the body should be financed other than by direct government spending (eg by levy or fees), or a new sub-head may be required in the Supply Estimates.

2.18 Departments are also required to consult the Cabinet Office and Treasury about proposals to transfer functions to existing NDPBs or to reconstitute them (other than by a straightforward change of membership).

2.19 Departments should contact the Machinery of Government Division at the earliest possible stage and before any commitment to set up an NDPB, or reconstitute an existing one, is made. The Treasury contact point should be the Division concerned with control of the related expenditure. Of interest to the central departments will be the justification for the body, in terms of the criteria referred to earlier in this chapter, and also, where relevant:

- how it will be resourced, including the broad level of any government funding likely to be required, and the approach to staffing;
- any wider implications for policy or the machinery of government; and
- any legislative intentions.

CONSULTATION WITH THE TRADES UNIONS

2.20 Following agreement with the Council of Civil Service Unions, Treasury guidance has been issued to departments about consultation with the unions over proposals for transferring work out of departments. The guidance is mainly concerned with transfers to the private sector - through privatisation or contracting out - but is also relevant to hiving-off within the public sector. The guidance identifies two key items for consultation with the unions.

2.21 The first stage is normally when - following preliminary costings and evaluation of non-cost arguments - the department has decided that an activity is a candidate for transfer. (It would be wrong to raise possibly needless anxieties among staff by informing them at any earlier stage that a transfer was under consideration.) The staff and the unions should then be told the reasons for the proposal and the prospective benefits to the public and the economy. They should be given as much information as possible, within the limits of commercial confidentiality, to ensure that they are fully informed and have the opportunity to make their case. Every effort should be made to provide details of the likely implications of the proposed transfer for the staff as soon as they are known.

2.22 The staff and/or their representatives may wish to present alternative proposals for keeping the work in-house. These should be considered at the appropriate stage and sufficient time should be allowed for this within the necessary constraints of maintaining an acceptable timetable.

2.23 The second stage for consultation is when the transfer has been planned in detail and Ministers have decided, following further assessment of cost-effectiveness and of relevant non-cost arguments, that it should go ahead. Management should then inform staff and the unions of the decision, setting out in as much detail as possible the implications for staff. Arrangements and the timetable for implementation should be set out clearly and allow adequately for representations on those matters which have a direct impact on the staff.

GUIDANCE TO COMMITTEES OF ENQUIRY

2.24 Proposals for new government functions or for new NDPBs frequently occur in the recommendations of committees of enquiry, scrutiny teams, and other ad hoc studies. In briefing such bodies, departments should draw attention to the general guidance contained in this chapter.

Provisional

SUMMARY OF KEY POINTS IN CHAPTER 2

Paragraphs

- 2.1-2.2 A new NDPB should be set up only if:
- its functions, clearly defined, are essential,
 - its functions need to be in the public sector,
 - an NDPB is the most cost-effective machinery.
- 2.3-2.10 Alternatives to creating an executive etc NDPB to be considered are:
- transferring functions to the private or voluntary sector,
 - conferring functions on a government department,
 - conferring functions on an existing NDPB.
- 2.11-2.12 The case for a new tribunal should demonstrate that an issue is:
- justiciable,
 - unsuitable for ministerial decision,
 - not appropriate to an existing court or tribunal.
- 2.13 Departments should consult the Lord Chancellor's Department (for Scotland, the Scottish Courts Administration) if work is to be given to the courts or to a new judicial body.
- 2.14 Supervision of a tribunal by the Council on Tribunals should be considered.
- 2.15-2.16 A new advisory NDPB should be justified by a continuing need for advice which cannot be met satisfactorily in any other way.
- 2.17-2.19 The Cabinet Office and Treasury should be consulted about proposals to set up new NDPBs, to transfer functions to NDPBs, or to reconstitute them.
- 2.20-2.24 Staff and unions should be consulted when a department has decided that an activity may be hived-off and again when it is decided that a transfer should go ahead.
- 2.24 Committees of Enquiry should be shown this guidance by sponsor departments.

CHAPTER 3: THE CONSTITUTIONAL FRAMEWORK

3.1 The constitutional arrangements appropriate for a new NDPB will depend on its purposes and on the intended degree of autonomy from ministerial and parliamentary control. Departments considering establishing a new NDPB should discuss these aspects with their legal advisers at an early stage. They should also discuss their proposed approach with the Cabinet Office (Machinery of Government Division) and Treasury.

MEANS OF ESTABLISHING NDPBs

Advisory bodies and Royal Commissions

3.2 **Advisory bodies** are normally set up by administrative action, their staff support and accommodation being provided by the department whose Minister they advise and their expenses and other support costs being carried on the Vote for the relevant departmental function. The Minister concerned should inform Parliament of his action in establishing an advisory body; a Written Answer to a Parliamentary Question is usually sufficient. Where, exceptionally, an advisory body needs to enter into legal relations with a third person (eg if it is to appoint staff or own property) it will be advisable to give it a legal personality. Legislation will be required if its activities will involve significant continuing government funding for which parliamentary authority is needed.

3.3 **Royal Commissions** are set up under the Royal Prerogative and are more formal and prestigious than advisory bodies set up by ministerial administrative action. They are set up by issue to the Commissioners of a Royal Warrant by the Sovereign through the relevant Secretary of State. Royal Commission reports are published as Command Papers and laid before Parliament. Royal Commissions are generally financed by monies voted by Parliament.

3.4 There are instances of standing Royal Commissions with executive functions, such as the Royal Commission on Historical Monuments (England), but the Royal Commission approach to establishing a permanent, executive body can give rise to difficulty in establishing, for instance, clear financial relationships between the Commission and its "sponsor" department. New executive bodies should in general be established other than as Royal Commissions.

Tribunals

3.5 The tribunal system is a comparatively recent development; the majority have been set up since 1946. Tribunals are statutory bodies, usually set up in the context of a wider legal framework establishing citizens' rights and obligations. Since 1958 it has been general for tribunals to have legally qualified chairmen.

3.6 Although tribunals exercise their functions entirely independently, a government department is normally responsible for providing administrative support from its civil servants. The composition and procedure of tribunals vary greatly. Where a tribunal is subject to supervision by the Council on Tribunals, the Council advises on draft rules of procedure submitted by departments, and monitors the tribunal's practice and procedure.

NDPBs with executive, administrative, regulatory or commercial functions

3.7 Most executive bodies are legally incorporated, thus ensuring a separate legal personality and perpetual succession. Corporate status ensures that those appointed

to manage an NDPB do not, while acting *intra vires*, become personally liable for its financial commitments.

3.8 Legislation may be used to incorporate an NDPB (in which case it will state specifically that it is to be a body corporate). It may also be used to make specific provision in the case of a body incorporated by other means. An example of the latter is section 1 of the Science and Technology Act 1965, which made further provision with respect to the Research Councils (incorporated by Royal Charter).

3.9 New and continuing functions involving the expenditure of public funds should not be left to rest on the Annual Appropriation Act, but should, as far as possible, be covered by specific legislation. The Public Accounts Committee (PAC), in their Second Report 1932, commented as follows:

"Your Committee consider also, as a matter of general principle, that, where it is desired that continuing functions should be exercised by a government department, particularly where such functions may involve financial liabilities extending beyond a given financial year, it is proper, subject to certain recognised exceptions, that the powers and duties to be exercised should be defined by specific statute."

3.10 In reply, the Treasury Minute said:

"Nevertheless while they think that the executive government must continue to be allowed a certain measure of discretion in asking Parliament to exercise a power which undoubtedly belongs to it, they agree that practice should normally accord with the view expressed by the Committee that, where it is desired that continuing functions should be exercised by a government department (particularly where such functions involve financial liabilities extending beyond a given year) it is proper that the powers and duties to be exercised should be defined by specific statute. Their Lordships will, for their part, continue to aim at the observance of this principle."

3.11 This view has been taken to mean that there should be specific legislation in all cases involving significant annual government expenditure, either when the body is set up or, if an experimental period is thought necessary, when the working of the experimental arrangement shows that government support is likely to continue. Appendix C gives guidance on the approach to legislation.

3.12 **A Royal Charter** is a charter of incorporation which recognises and preserves a body's independence from government, and defines its objects, constitution and powers to govern its own affairs. Incorporation by Royal Charter has usually been confined to universities and colleges, professional and regulatory bodies, and bodies like the BBC, the British Council and the Research and Sports Councils. The Privy Council Office can advise on policy and procedure.

3.13 **Incorporation under the Companies Acts.** An NDPB may also be incorporated by registering it as a company under the Companies Acts. Companies may be limited by shares (being either private or public companies) limited by guarantee or unlimited. The Companies Acts require registration of a Memorandum and Articles of Association with the Registrar of Companies, and the making of an annual return. Statutory requirements also govern the form of accounts, the holding of an annual general meeting, and other matters. Supervision is the responsibility of the Department of Trade and Industry, who can advise departments on the features and requirements of alternative forms of incorporation.

3.14 NDPBs constituted as companies limited by shares are unusual. Companies limited by guarantee are normally formed for charitable or for other non-trading purposes, but may also be used for trading activities. NDPBs constituted in this way include the Further Education Unit and the National Seed Development Organisation Ltd.

3.15 Departments intending to use the Companies Acts as a means of establishing an NDPB should bear in mind the PAC's view that parliamentary approval should normally be obtained before hiving-off departmental functions in this way. (See Third Report from the PAC, Session 1967-68, paras 76-83, National Seed Development Organisation; also Third Report from the PAC, Session 1974, paras 165-169, British Museum Publications Department.) They should discuss their proposals with the Treasury and with their legal advisers. The Companies Act approach is most likely to be appropriate where:

- a. an NDPB requires corporate status to give it legal personality but its expenditure is insufficient to justify legislation;
- b. a corporate body is needed temporarily (eg for a short-term task such as a collaborative promotional venture which would not warrant legislation) or provisionally pending a decision whether it should continue on a statutory basis; or
- c. a body is being established as a limited company prior to privatisation, with assets transferred to it by legislation (eg the Royal Ordnance Factories).

3.16 Departments will need - in the absence of legislation - to devise suitable formal arrangements to ensure that Ministers have sufficient information about, and control over, the company's activities. Suitable methods are: agreement on the terms of the Memorandum and Articles; ministerial appointments to the board of directors; departmental representation in company membership; and conditions attached to a grant-in-aid. In addition it may well be helpful to draw up a formal agreement setting out the respective responsibilities, rights and obligations of the Minister and the company.

CROWN STATUS

3.17 For the purpose of determining whether a body enjoys Crown immunities or whether its staff are civil servants, it will often be important to know whether the body is part of, or acting on behalf of, the Crown. Advice on this should be sought from departmental legal advisers.

3.18 Whether an existing body acts on behalf of the Crown can be difficult to assess in the absence of a statutory declaration or court ruling. A body which owes its existence and functions solely to administrative action will be acting in any legal relations as, or on behalf of, the Crown. In the case of a body which has its own legal personality the status of a body will depend first on its constitution. Its functions and to a lesser extent its degree of subjection to ministerial control and other circumstances will also be relevant indicators of Crown status.

3.19 Legislation to establish a new NDPB should include a declaratory provision on Crown status, one way or the other, unless there are other means by which status can reliably be inferred. New NDPBs should not be designated "Crown" unless there are special reasons for doing so.

CHARITABLE STATUS

3.20 Charitable status carries considerable fiscal and other advantages. Registration as a charity is not a means of establishing a body although for organisations established in England and Wales, it is conclusive evidence in law of charitable status. Registration merely recognises that the purposes of the organisation are charitable in law. A charitable NDPB may be registered with the Charity Commissioners or excepted by statute from the duty to register. NDPBs with charitable status include the Trustee Museums, which are so excepted. All charities, whether registered or not, are subject to the High Court's jurisdiction in relation to charities. This will, in general, rule out any form of ministerial control which would prevent the charity trustees, including directors where the charity is incorporated, from discharging their duties in the best interests of the charity.

3.21 A power for Ministers to appoint trustees would not be ruled out, but consideration should be given to restricting the duration of a power of appointment, eg by providing that it shall only be exercisable while the body is in receipt of government finance. Where additional controls are wanted, these should be incorporated in the financial arrangements attaching to funding - though care should be taken to avoid conditions which would prevent trustees carrying out the purposes of a charitable trust. Departments should seek legal advice on what payments may be made to charity trustees, including directors.

3.22 The relevant statutory requirements are highly technical, and departments should seek legal advice.

DISSOLUTION OF PUBLIC BODIES

3.23 Guidance is at Appendix D.

SUMMARY OF KEY POINTS IN CHAPTER 3

Paragraphs

- 3.1 The constitutional arrangements appropriate for an NDPB will depend on its purposes and degree of autonomy; legal advice should be sought.
- 3.2-3.4 Advisory bodies are normally set up by administrative action, Royal Commissions by the issue of a Royal Warrant.
- 3.5-3.6 Tribunals are set up by statute, usually in the context of a wider legal framework establishing citizens' rights and obligations.
- 3.7-3.16 Executive, etc bodies are usually legally incorporated, by:
- legislation,
 - Royal Charter,

- registration under the Companies Acts.

- 3.17-3.19 Legislation to establish a new NDPB should make clear whether the body is acting on behalf of the Crown.
- 3.20-3.22 Charitable status has fiscal and other advantages but registration as a charity is not a means of establishing a body. Charitable status rules out any form of ministerial control over the trustees in discharging their charitable duties.
- 3.23 For guidance on dissolution of NDPBs see Appendix D.

CHAPTER 4: APPOINTMENT AND CONDITIONS OF SERVICE OF BOARD ETC MEMBERS

4.1 This chapter gives advice on arrangements for making all types of ministerial (or Crown) appointment to NDPBs - whether to advisory bodies, tribunals or the managing bodies of executive-type NDPBs.

SELECTION AND RECRUITMENT

4.2 The performance of an NDPB will largely depend on the calibre of its members. It is therefore important to allow sufficient time for the procedures for identifying and recruiting suitable appointees.

4.3 Members of most executive etc and advisory NDPBs are appointed by departmental Ministers - often after consultation with outside organisations and/or other Ministers. Advice on appointments procedures should be sought from the appropriate departmental sources or, where necessary, from the Public Appointments Unit (PAU) of the Cabinet Office. The PAU can provide names of suitable candidates, and also cross-check names already known to departments or recommended from other sources. Consultations should begin early, particularly where the NDPB is a new one and/or there are extensive consultation requirements completion of the various stages leading up to appointments may take several months.

4.4 The use of "head-hunters" (that is, recruitment firms whose primary method of working is by direct approach to candidates) should be considered only for full-time executive appointments. Even in such cases, head-hunters should not, given the cost, be used until the government's own sources of suitable names - departmental and central - have been fully tried. The PAU and the Department of Trade and Industry can advise on the choice of firms; the final choice rests with the department, but at least two quotes must be obtained. A proposal to engage a head-hunter requires Treasury expenditure division approval - unless authority has specifically been delegated to departments.

4.5 Advice on procedures for appointments to tribunals should be sought from the Lord Chancellor's Department, or (for Scottish tribunals) from the Scottish Courts Administration. The Lord Chancellor or the Lord Advocate usually appoints the legally qualified chairman and some members of statutory tribunals. They may do so either directly, or indirectly, by appointing panels from which departmental Ministers select members.

TENURE AND DISMISSAL

4.6 The ability to appoint and if necessary dismiss some or all board members is the ultimate safeguard of a Minister's ability to supervise an NDPB effectively. Accordingly, legislation setting up executive etc NDPBs should include suitable powers of dismissal. Statutory provisions will be supplemented by more detailed provisions in the instrument of appointment (and provision will be made entirely in this instrument for paid appointments to non-statutory NDPBs). Appointments should normally be made for a limited and specific period, not exceeding five years.

4.7 Different considerations apply to tribunals, whose members cannot generally be removed except by or with the concurrence of the Lord Chancellor (or the Lord Advocate). Advice should be sought from those departments.

REMUNERATION, SUPERANNUATION ETC

4.8 Advice should be sought from the Treasury on questions about remuneration, superannuation and other financial aspects of appointments to all types of NDPB. They should be consulted at an early stage about proposed legislation; and as necessary in relation to individual appointments. More detailed guidance is given below.

Remuneration

4.9 If the chairman and members of an NDPB appointed by a Minister are to be paid, the level of their remuneration must be determined by the Minister concerned, with Treasury approval, whether or not they are to be full time. Provision for this control should be included in any legislation setting up an NDPB.

4.10 Where an appointment requires less than full-time commitment, a salary pro rata to a full-time rate is often calculated but, especially where the commitment is less than one day per week, an annual salary not strictly proportional to time input may be agreed. A daily fee is likely to be more suitable than a salary where work is irregular and intermittent (and the Treasury need only be consulted if it is proposed to pay an amount above the delegated limit). The criteria for determining daily fees are different from those for salaries and take account of the tradition of voluntary public service, particularly by members of advisory committees and Royal Commissions.

4.11 For most NDPBs, members' remuneration will be reviewed following pay reviews of the Higher Civil Service. The Treasury will issue guidance to departments at the appropriate time. However, for bodies of a clearly commercial character, salaries may be determined, with the agreement of the Treasury, under arrangements which take greater account of market factors.

4.12 Where a member is or will be entitled to draw a pension from a former public office or employment during the period of his or her appointment, it is necessary to consider whether the overall income from pension and board remuneration should be abated so that it does not exceed the salary of the previous office, or the board salary if higher. Such abatement is regarded as necessary to avoid any danger of criticism that ministerial appointments are leading to excessive overall remuneration from public funds. Candidates for membership of NDPBs should be advised of the implications of abatement before they accept appointment.

Travel, subsistence and loss of earnings allowances

4.13 The relevant Treasury pay division can advise on travelling and subsistence allowances, and on loss of earnings allowances, where appropriate, for members of committees who are unpaid.

Superannuation, injury benefits and compensation

4.14 Superannuation Division, Treasury should be consulted at the earliest possible stage on all the issues discussed in this section and before any undertakings are given to prospective board members. The Occupational Pensions Board will also need to be consulted about contracting board members (on "by analogy" or continuation terms) out of the state scheme under the Social Security Pensions Act 1975.

4.15 **Superannuation.** Board members promoted from the staff of a body are regarded as taking a step in normal career progression and may remain members of the staff pension scheme. (Some schemes may, however, include discretionary features to be applied only with the consent of the Minister.) Specific provision is needed in the enabling legislation; an example is section 49(2) and (3) of the Aircraft and Shipbuilding Act 1977.

4.16 Pension arrangements can also be made for members appointed from outside who are paid for at least two days a week and who have executive responsibilities. They have a choice between being pensioned by analogy with the staff scheme or (provided the cost is acceptable) in continuation of the pension arrangements of their previous employment. The option may be changed at any time during their appointment unless irrevocable action has been taken. The enabling powers need to provide for the NDPB to pay or make provision for the payment of pensions allowances and gratuities for members and their dependants; an example is paragraph 6 of Schedule 1 to the Employment and Training Act 1973.

4.17 For those pensioned by analogy with the staff scheme, the terms may be modified to reflect the circumstances of board appointments, the need for prior ministerial approval of discretionary enhancements and any other conditions prescribed in the letter of appointment. Benefits are paid from the NDPB's revenue, which is credited with the members' contributions. Transfer values may be bought in from previous pension schemes with credit being given on the basis of actuarial equivalence.

4.18 In continuation cases the normal approach is for the body to pay "topping up" benefits from revenue equivalent to the difference between the benefits preserved by the previous employer and what they would have been had the member remained in that employment. There are arrangements for increasing the pensionable salary of the previous employment, but this must not exceed the current board salary. NDPBs should not take over premium payments on previous insurance policies because of the extra cost involved.

4.19 **Injury benefits.** Board members who suffer injury or contract a disease which is directly attributable to their appointment and leads to impairment of earning capacity may be eligible for special compensation benefits. Such benefits may also be payable to dependants in cases of death. The benefits are normally by analogy with those for the staff, but a member pensioned on continuation terms may have the benefits which related to such terms. (The normal policy is, however, to pay from the NDPB's revenue rather than continue previous insurance policies.) The normal pension-enabling powers should cover such payments, but departments should consult their lawyers if there is any doubt. Where no suitable provision is available on this basis, the Treasury will consider the award of benefits by analogy with part 2 of section 11 of the Principal Civil Service Pension Scheme (PCSPS). The latter is a fall-back, not an alternative, arrangement.

4.20 **Compensation.** The enabling powers should include a power to pay compensation in the event of a member's fixed-term appointment coming to a premature end in circumstances where the sponsoring Minister, with the consent of the Treasury, considers that compensation is justified. An example is paragraphs 7 and 17 of Schedule 1 to the Employment and Training Act 1973. The Superannuation Division, Treasury should be consulted about the assessment of compensation.

CONDUCT AND RELATED MATTERS

4.21 In order to avoid suspicion of or actual conflict of interest, corruption or impropriety by NDPBs, departments have a responsibility to see that appropriate

rules of conduct, which take account of the nature of an NDPB's functions, its relationship to other persons and organisations, and the sources of recruitment to it, apply to board, members etc of NDPBs and are brought to the attention of candidates for membership.

4.22 Such rules of conduct should cover inter alia the acceptance of hospitality and gifts, members' financial and other interests which may conflict with the requirements of public service, and political activities. Rules concerning the acceptance of appointments after resignation or retirement from the body may also be warranted.

Members' financial interests

4.23 For major NDPBs with trading or other financial objectives, safeguards should generally be included in the founding legislation against the risk of conflicts with members' private financial interests. These might require:

- a. the sponsoring Minister to be satisfied that, when making an appointment and from time to time thereafter, any financial or other interests of persons appointed are not likely to prejudice the performance of their duties;
- b. appointees to give the Minister any information needed for this purpose; and
- c. members to disclose any private interest they have in a contract to be considered by the body, and to refrain from participating in the relevant discussion.

Business appointments

4.24 Uniform rules restricting the acceptance of business appointments by board members of NDPBs would not be feasible. NDPB board members may be qualified for membership precisely because they have expertise in a particular area of activity to which they would expect to return after a period of board membership, or, in the case of part-time appointments, to continue with while serving as board members. A restriction on the acceptance of business appointments following retirement or resignation, or in parallel with part-time appointments to NDPBs, could make it difficult to recruit suitable members and might in certain circumstances be unenforceable as an unreasonable restraint of trade; departments considering restrictions should seek legal advice on the latter point.

4.25 Nevertheless there is a need to safeguard against conflicts of interest and impropriety. In deciding whether restrictions are needed in any particular case, departments should take into account such factors as:

- a. the extent to which the NDPB funds the activities of other organisations through loans, grants etc;
- b. the extent of the NDPB's contractual relationships with other organisations; and
- c. its regulatory responsibilities.

4.26 In relation to full-time appointments departments should consider when a NDPB is first set up - and where appropriate should review periodically thereafter - whether formal rules (similar to the Civil Service ones) restricting acceptance of

business appointments after retirement or resignation should apply to the body in question.

4.27 In relation to part-time appointments departments should be guided by the following principles, both in selecting candidates, and in deciding whether conditions of appointment should restrict the acceptance of outside appointments:

a. A member of a public board should not hold any outside appointment which would be incompatible with devoting due time and attention to public duties.

b. The risk of conflict between a member's private interests and the requirements of the public service must be minimised, and seen to be so. Particular care may be needed, for example, in considering for appointment to one NDPB a candidate who is a member of another body in a contractual relationship with the first; or where a retired civil servant is a candidate.

Political activities

4.28 Government has drawn up rules on participation in political activities which, generally speaking, members of public boards are expected to observe. A copy is at Appendix E. Departments should draw attention to the rules when making an appointment, and should give the appointee a copy.

4.29 The Cabinet Office will be glad to discuss any problems arising in connection with the matters discussed in paragraphs 4.24-4.28. On business appointments the point of contact is Security Division; on political activities Conduct, Code and Guide Division.

Disqualification from membership of the House of Commons etc

4.30 Whenever offices are created in a new NDPB, or the terms and conditions of existing offices are altered substantially, the case for disqualifying the office-holders from membership of the House of Commons should be carefully considered.

4.31 Disqualification is effected by an entry in Schedule 1 to the House of Commons Disqualification Act 1975. Offices generally attract disqualification if one or more of the following criteria are met:

a. the office is an office of profit in the gift of the Crown or Ministers. This includes salaried, pensionable and certain fee-paid posts, but excludes posts attracting expenses alone. There is a de minimis limit (£4,000 in 1984);

b. certain positions of control in companies in receipt of government grants and funds to which Ministers usually, though not necessarily, make nominations;

c. offices whose holders are required to be, or to be seen to be, politically impartial;

d. offices imposing duties which with regard to time or place would prevent their holders from fulfilling parliamentary duties satisfactorily.

Where c and/or d above is the only reason for disqualification, consideration should be given to effecting the disqualification through the terms and conditions of appointment, that is, by including a requirement that the office holder should resign either when his or her candidature or prospective candidature for Parliament is publicly announced or on election to the House of Commons.

4.32 If the NDPB is being set up by legislation, this should make provision for the offices concerned to be added to the relevant part of Schedule 1 to the House of Commons Disqualification Act. Where a body is set up other than by legislation, or where an existing office needs to be disqualified, the amendment can be made by means of an Order in Council under section 5(1) of the Act. Departments winding up, merging or re-naming NDPBs listed in Schedule 1 to the Act should bear in mind the need to amend the Schedule accordingly. In all cases where disqualification or removal of disqualification is or may be appropriate, the Machinery of Government Division, Cabinet Office should be consulted.

4.33 Departments should take care to ensure that no sitting Member of Parliament or of the European Assembly is appointed to an office which is listed or is to be listed in Schedule 1 to the House of Commons Disqualification Act. Disqualifications effected under the House of Commons Disqualification Act 1975 also apply to membership of the European Assembly (unless a special order is made under the European Assembly Elections Act 1978). Disqualification for the Northern Ireland Assembly is made under the Northern Ireland Assembly Disqualification Act 1975. The Northern Ireland Office should be consulted as necessary. In general, disqualifications for the Northern Ireland Assembly follow the criteria for disqualification for the House of Commons.

ANNOUNCEMENTS AND LETTERS OF APPOINTMENT

4.34 Full agreement should be reached with appointees on remuneration and other main terms and conditions of appointment before the department is committed to the appointment. In no circumstances should an appointment be announced until agreed terms and conditions have been confirmed in writing.

SUMMARY OF KEY POINTS

Paragraphs

- | | |
|-------------|---|
| 4.3 and 4.6 | Members of most NDPBs are appointed by departmental ministers: appointments should normally be for a limited and specific period not exceeding five years. |
| 4.3, 4.4 | The Public Appointments Unit (PAU) of the Cabinet Office can provide advice on appointment procedures, on possible candidates and on the use of "head-hunters". |
| 4.8-4.20 | The Treasury should be consulted on remuneration superannuation and other financial aspects of appointments. |
| 4.21, 4.22 | Departments are responsible for ensuring that appropriate rules of conduct are brought to the attention of candidates for membership. |

- 4.23 Founding legislation should include safeguards against conflicts of financial interest.
- 4.24-4.27 Departments should consider whether formal rules relating to business appointments should apply to members of individual NDPBs.
- 4.28 Members of NDPBs are expected to observe the rules on participation in political activities.
- 4.30-4.33 Whenever offices are created in a NDPB, the case for disqualifying the office-holders from membership of the House of Commons should be carefully considered. Machinery of Government Division, Cabinet Office can advise.
- 4.34 No appointment should be announced until terms and conditions have been agreed in writing.

CHAPTER 5: CONDITIONS OF SERVICE OF NDPB STAFF

STATUS OF STAFF

Advisory bodies

5.1 These do not generally have powers to employ staff. They are usually supported by civil servants employed by their sponsor departments. Staff supporting advisory NDPBs in this way remain civil servants (or employees of their parent organisation if this is not the Civil Service) while assigned to support the NDPB. If advisory bodies are, exceptionally, given powers to engage staff, these staff will be Crown servants, but not necessarily civil servants.

Tribunals

5.2 Tribunals too do not generally have powers to employ staff. They are supported in most cases by civil servants provided by the department with policy responsibility for the matters under adjudication. In some cases, such as the Social Security Commissioners, tribunals are supported by staff of the Lord Chancellor's Department.

Executive etc NDPBs

5.3 NDPBs set up to perform executive, regulatory or commercial functions should normally be given powers to employ their own staff. This is consistent with the intention that their functions should be carried out with a degree of independence of Ministers. Most executive etc NDPBs which employ staff are not Crown bodies and their staff are not, therefore, civil servants. The main exceptions are the Manpower Services Commission, Health and Safety Commission and Executive, and Advisory Conciliation and Arbitration Service; these are Crown bodies, and their staff are civil servants.

5.4 Occasionally, where a small body would find it difficult to attract staff of the right quality or could not do so economically, it may be suggested that it should be staffed wholly or partly by civil servants on attachment. Such proposals need to be considered on their merits, but due weight should be given to the need to safeguard the NDPB's independence. Fewer problems are likely to arise from using a nucleus of staff attached for a limited period to assist with setting up a new body. The Personnel Management Division, Cabinet Office should be consulted about any proposal to staff a new NDPB either initially or permanently with civil servants on attachment. Officers on attachment do not cease to be civil servants; they remain on their parent department's books and are still part of its staff. At the end of the period of attachment an officer will normally return to his or her department. The attachment of staff to an NDPB should be regarded as a service for which repayment of full costs is expected, including salary, ERNIC and a superannuation charge; VAT may also be payable.

PERSONNEL IMPLICATIONS OF HIVING OFF

5.5 Where the functions of a new NDPB are to be transferred from a government department and it is proposed to transfer civil servants with the work out of the Civil Service, the department concerned should consult the Cabinet Office (Personnel Management Division) and Treasury (Pay and Superannuation Divisions) about the necessary arrangements, including the possible need for legislative provisions. If staff are to be transferred with their work to an NDPB on terms and conditions which are no less favourable taken as a whole than those they currently

enjoy, or on terms and conditions which are less favourable but where compensation is paid for the (net) worsening, then it is not considered that the payment of redundancy compensation is justified.

5.6 Where it is intended to transfer staff with their work permanently to an NDPB, secondment should not normally be used as a preliminary measure leading up to transfer. The sponsor department may, however, exceptionally staff the new body for a limited period by attaching to it staff who will return in due course to the department.

5.7 Once civil servants have been transferred to a new body as employees they have no right of return, although it may be open to them to seek reinstatement within the terms of the normal reinstatement rules. No general undertaking to find Civil Service posts (eg in the event of redundancy in the new body) may be given without consulting the Cabinet Office (Personnel Management Division).

5.8 Paragraphs 17-19 of Schedule 13 to the Employment Protection (Consolidation) Act 1978 make provision for preserving continuity of employment for the purpose of various rights, including those relating to unfair dismissal, periods of notice, and redundancy payments under the Act, when staff (including Crown servants) move with their work to a new employer. Where, however, individual staff move between employers (that is, without their work), they will fall outside the scope of these provisions and suffer a break in the continuity of their employment for the purposes of the 1978 Act. The exceptions are where both the old and the new employers are bodies carrying out functions on behalf of the Crown, or are "associated employers" as defined by section 153(4) of the Act, this does not involve a change of employer and there is therefore no break in the continuity of employment. Departments should seek advice on these matters from Personnel Management Division, Cabinet Office.

REMUNERATION: "CONTROLLED" AND "NON-CONTROLLED" NDPBs

5.9 Where, exceptionally, the staff of an NDPB are members of the Home Civil Service, pay and grading, superannuation and allowances will be subject to central control just as for staff in government departments.

5.10 Where staff are not civil servants, the general rule is that central control of pay, superannuation and allowances is applied where an NDPB relies on government funding (excluding payments made on a customer/supplier basis):

- a. for 50 per cent or more of its gross expenditure; or
- b. for 50 per cent or more of its administrative expenditure.

Where government funding falls short of these limits, there is generally no detailed departmental control over pay, superannuation etc. Departments should nevertheless ensure that public funds are not used wastefully. Public funds must not, for example, be used to underwrite inequitable or overgenerous conditions of service. When determining the level of grant-in-aid departments should take full account of current features of public expenditure control; if necessary, they should stipulate as a condition of the payment of funds that the body should correct apparent anomalies. Advice on public service practices can be obtained from the appropriate Treasury divisions.

PAY AND CONDITIONS OF SERVICE IN "CONTROLLED" NDPBs

5.11 When the pay and allowances of NDPB staff are to be controlled centrally, generally the power to control should be included in any founding legislation. Where there is no founding legislation, such power should be included in the terms attaching to the body's grant-in-aid. Where central control is statutory, staff pay and conditions are usually made subject to the approval of the Secretary of State with the consent of the Treasury. Primary responsibility for control, and accountability for questions concerning staff pay and conditions, thus rests with the sponsor department. The Treasury's role arises from its wider responsibility for public service pay and conditions. A similar relationship exists where central power rests on conditions attaching to funding rather than legislation.

5.12 In the interests of economical and effective administration of pay, it is desirable generally for the pay, allowances and grading structure for staff of controlled NDPBs to have a clearly-defined relationship with the Civil Service or some other public service model (whichever may be more appropriate). Variations from the parent model can however be agreed with the Treasury, either to reflect the particular needs of the body or to take account of differences in conditions of service between the parent model and the NDPB. The sponsor department and central departments cannot effectively control staff pay in public bodies unless they also monitor grading standards in those bodies to ensure that they are effectively controlled. Sponsor departments should therefore ensure that there are adequate arrangements for NDPB posts to be graded in relation to the parent model and for grading standards to be inspected on behalf of NDPB senior management. (Appendix H deals fully with manpower control requirements.) While controlled public bodies are satisfactorily related for pay purposes to the Civil Service or some other public body, changes in the parent model may be passed on so long as sufficient finance is available.

5.13 Where a controlled NDPB cannot satisfactorily be related to the Civil Service or any other public service model for pay purposes, pay rates must still be based, as far as possible, on rates for functionally comparable work, with appropriate adjustments for differences in conditions of service. All changes in pay and conditions will then generally require the specific approval of the sponsor department and the Treasury.

5.14 Where pay and related allowances of the staff of an NDPB are subject to Treasury approval, central control is normally applied also to allowances not related to pay, such as travelling and subsistence allowances. In most cases these allowances follow the rules applying to civil servants. Where it is proposed that a different analogue should be used or that different allowances should be awarded, the sponsor department should consult the relevant Treasury pay division, with full justification for different treatment, before any commitment is made.

SUPERANNUATION, INJURY BENEFITS AND COMPENSATION

5.15 Where the superannuation arrangements of the staff of an NDPB are to be subject to central control, the necessary control powers should be included in any founding legislation or in the terms attaching to a grant-in-aid. Powers of ministerial direction are not appropriate for such detailed matters. Whatever the extent of prior planning, firm decisions cannot be taken until after an NDPB is set up. The enabling powers should therefore be drawn widely and should enable the body to:

- a. pay pensions, allowances or gratuities to or in respect of its staff and compensation in excess of the requirements of the Employment Protection (Consolidation) Act 1978;

- b. make payments towards the provision of such benefits; and
- c. maintain pension schemes (whether contributory or not).

The powers should make the arrangements subject to the approval of the sponsoring Minister given with the consent of the Treasury. An example is paragraph 14 of Schedule 1 to the Development of Rural Wales Act 1976, but departmental lawyers sometimes judge the circumstances to require additional wording to cover compensation.

5.16 The Superannuation Division, Treasury should be consulted about the powers and the arrangements proposed in this field at the earliest possible stage. The NDPB should also be alerted to the need to obtain approval of the arrangements by the Superannuation Funds Office, Inland Revenue, and to consult the Occupational Pensions Board about contracting its staff out of the state scheme under the Social Security Pensions Act 1975; it is the normal policy for such schemes to be contracted out.

Superannuation

5.17 The need to maintain a consistent pensions policy throughout the field for which Ministers are answerable means that there is relatively little scope to diverge from the normal terms for the major public services. Important factors in determining an appropriate model are the analogue used for other conditions of service, the working affinities of the NDPB and management's views on the normal retiring age.

5.18 Where the NDPB is expected to have a close and continuing affinity with the Civil Service it may be possible to simplify the superannuation arrangements by admitting the staff to the PCSPS. The Treasury Superannuation Division must be consulted about any such proposal at the earliest possible stage and before the founding legislation is drafted. Admission can most satisfactorily be achieved by adding the body to Schedule 1 to the Superannuation Act 1972 by a provision in the founding legislation. Where there is no legislation it may be possible to do so by an Order made by the Treasury under the powers contained in section 1(5)-(8) of the 1972 Act, although this is only possible where the staff are paid directly from a Vote, the Consolidated Fund or a specified Fund. Benefits will then be paid from the PCSPS and the employer will only have to collect employee's contributions and pay appropriate contributions to the Civil Superannuation Vote; an obligation to pay contributions to the Treasury should be included in the founding legislation. Adding to Schedule 1 does not make the staff civil servants, but they will need to satisfy the Civil Service Commission as to their health (see also para 5.27).

5.19 Where the NDPB has an affinity with local government it may be possible to relieve it of the need to administer superannuation by negotiating the admission of the staff to the local government superannuation scheme. The scheme would then pay the benefits and the body would collect the employees' contributions and pay these plus the contributions required from the employer and the cost of pensions increase to the administering authority. Another possibility is to negotiate admission to some other existing controlled scheme run by employers with whom the body has close connections.

5.20 In cases where civil service terms provide the analogue but it is not appropriate to admit the staff to PCSPS, the NDPB can sometimes avoid drawing up a comprehensive scheme by introducing one which provides simply for the provisions to be by analogy with those of the PCSPS as amended from time to time. Since, however, the scheme will be unfunded with benefits paid out of revenue as they

arise, this is not appropriate for partly grant-aided bodies with an uncertain future, since there is a risk of public funds being asked to meet the full cost of residual superannuation liabilities if the body is wound up (Appendix D).

5.21 Where the above simplifications are not possible, there is no alternative to the NDPB introducing a comprehensive scheme of its own which will need to be contracted-out with the Occupational Pensions Board and approved by Inland Revenue. Large bodies will probably wish to run funded schemes administered by trustees while smaller ones may prefer to make arrangements with an insurance company to avoid disproportionate additions to their administrative staff. Others may prefer to pay benefits as they emerge, but the point in paragraph 5.20 about avoiding this method for partly grant-aided bodies with an uncertain future is again relevant.

Injury benefits

5.22 It will be necessary to provide injury benefits for staff who suffer injury or contract a disease, which is directly attributable to employment by the body and which leads to an impairment of earning capacity or death. In the latter event benefits may be payable to dependants. Where staff are pensioned in, or by analogy with, an existing controlled scheme they will enjoy the injury cover provided in that scheme or in association with it. In other cases it will be necessary to devise separate injury benefit arrangements which should be consistent with the normal public service policy as reflected in section 11 of the PCSPS. The benefits are paid out of revenue as they arise. Insurance-type cover should not be taken for this contingency.

Compensation

5.23 It is normal for the pension scheme to provide for the immediate payment of pension and lump sum accrued on actual service to those who have attained age 50 who are compulsorily retired with at least five years' service. Where it is desired to follow the public service practice of enhancing such benefits by added years and providing special lump sum compensation payments to these and other staff in excess of the requirements of the Employment Protection (Consolidation) Act 1978, such benefits should be provided from a separate compensation scheme.

RECRUITMENT AND PERSONNEL MANAGEMENT

Responsibilities on sponsor departments

5.24 Effective recruitment and personnel management are important for administrative efficiency. Formal control in this area by sponsor departments would be incompatible with the degree of managerial independence appropriate to an NDPB set up to operate at arm's length from government. NDPBs which employ staff are themselves responsible for observing the requirements of employment legislation. Nevertheless, while the relationship between sponsor department and NDPB will need to take account of the degree of the latter's managerial discretion, in accordance with overall ministerial accountability for the NDPB, sponsor departments should encourage NDPBs to adopt recruitment and personnel management practices which meet certain minimum standards expected of public service employers. Sponsor departments should for instance draw to NDPB's attention Codes of Practice issued by the Commission for Racial Equality and the Equal Opportunities Commission, and those of the Manpower Services Commission and Cabinet Office on the employment of disabled people. In the case of controlled NDPBs, pay relationships may be based on the equivalence of recruitment and grading standards and personnel management policies to an agreed public service model.

5.25 Sponsor departments have a particular responsibility to assist new NDPBs to make a sound start. They should therefore offer advice and assistance on recruitment and personnel management practices, in particular on the appointment of a Personnel Officer; the development of a personnel management system; the scope for co-operation with other organisations (for example by sharing staff and establishing common management of staff); and the arrangements for industrial or staff relations. The new body should be encouraged to establish a satisfactory industrial relations system at the outset - taking into account Industrial Relations Codes of Practice issued by the Department of Employment and by the Advisory, Conciliation and Arbitration Service (ACAS). Further guidance on industrial relations matters is available from ACAS. National agreements (eg Civil Service National Whitley Council Agreements) will not apply unless separate agreements to this effect are concluded within the NDPB.

5.26 Once an NDPB is soundly established, its sponsor department should maintain contact with it on personnel matters and respond to requests for advice. It is the responsibility of the sponsor department to keep an NDPB informed of changes in Civil Service terms and conditions which may affect the NDPB. The NDPB should otherwise be left to conduct its own personnel affairs unless there is evidence (eg from its annual report, audit or a review of the NDPB) of a serious staffing problem which is impairing the body's efficiency. In such circumstances the sponsor department may need to intervene to assist with resolution of the problem.

Recruitment assistance from the Civil Service Commission

5.27 Where, exceptionally, the staff of an NDPB are members of the Home Civil Service (or Diplomatic Service), recruitment is governed by the Civil Service Order in Council 1982. This means that the Civil Service Commission (CSC) is responsible for recruiting to posts at, broadly, Executive Officer (or equivalent) level and above; and the body undertakes recruitment to more junior levels in accordance with guidance and instructions issued centrally by the Cabinet Office. When an NDPB is not staffed by members of the Home Civil Service (or Diplomatic Service) recruitment is not governed by the Civil Service Order in Council and can be undertaken in whatever way the body considers appropriate. In practice, several NDPBs recruit by analogy with the Civil Service, asking the CSC to recruit to the more senior grades (usually on a repayment basis), and undertaking junior recruitment themselves in accordance with Cabinet Office guidance. While NDPB staff have no right to transfer into government departments, staff of NDPBs which recruit through the Civil Service Commission (or for more junior grades in accordance with Cabinet Office guidance) are eligible to respond to Civil Service trawls. Advice on suitable recruitment arrangements for any type of NDPB may be sought from the CSC Secretariat.

5.28 One of the rules of the Principal Civil Service Pension Scheme (PCSPS) (see paragraph 5.17) is that a retirement on medical grounds will be regarded as a resignation unless the person concerned satisfied the civil service health standard on appointment. Therefore, if a non-Crown body is added to the Schedule of bodies covered by the PCSPS, it should follow the civil service health check procedure even if it is not following civil service recruitment procedure in other respects. The CSC is prepared to undertake, on repayment, the health vetting of staff to be appointed to the more senior grades even where it has not otherwise been involved in recruitment and selection. The CSC Secretariat can advise further about these arrangements.

CONDUCT AND RELATED MATTERS

Nationality rules

5.29 It may be necessary to consider whether a new NDPB should be added to the list of prescribed public bodies which may lawfully operate nationality rules under the provisions of Section 75(5) of the Race Relations Act 1976. Amendment of the list is by regulations made by the Minister for the Civil Service, subject to Home Office advice (in view of that department's responsibility for the Act). The general policy is to keep the number of bodies prescribed to an essential minimum. The main reason previously accepted has been that the nature of the work requires the imposition of such rules as a basic indicator of loyalty to the State. Where a department intends to seek prescription for a particular NDPB, it should discuss the circumstances with the CSC Secretariat in the first instance.

Security

5.30 Advice on security matters should be sought from the departmental security officer who may, in turn, wish to consult the Security Division of the Cabinet Office.

5.31 Where an NDPB is to deal with or have access to classified information, adequate personnel and physical security measures should be taken. If the access makes it necessary for the body to be covered by government security regulations, this may be done either by explicit provision in the enabling legislation or, where that legislation provides for ministerial directions, by such a direction.

Conduct rules

5.32 Departments should encourage NDPBs for which they are responsible to adopt staff rules which are appropriate to their functions and which recognise the ultimate accountability of Ministers to Parliament for their activities (see paragraph 2.9). These rules should, inter alia, require staff to declare any interest in contractual or regulatory matters, and give guidance on the acceptance of hospitality and gifts. Departments should consider, at the time when an NDPB is set up and periodically thereafter, whether the NDPB should be asked to adopt staff rules about the acceptance of appointments after resignation or retirement from the body. In particular, departments should draw to the attention of NDPBs with executive responsibilities the current rules governing the acceptance of such appointments by Crown servants, together with the observations of the Treasury and Civil Service Committee (Eighth Report, Session 1983-84, HC 302) and the Government's reply (Cmnd 9465). The need for rules on acceptance of appointments should be considered in relation to the functions of the NDPB concerned and any potential for conflict of interest which may give rise to public concern. In those NDPBs which carry out functions on behalf of the Crown (eg the Manpower Services Commission) staff will of course be Crown servants and therefore covered by the rules governing Crown servants. The Security Division, Cabinet Office can advise sponsor departments on the arrangements in such cases. Departments may also find useful the "Report of the Royal Commission on Standards of Conduct in Public Life" 1976 (Cmnd 6524).

Disqualification from membership of the House of Commons

5.33 Where, exceptionally, an NDPB is staffed by civil servants, they will automatically be disqualified from membership of the House of Commons. Otherwise it is not the normal practice to disqualify staff employed in NDPBs. Any proposal to do so should be discussed with the Machinery of Government Division, Cabinet Office.

Responsibilities of NDPB nominee directors

5.34 Where an NDPB nominates directors to the boards of assisted companies in circumstances in which the NDPB is not the majority shareholder - perhaps by the use of special rights embodied in the Articles of Association, or by contractual agreement with the company in return for financial support - the NDPB should give the directors on appointment a guidance note on the proper role and responsibilities of the appointment. This guidance note should be cleared in advance with the sponsor department and should take into account Annexes C and D of the memorandum submitted by HM Treasury as evidence for the PAC hearing on the appointment of nominee directors on 12 December 1984.

SUMMARY OF KEY POINTS IN CHAPTER 5

Paragraphs

- 5.1, 5.2 Advisory bodies and tribunals are usually supported by civil servants. They do not generally have powers to employ staff.
- 5.3 Executive etc NDPBs should normally be given powers to employ staff.
- 5.5-5.8 When functions and associated staff are hived off from a government department to a new NDPB, personnel matters need careful consideration. Personnel Management Division, Cabinet Office and Pay and Superannuation Division, Treasury can advise.
- 5.10-5.16 Where government funding accounts for 50 per cent or more of an NDPB's gross expenditure or 50 per cent or more of its administrative expenditure, then pay, superannuation and allowances are subject to central control by the Treasury. The terms of control should generally be included in the founding legislation or in the conditions attaching to the body's grant-in-aid.
- 5.18-5.21 Options for superannuation of NDPB staff may include admission to the PCSPS, a local government scheme, a scheme similar to the PCSPS, or a contracted-out scheme administered by the body.
- 5.24-5.27 The sponsor department is responsible for encouraging NDPBs to adopt good practices in recruitment and personnel management. Advice on recruitment may be sought from the Civil Service Commission.
- 5.29-5.34 Advice relating to nationality rules, security, rules of conduct, House of Commons disqualification and responsibility of nominee directors may be obtained from the Cabinet Office or Treasury.

CHAPTER 6: HOUSEKEEPING BY NDPBs

PROVISION OF COMMON SERVICES

General

6.1 NDPBs funded by grant-in-aid (even if 100 per cent funded) are expected to pay the full cost (including overheads and VAT) of any services provided by government departments, including the sponsor department. This ensures that the total cost of a body is visible. "Full cost" in this context means in accordance with guidance issued by the Treasury (Appendix J, item J.10). "Common services" include such services as the calculation and payment of the salaries of the NDPB's staff.

Accommodation, furniture, stationery

6.2 When a new NDPB is set up, the sponsor department may provide it with temporary accommodation in buildings it occupies itself and provide other services, such as furniture and stationery, from its own resources. But longer-term arrangements should be introduced as quickly as possible. Departments should consult the Property Services Agency (PSA) and Her Majesty's Stationery Office (HMSO) as to whether they should provide services.

6.3 The PSA should be consulted at the earliest possible stage, if possible during the drafting of legislation to establish the body, about the likely accommodation requirements of a new NDPB. If the PSA agrees to provide accommodation or related services these will normally be provided under the Property Repayment Services (PRS) system, or on repayment terms to be agreed between PSA and the NDPB. Where the PSA agrees to provide services in advance of a body being formally established the cost will normally be recovered from the sponsor department.

6.4 The services of the Crown Suppliers (TCS) are available to NDPBs for the supply of standard and non-standard items of furniture and equipment. Departments should consult TCS as early as possible about likely requirements for furniture and equipment. Products and services provided by TCS will be arranged on the PRS system or on repayment terms as agreed with the customer.

6.5 Supplies from HMSO will be on repayment terms.

Information technology (IT)

6.6 The role of the Central Computer and Telecommunications Agency (CCTA) is to provide assistance to departments in the development and exploitation of information technology; such assistance includes specific technical and management advice and support, and procurement services, as well as general guidance on procedures etc, as described in the "Information Technology Guide" published by CCTA. CCTA's involvement with NDPBs is specifically limited. Apart from a small number of named bodies (where CCTA provides support as though they were government departments) the Agency does not support NDPBs directly, but may exceptionally be called in on an agreed basis by the sponsor departments for control purposes (strategic, efficiency and effectiveness issues etc). NDPBs should, like departments, have full control over questions of choice of information technology projects, and should be answerable for their spending.

6.7 The degree of departmental supervision and control over a body's IT expenditure should depend on the extent to which the body relies on government

funding. Specific controls should be agreed with the body and set out in writing. The memorandum of conditions attached to issue of the grant-in-aid will normally be a convenient place to do this. The agreement should specify any delegated levels for expenditure on the purchase of hardware, software and bureau facilities. If a body has exceptional expertise in a particular area the delegated level may, with Treasury's agreement, exceed the delegated authority for the department's own computing expenditure. (The general approach to setting delegated authorities is discussed in Chapter 8 and Appendices F and G.)

6.8 Sponsor departments will be responsible, within the financial limit delegated to them by Treasury Expenditure Divisions (or within the level of control set by a department for an NDPB if, exceptionally, this is higher), for the authorisation of computer projects proposed by their bodies. Any advice exceptionally provided by CCTA (in accordance with paragraph 6.6 above) will be on an agency basis.

6.9 The relevant Treasury Expenditure Division will be responsible for approval of computer projects proposed by bodies above the financial limits delegated to sponsor departments (or above the levels set by departments for their bodies if, exceptionally, these are higher). CCTA may be expected to advise Treasury Expenditure Divisions in such cases. If the Agency has doubts about the planning or management of projects, it will advise the sponsor department accordingly.

LOCATION POLICY

6.10 When NDPBs are being set up or if their work is to be expanded or re-located in a different area, early consideration must be given to current regional and inner city policies. Economy, efficiency and public expenditure implications have also to be taken into account.

6.11 In most cases, except broadly, where changes to existing bodies involve less than 25 staff, a consultative document should be submitted centrally to the Treasury (Industry and Agriculture Division 01-233 7920) and copied to the Cabinet Office (MPO - Management and Efficiency Division 01-233 4224). Their address is Government Offices, Great George Street, London SW1P 3AL. The document should outline the proposals and include details of the preferred location option, if any, with relevant costs and arguments in its favour. For a new body this should be submitted before any senior appointments are made. The Treasury will then involve interested departments: Trade and Industry, Environment, Energy and the Scottish, Welsh and Northern Ireland Offices. PSA must also be kept informed as location options emerge (in accordance with paragraphs 6.2 and 6.3).

PUBLIC RECORDS

6.12 When an NDPB is being established and will be financed wholly or mainly by the government, (other than one concerned with Scottish or Northern Ireland affairs - for which see paragraphs 6.17-6.18), it is necessary to decide whether its records should be public records and therefore subject to the provisions of the Public Records Acts 1958 and 1967.

6.13 Where it is intended that the Public Records Acts should apply, and the NDPB is a statutory body, this would normally be by amendment to Schedule 1 to the Public Records Act 1958. If no legislation is involved, the constitution of a new body should make it clear whether or not its records are public records. Any cases of doubt should be referred to the Lord Chancellor's Department (LCD).

6.14 Records of new bodies should usually be made subject to the Public Records Acts. This has no effect on their independence in any other respect. The Acts

require that, under the guidance and superintendence of the Keeper of Public Records, arrangements must be made for the selection of records worthy of permanent preservation and the disposal, as early as possible, of the remainder. Those selected for permanent preservation will be transferred to the Public Record Office (PRO) where they will be made available to public inspection, normally when they are 30 years old. The intention is to ensure that records worthy of permanent preservation are indeed preserved. In addition, criticism of mis-handling records and of undue secrecy is forestalled, and worthless papers are not retained in expensive accommodation. Making a body subject to the Acts also facilitates the transfer to it, and subsequent recovery of, departmental records required for administrative purposes.

6.15 If the sponsor department considers that the new body should not be subject to the Acts it should consult LCD. When such a body takes over functions from a government department, or from some other body whose records were public records, it is usual for the new body to be lent relevant current papers for a finite period. The records remain public records, and the Departmental Record Officer of the sponsor department must be consulted on such loans.

6.16 The arrangements to be made for disposing of records when a body is disbanded are described in Appendix D.

6.17 The records of any government department or body which is wholly or mainly concerned with Scottish affairs, or which carries on its activities wholly or mainly in Scotland, are excluded from the Public Records Act 1958 (Schedule 4, paragraph 2(2)(a)). The records of public bodies in Scotland are normally treated as records belonging to Her Majesty for the purpose of the Public Records (Scotland) Act 1937. Advice concerning such records should be sought from the Keeper of the Records of Scotland.

6.18 Similarly, it is desirable that the records of public bodies sponsored by the United Kingdom government and having functions which relate wholly or mainly to Northern Ireland should be treated as "Imperial" public records under the Public Records Act (NI) 1923. Advice concerning such records should be sought from the Deputy Keeper of the Records of Northern Ireland.

6.19 General advice on public records is available from:

Records Administration Division
Public Record Office
Kew
Richmond
Surrey TW9 4DU

The Keeper of the Records of Scotland
Scottish Record Office
HM General Register House
Edinburgh EH1 3YY

The Deputy Keeper
Public Record Office of Northern Ireland
66 Balmoral Avenue
Belfast BT9 6NY

SUMMARY OF KEY POINTS IN CHAPTER 6

Paragraphs

- 6.1 NDPBs funded by grant-in-aid are expected to pay the full cost of services provided by any government department.
- 6.6-6.9 In general CCTA does not support NDPBs directly but may occasionally be called in by a sponsor department.
- 6.10-6.11 Proposals for new NDPBs must take account of location policy.
- 6.12-6.19 It is necessary to decide whether the records of any new NDPB should be subject to the provisions of the Public Records Acts.

CHAPTER 7: FINANCIAL MANAGEMENT, PART I: INTRODUCTION

STANDARDS

7.1 NDPBs are required to maintain high standards of management and financial control. Fundamental requirements are that resources are used and money spent only for the purposes authorised. But regularity and propriety are not enough by themselves. NDPBs should also seek constantly to get better value for money by planning and managing their staff and other resources and their spending properly. This means starting with clear aims, pursuing them in the most efficient way, and keeping track of what is achieved.

7.2 Good financial management is needed to support Ministers' control and management of both administrative and programme expenditure. Ministers must be confident that they are able to discharge their responsibilities to Parliament for NDPBs. This can only be achieved by clear and specific responsibilities at all levels - from permanent heads of departments and the boards of NDPBs to the managers of individual units and activities. At each level individuals need to know their targets, their resources and how they will account for their achievements.

OVERALL APPROACH

7.3 The arrangements for planning and controlling an NDPB's activities will depend on the purpose for which it has been set up and the degree of independence of government it is intended to have. In general, however, the NDPB and its sponsor department each needs to be clear about its role and to recognise the other's needs for information. When a body is set up and when it is reviewed (see Chapter 10) particular attention should be given to the processes which ensure that:

- a. aims and priorities are agreed and defined clearly;
- b. authorities and responsibilities are set out so that the NDPB and the department know what is and is not delegated;
- c. the NDPB has a sound internal management system including arrangements for planning its resources, managing them so as to get best value for money, and measuring or assessing the results (including outputs, achievements and the wider consequences of its activities);
- d. information flows to and from the NDPB to help it decide its plans and assess the results achieved, and to meet the department's responsibilities; and
- e. appraisals are carried out to satisfy the NDPB, its sponsor department and Parliament that the management arrangements are adequate and working effectively.

7.4. The next two chapters summarise the responsibilities of departments and NDPBs for these arrangements. Chapter 8 concentrates on points for the sponsoring department. Chapter 9 considers how these principles can be applied in practice by NDPBs. Further guidance on important aspects of their relationship is brought together in:

Appendix F - delegation of authority and conditions attached to grants-in-aid;

Appendix G - major expenditure decisions;

Appendix H - manpower control, which will be important for the many NDPBs, whose expenditure is primarily on staff and associated costs;

Appendix I - accountability in NDPBs.

A bibliography of guidance on aspects of financial management is at Appendix J.

7.5 Chapters 7 to 9 are written with executive etc bodies in mind. The detailed guidance may need to be interpreted differently for other NDPBs. But the principles apply to all NDPBs. Even where a body's resources do not require detailed planning processes and controls the periodic reviews described in Chapter 10 will be important in the search for better value for money.

CHAPTER 8: FINANCIAL MANAGEMENT, PART II: THE DEPARTMENT'S RESPONSIBILITIES

PLANNING

Deciding aims, objectives and priorities

8.1 Each NDPB needs strategic aims and priorities consistent with government policies, and with the resources likely to be available to the body. Sponsor departments should satisfy themselves that there are means to arrive at these.

8.2 Aims can be communicated formally on setting up an NDPB through:

- a. legislation for the NDPB's specific functions;
- b. Royal Charter;
- c. Memorandum and Articles of Association (for a Companies Act company).

8.3 While important, these instruments will often define only the broad activities in which the NDPB may engage and the general purpose it is to serve. Its aims, objectives and priorities will need to be defined more precisely. Decisions about what an NDPB should do will be aided by a systematic evaluation of the options open to it, and of the costs and results of current or comparable activities. These decisions should then help to define more precise objectives which are especially important if the NDPB is to be free to take day-to-day decisions on resource allocation and expenditure. This is what is meant by "the planning process".

The planning process

8.4 In successive White Papers (*Cmnd 8616, September 1982; Cmnd 9058, September 1983; Cmnd 9297, July 1984*) the government has stressed the importance of good planning and management year-by-year, including critical scrutiny of performance against objectives, to make the best use of resources. The principles set out in those White Papers apply to NDPBs as much as to central government departments.

8.5 NDPBs will normally be set up with the intention of distancing the sponsor department from day-to-day decisions. They may have been given responsibility for policy formulation and for setting priorities within a policy framework laid down in legislation or by Ministers. In all cases, however, there is a minimum requirement for departments to ensure that the NDPB has adequate arrangements to formulate policies and priorities; that its plans are consistent with ministerial policies and with the resources available; that the managers concerned are aware of their responsibilities; and that each has the information, particularly about costs, to carry out those responsibilities.

8.6 There are a number of opportunities to review and redefine aims and priorities. Some of the more important which can be used singly or in combination to give the NDPB an effective basis for its operations are:

- a. Letters of appointment may be used to set out for senior managers of the NDPB the sponsoring Ministers' policy aims and the managers' responsibilities in relation to them.

b. The NDPB may be asked to produce a formal plan such as an annual corporate plan. Such plans typically include an outline of the present aims and objectives and those proposed for the future. An annual report may serve a similar purpose.

c. NDPBs can be included in the top management systems that departments have set up to help Ministers decide objectives and priorities. In the course of these systems Ministers typically review a report of past performance and plans for the future, and may discuss this with those responsible for the activity (in the department and in the NDPB).

d. A review of the NDPB may be commissioned if its aims are felt to be in need of revision (eg to take account of new ministerial policies). Further guidance on reviews is in Chapter 10.

Advice on setting strategic aims and policies

8.7 Departments are responsible for ensuring that each NDPB they sponsor has effective arrangements for planning its future programme of work. Chapter 9 describes the key elements of such systems. Chapter 10 describes how periodic reviews of arrangements should be used to ensure they exist and are working.

8.8 Sponsor departments should:

a. communicate information about ministerial priorities and policies, and departmental social or economic data and forecasts, which are relevant to the NDPB's forward planning;

b. receive costed proposals for its future programme of work and allocation of resources (manpower and money) in sufficient detail, appropriate to the body's circumstances, for the sponsor department (and the Treasury) to appraise its viability and efficiency;

c. examine any suggestions the sponsor department or the body may have for changes in aims and priorities for improving performance, or for reviewing its activities;

d. appraise any spending proposals which are not within the body's delegated authorities.

Planning timetable and horizon

8.9 The sponsor department should agree a timetable for each NDPB's plans which allows adequate time for discussion, including discussion with Ministers where appropriate, before the Public Expenditure Survey (PES) and submission of the department's Supply Estimates.

8.10 Departments should not rely upon the PES and Estimates as the sole planning mechanism. Effective planning will often require:

a. examination of past performance, planned resources and results (in rather fuller detail than may be possible during the PES Estimates); and

b. a longer time horizon than the three-year PES planning period. In some instances it may be helpful for bodies to produce provisional plans for the later years, based on alternative working assumptions agreed with the department.

8.11 Departments may wish to use their top management systems to review proposals from NDPBs alongside departmental proposals; and to enable Ministers to review all spending, decide priorities, and allocate resources accordingly.

PES and Estimates

8.12 The plans of the NDPB should allow it to provide the sponsor department with projections for the periods covered by the PES and Estimates, and with the information to explain and justify them to the department and the Treasury. The department's responsibilities are principally:

- a. to ensure the PES and Estimates reflect the priorities attached to the NDPB's activities and its planned programme of work;
- b. to examine a range of possible changes in the NDPB's plans and challenge its assumptions where appropriate; and
- c. to agree with the NDPB how any changes in the final allocation of resources affect its programme.

Organisation

8.13 In order to carry out these responsibilities the sponsor department will need to communicate to the NDPB developments in different areas (policy, finance, social data, etc). Many different people may then be involved in appraising the NDPB's plan.

8.14 Co-ordinating these different inputs is the department's responsibility. It should decide the steps necessary to bring expertise to bear, and to make sure that each person knows his or her responsibilities. For this purpose it should identify one person (usually in the policy branch most closely associated with the NDPB) to draw together the inputs from all concerned and to take day-to-day responsibility for the relationship between the department and the NDPB.

DELEGATED AUTHORITIES AND RESPONSIBILITIES FOR CONTROL

8.15 Particularly where an NDPB is to rely on government to finance all or part of its expenditure it is necessary to decide what controls and safeguards are to be exercised by the sponsoring Minister. These will depend on the purpose for which the NDPB has been set up. The NDPB must have the freedom necessary to meet its objectives. It will have been set up to have a degree of independence. This independence requires good management at all levels. Authority should not be delegated to an NDPB unless it is able to comply with the standards expected of those dealing with public funds, can satisfy the department and the Treasury of the strength of its management, and can provide information to account for the use it makes of those funds.

Extent of delegated authorities

8.16 The extent to which authority can be delegated to an NDPB depends on:

- a. **the degree to which it relies on government funds.** The greater the extent of government funding, the greater is the need for detailed control and monitoring of the NDPB's use of resources, current and prospective;
- b. **the strength of the NDPB's management and the difficulty of the circumstances in which it is operating.** A large NDPB with effective internal

controls is likely to need fewer external controls than a small one which is short on expertise in resource management. The more difficult and volatile the environment in which an NDPB is operating, the greater is the need for close control and monitoring;

c. **the powers of the NDPB and its method of financing.** An NDPB financed by compulsory levy or one which has a monopoly position is likely to need closer control over the amount of levy or fee (which should be determined by, or subject to, the approval of the sponsor department with the agreement of the Treasury) than an NDPB operating in circumstances where market forces exercise a discipline.

8.17 The extent of control and monitoring needs be considered in the circumstances of each case. Different levels of monitoring may be appropriate for different types of expenditure. For example, the criteria and limits delegated to a body for major capital projects need not be the same as those for running costs including manpower. Appendix F gives more detailed guidance about criteria and how they can be set within the terms of government funding. Appendix H deals with running costs including manpower and authorities for creating posts.

Methods of funding

8.18 The primary means of control are the terms and conditions attached to the funding of NDPBs.

8.19 Where a body's sole purpose is to carry out duties confirmed by Parliament or by Ministers and it relies wholly or mainly on government funds the normal method of funding is a grant-in-aid. Before making a grant-in-aid the sponsor department should set out in writing the conditions attached to its issue. Appendix F includes a checklist of the points that should normally be covered.

8.20 Some NDPBs may be financed in whole or in part by a levy, normally where its services will benefit a particular group of people and can be financed by that group. Others may charge for services. In addition to arrangements for fixing the levy or charge there should then be:

- a. agreed financial targets covering the level of such income;
- b. provision for dealing with any surplus (other than a temporary surplus) in excess of the NDPB's agreed requirements. The surplus should normally be used first to accelerate repayment of government debt and secondly to reduce any requirements for grant-in-aid. Failing that consideration should be given to surrendering all or part of the surplus to the Consolidated Fund. The amount to be surrendered will need to be decided each year in relation to:
 - i. the future financial needs of the NDPB; and
 - ii. the degree of financial assistance it has previously received from government.

Any government finance to set up an NDPB which is expected to become self-financing through levies and charges should normally be out of voted money so that Parliament may be aware of the support.

8.21 In some instances loan finance may be appropriate. This raises important points which need to be considered when the NDPB is set up:

- a. Loans from the National Loans Fund (NLF) will generally not be appropriate for NDPBs which may be candidates for privatisation.
- b. Statutory powers are needed to borrow from the NLF, but should not be taken on the off-chance they might be used.
- c. Where neither voted funds nor the NLF is appropriate loans should preferably be guaranteed by the department to put the liability on the record and to secure a better rate of interest.

As these and other matters (such as limits on total liability) are likely to require legislation, departments should consult the Treasury before finalising plans for any body which will require loan finance. In cases of doubt the Treasury will advise on the most appropriate description of the form of finance.

Disposals of assets

8.22 It is an important principle of public expenditure control that the recipients of government funds should not gain an uncovenanted cash benefit from the investment. Sponsoring departments should therefore give particular attention to the arrangements for use of receipts following sales of assets by an NDPB which has been funded by government and by others who have had grants from such a NDPB. The general rule is that where assets have been acquired or improved with government funds the proceeds of the sale (or the appropriate proportion if government funds met less than the whole cost) should be surrendered to the Consolidated Fund, or sponsor department (depending on the circumstances), if appropriate by taking the receipts into account when setting the level of government funding for the NDPB. There should be similar recoveries if the property is used for purposes other than those for which the funds were made available. However, in particular circumstances, other arrangements may be made, eg to encourage the disposal of surplus assets, which include (partial) retention of receipts. Such cases need to be approved by the Treasury. In some cases, such as when a body is being wound up, receipts surrendered to the Consolidated Fund may form part of the Government's privatisation programme and be classified as special sales of assets.

8.23 Arrangements to meet the general rule may not be easy to devise and enforce. **Appendix F** indicates some of the conditions that may need to be applied and the advice departments may need to seek.

Transitional arrangements

8.24 When a new NDPB is being created transitional arrangements may be necessary. Costs incurred by the sponsoring department will be borne on the departmental Vote and dealt with under the department's procedures. If staff of the new NDPB are to be engaged or accommodation hired before it is legally operating, they will be hired in the name of the department. There may need to be specific provision in the departmental Vote. The possibility of the NDPB refunding costs when it is set up may also need to be considered. In these cases the Treasury's advice should be sought before expenditure is incurred.

MONITORING AND SCRUTINY OF EXPENDITURE

8.25 Sponsor departments should receive from NDPBs information consistent with the Treasury's Financial Information System (FIS), and expenditure returns based on expected and actual calls on funds. Generally these figures should be supplemented by information about how the NDPB is using its resources and its progress measured against agreed objectives. Where appropriate the department should receive and

examine disaggregated information, such as activity costs and management accounts for operations within the NDPB, in order to compare plans with outturn, and in order to contribute to discussions about revisions to plans.

Accountability

8.26 The senior full-time official of an NDPB which receives a grant-in-aid always carries responsibilities similar to those of an Accounting Officer in a department. Appendix I outlines the normal practice.

8.27 The sponsoring department of a body in receipt of grant-in-aid should consider whether formal designation of an "accounting officer" is appropriate. One criterion will be the size of the grant-in-aid. It should, however, bear in mind that a clear definition of the respective responsibilities of the department's and the NDPB's Accounting Officers is in any case necessary for good management; and that a formal appointment usefully emphasises the possibility of appearances (jointly or individually) before the Public Accounts Committee.

Accounting systems

8.28 The accounting system should meet internal needs, and provide estimates and accounts in the form and by the dates required to enable the sponsor department to carry out its scrutiny and monitoring responsibilities. To meet internal needs, accounting systems must be capable of providing information necessary to secure efficiency, effectiveness and economy. The accounting system stipulated for the private sector, set out in the Companies Acts, requires:

- a. the disclosure with responsible accuracy, at any time, of the financial position of the entity;
- b. the accounts to show a true and fair view;
- c. a day-to-day record of monies received and expended;
- d. a record of all assets and liabilities.

These requirements should be regarded by NDPBs as best practice and followed as appropriate.

Accounts

8.29 The Treasury has an interest in the form of accounts of all NDPBs. In certain cases it is required by statute to prescribe or approve their form, in consultation with the sponsor department. The Treasury will also need to consider the arrangements for audit of the accounts. Sponsor departments should, where appropriate, issue an "accounts direction" specifying the form and content of a statement of account. Such a direction should be reconsidered annually. Guidance on the preparation of accounts is provided to departments in "Government Accounting" (see Appendix J, J.1). Departments must consult the Treasury at an early stage when considering the setting up of a new NDPB or when it is proposed to alter the form of accounts of an existing NDPB.

Information about remuneration and expenses of members and staff

8.30 Chapter 11 describes the arrangements for a body and its sponsoring department to disclose information about remuneration and expenses paid to members. They apply to all NDPBs which spend money and publish accounts.

Reports

8.31 Chapter 11 also deals with the department's responsibility to advise a body on the contents of annual reports and accounts.

AUDIT AND REVIEW

8.32 The Treasury must be consulted at the earliest opportunity about the audit arrangements of new public bodies, and certainly before any legislation is drafted.

Internal audit

8.33 The sponsoring department should ensure that an NDPB makes adequate and effective arrangements for internal audit. These arrangements should be in accordance with the objectives, standards and practices outlined in the Treasury's "Government Internal Audit Manual" (see Appendix J) which also gives further guidance on a department's internal auditor's role in relation to NDPBs.

8.34 Where practicable an NDPB should have its own internal audit unit but it may request its sponsoring department to provide a service. In deciding whether to provide this service the department's Accounting Officer should have regard to possible conflicts of interest arising from the dual reporting responsibilities of the departmental Head of Internal Audit.

External audit

8.35 The expenses of most advisory and judicial bodies will be audited by the Comptroller and Auditor General as they are borne on the Votes of their sponsoring departments.

8.36 Other NDPBs - generally those which exercise executive functions - spend money on their own account. For these, the general principle to be applied when considering audit arrangements is that the Comptroller and Auditor General (C&AG) should either be appointed formal auditor or granted a right of access to inspect their books and records. In many cases it will be appropriate to provide access without requiring a full certification audit. The right of access should be provided for in legislation wherever possible.

8.37 A decision to give the C&AG right of access to an NDPB's books and records, rather than formal audit responsibility, does not imply any relaxation in parliamentary accountability. Representatives of such bodies may still be summoned to attend meetings of the PAC; and the scope of enquiry there would not be limited to the way the body itself had conducted its activities. It would also extend to the sponsoring department's scrutiny of the body's expenditure and the body's financial management systems.

8.38 NDPBs in which the C&AG may, subject to certain conditions and restrictions, carry out economy, efficiency and effectiveness examinations under the National Audit Act 1983 include:

- a. those where the C&AG is the statutory auditor or has statutory rights of inspection;
- b. those whose accounts the C&AG audits, or to which C&AG has right of access, by agreement between the body and its sponsor department;

c. those which are appointed, or whose members are required to be appointed, by or on behalf of the Crown, but only in years in which they receive more than half their income from public funds.

8.39 Legislation should normally provide for a public body's accounts to be submitted for audit by a specified date, and for the audited accounts to be laid annually before Parliament. Even if not required to do so by legislation NDPBs should include audited accounts in their annual reports. Normally, such reports should not appear before the audited accounts are presented to Parliament and published as a White Paper, when this is a statutory requirement. If, exceptionally, a sponsor department agrees to the publication of an annual report without the audited accounts being presented to Parliament an explanation should be given of the reason for not publishing them in the report, together with an indication of when they will be available and where they may be obtained. In these circumstances, any financial information given in the report should be described as a "statement" rather than an "account", and the fact that they are un-audited should be made clear.

REVIEW BY SPONSOR DEPARTMENT

8.40 Considerable authority can and should be delegated to an NDPB, which has the primary responsibility for maintaining high standards of management. The sponsor department should seek to rely on the NDPB's internal management system and the information it provides, subject to occasional reviews.

8.41 Chapter 10 describes a programme of reviews of NDPBs announced by the Prime Minister in November 1984. Departments and NDPBs will need from time to time to initiate further general reviews of that kind. Such major reviews apart, departments and NDPBs will wish to examine problem areas of wide significance and to sample selectively the effectiveness of their planning and management in particular activities or areas of the organisation.

Rights of access for departments

8.42 Rights of access for the department's staff to carry out such reviews should be set out in the conditions attached to grants-in-aid.

SUMMARY OF KEY POINTS IN CHAPTER 8

Paragraphs

- 8.1-8.3 Aims and objectives should be defined and kept up to date by:
- legislation, Royal Charter, Memorandum and Articles of Association,
 - letters of appointment, corporate plan, top management system, reviews.

- 8.4-8.11 Planning processes in the NDPB should be effective and reviewed periodically.
- 8.10-8.12 PES and Estimates should show the NDPB's expenditure plans with sufficient information to justify them to the sponsor department and the Treasury.
- 8.13-8.14 The department's organisation should give the NDPB a single clear point for day-to-day contacts.
- 8.15-8.17 Authorities delegated to NDPB will depend on:
- the extent of government funding
 - the strength of its management system
 - its powers and method of financing.
- 8.18-8.21 Methods of funding:
- Grant in aid should include written conditions.
 - Levy or charge requires targets and provision for any surpluses.
 - Loans are likely to require legislation.
- 8.22-8.23 The application of receipts from disposals of assets need particular attention.
- 8.24 Transitional costs will usually be borne on the department's Vote.
- 8.25-8.31 Accountability requires:
- FIS returns and supplementary information,
 - consideration of designating an "accounting officer" in the NDPB,
 - early consultation with Treasury about the form of accounts,
 - disclosure of information about members and staff,
 - annual reports.
- 8.32-8.39 Audit arrangements for a new NDPB and any changes should be discussed with the Treasury at the earliest opportunity.
- 8.40-8.42 Reviews of or by the NDPB should appraise the value for money it is achieving.

CHAPTER 9: FINANCIAL MANAGEMENT, PART III: THE NDPB's RESPONSIBILITIES

GOOD FINANCIAL MANAGEMENT

9.1 An NDPB which receives government funding will usually be required, as a condition of financial support, to have an appropriate financial management system. On 19 November 1984 the Prime Minister announced a programme of reviews to improve financial management in NDPBs so that they give better value for money. Chapter 10 describes the objectives of these reviews.

9.2 What is appropriate will depend on the size and function of the NDPB. In principle, however, it should have the means to:

- a. review regularly its activities, priorities and targets;
- b. allocate resources and responsibilities for achieving those targets;
- c. plan its activities and resources;
- d. monitor and control its resources; and
- e. monitor the efficiency and value for money of its activities and to seek improvements.

9.3 The following paragraphs indicate how these principles can be applied. The annexes give further information. For example, Appendix H considers arrangements for allocating and reviewing running costs and manpower, an aspect of management in NDPBs which the Public Accounts Committee has felt needs particular attention. Further guidance is available in the publications listed in Appendix J, or from sponsor departments or the Treasury.

AIMS AND PRIORITIES

9.4 The NDPB should be clear about the aims and strategic priorities given to it, and how they are to be reviewed and revised. If necessary it should ask for clarification about the mechanisms and its role in them.

9.5 The main points which will need to be considered are:

- a. development of policy: how the NDPB contributes to the formulation of new policies, and whether it has a specific remit to initiate proposals for change;
- b. definition of aims: whether or not these will be set out formally in letters of appointment, in a corporate plan agreed with the department, within the department's top management system, or in other ways;
- c. reviews: what arrangements exist for reviewing the aims of the NDPB, and how its achievements will then be judged;
- d. advice: what advice is available from where in the sponsor department to help review and develop aims, objectives and priorities.

PLANNING

Coverage

9.6 If financial management is to be effective the NDPB must look forward and plan a programme of action. Unless there are exceptional circumstances (such as great uncertainty about the future) plans should start with each manager drawing up a budget in line with his or her own targets. These budgets will be reviewed and aggregated to give senior management proposals for the NDPB's total resources, how they will be allocated and what they will achieve. In the light of these budgets senior management can review objectives, priorities and the resources available, and if appropriate discuss possible changes with the department.

Period

9.7 Each NDPB will need to decide how far ahead it should plan. It will need to consider the Public Expenditure Survey which has a rolling three-year planning cycle. But where necessary plans should cover a longer period, so as to show all the stages of longer-term projects.

9.8 The NDPB should agree with its sponsor department its planning horizon, the degree of detail needed beyond the PES period, and the public expenditure assumptions on which it should prepare the plan.

Timetable

9.9 The plans of NDPBs should be prepared in time to be taken into account in the annual public expenditure planning cycle. They may also be linked to the department's arrangements to help Ministers and senior managers review objectives, decide priorities and allocate resources. As the latter have various timetables, each NDPB should agree with its sponsor department when its overall spending plans will be required. It is likely to be well in advance of the first year of the planning period.

9.10 More detailed plans based on more firm assumptions will be required nearer the start of the financial year for the Supply Estimates, and for the Treasury's Financial Information System (FIS). FIS monitoring forms which require profiles of expenditure by, and payments to, the NDPB will be issued to it by the sponsor department if appropriate.

Techniques

9.11 Decisions on expenditures should be competently appraised. NDPBs will normally be expected to follow the practice of investment appraisal in central government (see Appendix G).

9.12 Uncertainties about resources, priorities or performance which might have a major effect on plans should be tested. It may be necessary to offer two or more different plans based on different assumptions.

9.13 NDPBs with commercial interests should assess their pricing strategy and set their budgets in accordance with financial objectives agreed with the sponsor department. They will usually be required to earn at a specific rate of return on capital which will be indicated by the Treasury.

ALLOCATING RESOURCES AND RESPONSIBILITY

Individual accountability

9.14 The NDPB as a whole will be accountable for how it uses its resources and the results it achieves. In NDPBs which have substantial numbers of staff or spend large amounts of the taxpayer's money this accountability will be facilitated if it is underpinned by arrangements to make individual managers accountable to the senior management. A test of the need for these arrangements is whether or not individual managers can take decisions which use or commit manpower or money.

9.15 The essentials of individual accountability are clear targets (quantified where possible) for managers, well-defined responsibilities for making the best use of resources, and the means to assess their results.

Targets

9.16 Targets for managers should be consistent with the overall objectives and priorities of the body, and with the results the individual manager can be expected reasonably to achieve with his/her resources.

9.17 Targets for administrative activities can often be defined in terms of the quantity and quality of work carried out. Targets for grants and other programme spending may be harder to define precisely. But an evaluation of the best ways of making progress towards general aims will often lead to simple intermediate targets: for example, the number of individuals or businesses who are helped to achieve a specified goal.

9.18 Measures of performance and output of this kind should be used as part of the overall planning process - to seek improvements in efficiency and progress towards objectives - and in appraising past performance.

Responsibility for resources

9.19 The incentive for managers to get better value for money may be sharper if they have budgets and responsibility for managing their resources within them. Management accounting systems can be used to set and monitor such budgets, track performance, and compare actual results with plans.

9.20 When setting up budgeting arrangements an NDPB's senior management will generally wish to consider the following questions:

- a. what responsibilities for administrative costs and for programme spending are appropriate for the managers at successive levels. This is essential to clarify the roles of the line and the central organisation, and to assign budgets to the right levels;
- b. what it is feasible to decentralise. In particular whether all costs - including manpower - can be subject to budgets;
- c. what authorities managers should have to switch resources between different types of spending;
- d. how capital spending and revenues will be dealt with.

Assessing results

9.21 In many areas of the public sector it is not easy to measure all aspects of output. Nevertheless efforts should be made to assess systematically:

- a. how efficient managers and activities have been: indicators of efficiency compare costs and outputs. It is often useful to compare them with results in other areas or with previous years' figures;
- b. how effective managers and activities have been in making progress towards the overall objectives.

INTERNAL MANAGEMENT ARRANGEMENTS

Financial organisation

9.22 The senior full-time official of an NDPB which receives grant-in-aid carries responsibilities similar to those of a departmental Accounting Officer. The chief executive or equivalent should be aware of these responsibilities and how they relate to those of the Accounting Officer in the department. Appendix I summarises the main points.

9.23 Larger NDPBs and those spending large sums may wish to appoint a finance officer or finance director. The duties of this officer will generally be outside the management line which has responsibility for budgeted money and manpower. The duties will more probably be to advise senior managers on financial policy and management, and to run the financial management systems.

9.24 Where budgets are used to give managers authorities to allocate resources the lines of responsibility should be clearly defined. For instance, it may be desirable to set up a management board or resource management group which brings together the chief executive, senior line managers, finance officer and other senior officials.

Training and staffing

9.25 Staff with financial responsibility need the skills and experience to carry out their duties effectively. It may be particularly important to consider a training programme to equip managers with these skills, which may include managing people and effecting change as well as techniques of financial management, if they will be given budgets for programme spending or running costs. The NDPB should consult its sponsor department if it has doubts about the levels of skills and training required or how to obtain them. (Guidance needed by NDPB nominated directors to the boards of assisted companies is referred to in Chapter 5.)

Internal audit

9.26 Internal audit:

- a. gives assurance to the NDPB's senior manager that the internal control system is satisfactory and operating effectively;
- b. serves individual managers by reporting to them on elements of the internal control system for which they are responsible.

NDPBs should make arrangements for internal audit in accordance with the objectives, standards and practices outlined in the Treasury's "Government Internal

Audit Manual". There should also be specific arrangements to report to the internal auditors and the sponsor department any cases of actual or suspected fraud.

Reviews

9.27 The authorities for expenditure and manpower given to an NDPB need to be looked at from time to time along with the division of responsibility for making sure that satisfactory controls are applied.

9.28 Where an NDPB relies on government funding for a substantial part of its gross expenditure or running costs it will normally be subject to arrangements to assess the efficiency and value for money of its activities. This does not mean that it will not be given a great deal of delegated authority. It does mean that the department will wish to assure itself that there are arrangements to use resources efficiently, and to approve its organisation and plans.

ANNUAL ACCOUNTS AND AUDIT

Accounts

9.29 The Treasury will prescribe or approve the form of accounts in consultation with the sponsor department and National Audit Office. The sponsor department will issue an "accounts direction" specifying the form and content of a statement of accounts. The NDPB is responsible (subject to the department's authority) for running an estimating and accounting system which is geared to produce the estimates and accounts in that form by the dates required.

Annual reports

9.30 Chapter 11 gives guidance on annual reports.

9.31 Arrangements for external audit will normally be decided before a body is established.

NEW APPOINTMENTS

9.32 To avoid misunderstanding, Departmental Accounting Officers or their representatives should meet new chief executives on appointment to explain their respective roles. Points which may need to be discussed include:

- a. any restrictions or conditions on, for example, major capital spending;
- b. the NDPB's arrangements for manpower control - this is, ensuring that only essential work is done, that the organisation is sound and economical, and that numbers and grades of staff are adequate but not excessive (Appendix H gives more detail);
- c. the monitoring and forecasting of expenditure;
- d. the treatment of disposals, surpluses and receipts;
- e. the form of accounts, as directed in the Accounts Direction;
- f. reports to Parliament, department and public;
- e. internal and external audit.

SUMMARY OF KEY POINTS IN CHAPTER 9

Paragraphs

- 9.4-9.5 Priorities and objectives should be clearly defined, as should the mechanisms for keeping them up to date.
- 9.6-9.13 Planning horizons, techniques and timetables should be agreed with the department.
- 9.14-9.18 Targets for managers and performance measures should be used to seek better value for money.
- 9.19-9.20 Budgets can be used to sharpen responsibility and accountability.
- 9.22-9.25 The chief executive or equivalent of an NDPB receiving grant-in-aid should be aware of his responsibilities as "accounting officer" and make arrangements for advice and support.
- 9.26-9.28 Internal audit and other review arrangements should be agreed with the sponsor department.
- 9.29-9.30 Accounts and reports must be submitted: the form of accounts will be prescribed.
- 9.31 External audit of accounts will be required.
- 9.32 Newly appointed chief executives should ensure they are clear about their role and that of the department.

CHAPTER 10: REVIEWS OF FINANCIAL MANAGEMENT AND POLICY

INTRODUCTION

10.1 Most organisations need from time to time comprehensive reviews which question the need for their activities, the way they are managed and controlled, and their objectives and performance. This chapter is concerned with implementing the arrangements for such reviews announced by the Prime Minister on 19 November 1984 (see Appendix K).

PROGRAMME OF FINANCIAL MANAGEMENT AND POLICY REVIEWS

10.2 The programme of work announced by the Prime Minister has two elements:

a. **Financial management surveys.** These are mainly aimed at executive, etc NDPBs. Their purpose is to examine the scope for improvements in the way NDPBs plan and control what they do, so as to produce better performance year by year. They should be carried out in partnership by sponsor departments and NDPBs, whoever is in the lead. The aim is to make tangible improvements in value for money from 1985-86 onwards, with the programme as a whole being substantially completed by April 1987.

b. **Policy reviews.** These are periodic reviews by sponsor departments of the basic justification, role and functions of each NDPB, and their relationship with departmental objectives. While it is sensible to allow some flexibility in timing, broadly executive bodies and tribunals should be covered every five years, and advisory bodies every three years.

FINANCIAL MANAGEMENT SURVEYS

10.3 The aim of financial management surveys is to examine existing arrangements in sponsor departments and NDPBs, leading where necessary to effective plans for action on improvements.

10.4 Chapters 7-9 of this guide indicate the various aspects of organisation and management which may need attention. Also relevant is the report by the joint Financial Management Unit of the Cabinet Office and Treasury, "Financial Management Initiative: Non-Departmental Public Bodies" (November 1984, price £2.50 from Treasury and Cabinet Office Library) which contains a checklist of ground to be covered, including the effectiveness of both the arrangements and mechanisms by which departments influence their NDPBs and NDPBs' internal management systems. The checklist is reproduced at Appendix L.

10.5 Each survey should result in a plan for action to strengthen management and secure better value for money. In many cases, changes may be needed in systems, but systems are not an end in themselves. It is vital that departments and NDPBs use systems to assess performance, and to set objectives for improving it year by year. Sponsor departments should reinforce this where possible by setting value for money targets in key areas for their major NDPBs.

10.6 The timing and form of individual surveys will need to take account of relevant work already planned or in hand, and of the size and nature of the NDPB. In general, however, sponsor departments should:

- a. involve the NDPB fully in planning and carrying out a survey, and in the subsequent implementation;

b. use the checklists in the Financial Management Unit's report to identify priority areas and to develop plans for improvement.

10.7 A survey may be carried out by:

a. the departmental policy division responsible for the NDPB - in which case it may be important to draw on the services of departmental consultancy, inspection and review staff (management services, internal audit, staff inspection, and so on);

b. a nominated review officer, not normally responsible for the NDPB (again, supported as necessary by departmental consultancy, inspection and review staff). (It may sometimes be useful to undertake a survey as an efficiency scrutiny, with the help of the Efficiency Unit);

c. NDPB staff working to terms of reference, timescale and reporting arrangements agreed with the departmental policy division responsible for the NDPB. The implementation plan would need to be similarly agreed;

d. external advisers - eg management consultants or external auditors - commissioned by the sponsor departments or by the NDPB. Where it is proposed to use consultants, reference should be made to the Cabinet Office guidance, "Seeking help from management consultants" (£2.00 from Treasury and Cabinet Office Library). Sources of advice on consultancy firms (including the Cabinet Office Index of management consultants) are described in Appendix M;

e. a combination of these methods.

10.8 The preferred method will depend on various factors, notably the nature of the work, availability of necessary skills in the sponsor department or NDPB, and the sponsor department's relationship to the NDPB. Approach b. might be preferred for larger surveys where it is particularly important to ask fundamental questions whose answers might, with familiarity, be taken for granted. Departments may find it valuable to select one or more priority areas for early survey on these lines, as a model for future work.

10.9 Although it may be necessary to draw upon many sources of advice and expertise, one person should be responsible for each review, and should be given clear terms of reference. Equally, it is important that one person (not necessarily the person who carried out the review) has overall responsibility for drawing up and carrying through an implementation plan.

10.10 The aim should be an integrated approach, and one which avoids unnecessary proliferation of reviews in related areas. Most departments find it helpful to co-ordinate NDPB financial management work within departmental arrangements for top management to commission reviews and scrutinise performance. Whatever the arrangements adopted, there should be clear responsibility for:

a. ensuring that review timetables are set to meet central reporting requirements and that satisfactory progress is maintained;

b. checking that there are effective arrangements for consulting on, and clearing, reports, and that realistic implementation timetables are set;

c. drawing out general lessons from reviews, and disseminating best practice throughout the department; and

- d. co-ordinating contacts with the Treasury and the Cabinet Office.

10.11 Treasury expenditure divisions should be the initial point of contact for sponsor departments' questions about financial management surveys. They will be supported by the central staffs responsible for accountancy advice, management services, staff inspection, internal audit and so on. Departments are, of course, also free to use their working contacts with these specialists to seek views or advice. The paper "A Framework for Management Services" (details in Appendix J) outlines how management services divisions and other assignment forces can support managers seeking improvements in effectiveness and efficiency.

10.12 The Treasury and the Cabinet Office will disseminate any general lessons which emerge from the programme of surveys.

POLICY REVIEWS

10.13 The programme of policy reviews broadly continues that adopted in 1980. But there are changes in the detailed scope and timetable to reflect the introduction of financial management surveys.

10.14 Policy reviews are concerned with the justification for each NDPB; its structure and constitution, functions and policy objectives; and its relationship to its sponsor department. Appendix N sets out questions which policy reviews should address for executive bodies, tribunals and advisory bodies. These questions need to be interpreted flexibly; they may not all be relevant to a particular NDPB.

EXECUTIVE BODIES AND TRIBUNALS

10.15 Reviews of these bodies have been largely self-contained exercises, carried out on a five-year rolling programme. Increasingly, however, departments may find it convenient to address policy review issues for such bodies in the course of wider reviews. Where a financial management survey is planned it will normally be sensible to combine it with the policy review, or to conduct the two consecutively. In other instances, scrutinies of particular departmental policies or programmes, commissioned under departmental top management systems, will provide a convenient opportunity to examine the role of NDPBs in relation to those policies or programmes. A more flexible approach to planning a programme of reviews is therefore envisaged in future, though a five-yearly programme of review still seems broadly right. Responsibility for detailed timetabling - and for ensuring that each body is reviewed when its particular circumstances require - lies with sponsor departments.

ADVISORY BODIES

10.16 Advisory bodies should normally be reviewed every three years. It is for each sponsor department to decide whether to tackle one-third of advisory NDPBs each year, all of them every three years, or to follow some other pattern.

10.17 The Machinery of Government Division, Cabinet Office, is the main point of contact in the central departments for questions about policy reviews. It will liaise with Treasury expenditure divisions as necessary, in particular where policy and financial management reviews are combined, to monitor the overall progress of reviews.

REPORTS

10.18 Guidance on reporting the results of surveys and reviews will be circulated by the central departments from time to time. In general, departments should inform Treasury expenditure divisions and the Machinery of Government Division, Cabinet Office of the conclusions of surveys and reviews and action to be taken as soon as feasible after the completion of each review.

SUMMARY OF KEY POINTS IN CHAPTER 10

Paragraphs

- 10.3-10.5 The aim of financial management surveys is to examine existing arrangements in sponsor departments and NDPBs, leading to a plan of action to strengthen management and secure better value for money.
- 10.6 The timing and form of surveys should take account of relevant work already planned or in hand, and the size and nature of each NDPB.
- 10.9 One person should be responsible for each review, and one person responsible for implementation.
- 10.11 Treasury expenditure divisions should be the initial point of contact for sponsor departments' questions about financial management surveys.
- 10.14 Policy reviews are concerned with the justification for each NDPB: its structure and constitution; functions and policy objectives; and its relationship to its sponsor department.
- 10.15-10.16 Responsibility for timetabling policy reviews is that of sponsor departments, with executive etc bodies and tribunals being reviewed at broadly five-yearly intervals and advisory bodies at three-yearly intervals.
- 10.17 Machinery of Government Division, Cabinet Office is the point of contact for sponsor departments in relation to policy reviews.
- 10.18 Conclusions of surveys and reviews and the action to be taken on them should be reported to the central departments as soon as feasible after the completion of each review.

CHAPTER 11: PUBLIC DISCLOSURE OF INFORMATION

ANNUAL REPORTS AND ACCOUNTS: GENERAL

11.1 Annual reports and accounts are the main vehicles by which NDPBs regularly inform Parliament and the public about their activities and expenditure. They should be as informative as possible, without being lavish, and should provide sufficient material for the reader to form a judgement on the costs and benefits of an NDPB's activities. If necessary the sponsor department should advise its NDPBs on the content of the report and accounts in order to achieve this, and considering the "accounts direction" to ensure that items of public interest are disclosed in the accounts.

REMUNERATION AND EXPENSES OF MEMBERS AND STAFF

11.2 The following paragraphs set out requirements for disclosure of information about remuneration and expenses paid to members and staff of NDPBs. They apply to all NDPBs which spend money and publish accounts.

11.3 **Remuneration (chairmen and board members).** Information should be published in annual accounts in at least as much detail as required by the Companies Acts. The total amount of salaries, fees and taxable benefits should be shown, with the remuneration of the chairman (and that of the highest paid member if paid more than the chairman) shown separately. Particulars of members' remuneration should show the number (if any) who receive nothing or whose payments amount to not more than £5,000 per person, and then the numbers whose remuneration falls in bands of succeeding multiples of £5,000.

11.4 **Remuneration (staff).** Accounts should show the number of staff (if any) who receive £30,000 - £35,000 and then upwards in succeeding bands of £5,000. The average number of persons employed during the financial year, and employees' aggregate remuneration during the year, should also be given.

11.5 **Expenses.** Accounts should if possible show separately the total expenses paid to a. chairman and board members, and b. staff. If separate records are not maintained, a total figure may be given.

"PUBLIC BODIES"

11.6 Since 1982, information about NDPBs has been brought together and included in the annual publication, "Public Bodies" (see paragraph 1.5). This lists bodies in existence at 1 April, and gives the following information about them:

Advisory bodies and tribunals. Relevant spending by the sponsor department; appointments and remuneration of chairman and members (men and women separately); availability of an annual report; any plans to merge or abolish the body; and (tribunals only) cases heard.

Executive etc NDPBs. As above, together with staffing and gross expenditure of the body; government grants; and audit arrangements.

"Public Bodies" is produced by the Machinery of Government Division, Cabinet Office to the following timetable:

- end April: commissioning letter to departments,
- end August: departments submit their chapters;

- end October: final clearance of printer's proofs;
- early December: publication.

The deadline for submission of chapters is quite tight for those departments with many NDPBs and sponsoring divisions. Co-operation in striving to meet it is much appreciated: importance is attached to publishing "Public Bodies" during the calendar year of its title.

INFORMATION FOR PARLIAMENTARY SELECT COMMITTEES

11.7 Departmental select committees are entitled to examine the expenditure, administration and policy of the "associated public bodies" of the departments concerned (see House of Commons Standing Order 99 [1983]). The term "associated public bodies" is not defined in Standing Orders, but the Chancellor of the Duchy of Lancaster said on 25 June 1979 (Commons Hansard, Column 44):

"The test in every case will be whether there is a significant degree of ministerial responsibility for the body concerned."

NDPBs which fall within the remit of a departmental select committee may find it helpful to see the "Memorandum of Guidance for Officials Appearing Before Select Committees" (issued to departments as CSD General Notice 80/38 on 16 May 1980). This gives general advice on the powers of select committees and the procedures and conventions relating to the release of official and classified information. The Machinery of Government Division, Cabinet Office can advise on any points arising.

SUMMARY OF KEY POINTS IN CHAPTER 11

Paragraphs

- | | |
|-----------|---|
| 11.1-11.5 | Annual reports and accounts should provide sufficient material for the reader to form a judgement on the costs and benefits of an NDPB's activities. This should include information on the remuneration and expenses of board members and staff. |
| 11.6 | "Public Bodies" brings together information about NDPB costs, staffing, etc. |
| 11.7 | Parliamentary Select Committees are entitled to examine the expenditure, administration and policy of bodies for which there is a significant degree of ministerial responsibility. |

BODIES EXCLUDED FROM THE DEFINITION OF AN NDPB FOR THE PURPOSES OF THIS GUIDE

ORGANISATION	REASONS FOR EXCLUSION
a. Executive etc. type bodies	
*Nationalised industries and other public corporations of a trading nature and companies in which the government has a majority shareholding	These should be looked at as industrial or commercial enterprises, not as adjuncts to government. Other arrangements exist for financial control and to ensure accountability for the use of public funds.
Universities *Broadcasting authorities)) These bodies too are not properly seen as adjuncts to government. Their operations must be seen to be largely independent of government policy influence. Methods of financial control must reflect this; the NDPB regime would not be appropriate.
*NHS Authorities	This group includes health authorities (including special health authorities) and certain other public bodies, the position of each of which needs to be considered in the context of the NHS as a whole. In each case there are statutory and other arrangements for regular scrutiny and monitoring overseen by the health departments.
Agricultural Marketing Boards Port and Harbour Commissions)) These are essentially self-regulating bodies. Ministers appoint a minority of their members and have only limited influence over their activities. The NDPB regime would not be appropriate.
Parliamentary Commissioner for Administration National Audit Office))) These are "servants of Parliament"; special provisions have been made for their financial control and accountability.
b. Advisory bodies	
Departmental or inter-departmental committees consisting mainly of civil servants, concerned with the internal management or co-ordination of government business)))))) Special accountability arrangements are unnecessary, and would be inappropriate given that members serve ex-officio and are accountable to their employing organisations.
Working groups with membership drawn from the wider public service - eg comprising civil servants and representatives of local government, the NHS or the fire or police services)))))

* Information is published annually in the Cabinet Office booklet "Public Bodies" (HMSO).

STRENGTHENING ACCOUNTABLE MANAGEMENT WITHIN A GOVERNMENT/CIVIL SERVICE FRAMEWORK

GENERAL

B.1 An argument commonly advanced for hiving off executive functions to new NDPBs is that increased efficiency would result from giving managers greater freedom to manage their activities and resources within a defined policy framework, and holding them accountable for results. There is considerable scope for reorganising functions within government to achieve a substantial measure of "accountable management" in this sense. This Appendix describes the main approaches that have been used. Departments should consider the relevance of these approaches (which are not all mutually exclusive) as an alternative to establishing a new NDPB.

ORGANISATIONAL TYPES

Non-ministerial department

B.2 A non-ministerial (NMD) department is headed by a board or single office-holder, for whose appointment by Ministers special statutory provision has been made. Examples include

a. **NMDs headed by a board**

HM Customs and Excise
Inland Revenue
Charity Commission
Intervention Board for Agricultural Produce

b. **NMDs headed by a single Office-holder**

Certification Office for Trade Unions and Employers' Associations
Office of Fair Trading
Office of Telecommunications
Public Trustee
Registrar of Friendly Societies

B.3 The board or office-holder(s) exercise statutory powers of their own which are not those of their Ministers. Where the body has its own Vote, the senior full-time officer is the Accounting Officer. An NMD will come under the wing of a departmental Minister, who may also have specific powers in the field in which it operates. The Minister is answerable to Parliament for the NMD's general role and functions, and for its resourcing and cost-effectiveness. Most commonly, NMDs have been set up to administer taxes, licences, or other schemes affecting the interests of the private citizen, where detailed ministerial involvement has been considered unnecessary and/or inappropriate.

Subordinate department

B.4 This term is sometimes used to describe certain small departments which are in effect "satellites" of a main department, whose Ministers answer in Parliament

for it. (Unlike an NMD, its senior officers have no independent statutory powers.)
Examples are:

Export Credits Guarantee Department
Government Actuary's Department
Royal Mint
Central Office of Information
Scottish Courts Administration
Office of Population Censuses and Surveys
Department for National Savings

As the list indicates, subordinate departments are typically responsible for a self-contained area of work which does not have a high policy content.

Departmental agency

B.5 A number of departmental agencies were established during the 1970s, in part prompted by the Fulton Report's recommendation that much executive work would benefit from being off into accountable management units ("The Civil Service" - report by Committee under Lord Fulton, 1968 Cmnd 3638). There is no unique definition of what constitutes an agency, but organisations with this nomenclature have shared the following characteristics

- a. responsibility for a large, largely self-contained block of executive-type work
- b. no specific statutory backing
- c. where the agency has its own Vote, the senior full-time official (normally designated Chief Executive) is the Accounting Officer

Existing agencies are the Property Services Agency and the Procurement Executive of the Ministry of Defence.

Management board

B.6 The term "board" may be used to describe a variety of different kinds of body, ranging from directing boards with full decision-making powers (similar to those of commercial companies), through informal groupings of senior executives, to bodies of an essentially advisory nature which happen to have the word "board" in their title. Paragraphs B.7-B.9 consider the use of "boards" in the first of these senses: more specifically, as a body which has formal decision-making powers conferred on it either by delegation or by statute.

B.7 Historically boards of this kind have played an important part in British administration. Some, like the boards of Admiralty and Treasury, were single great offices in commission, and the Senior Commissioner became in effect a Minister *ex officio*. Others, like the Board of Trade, were Committees of the Privy Council. The only existing such boards are those heading non-ministerial departments (see paragraphs B.2-B.3), and the Manpower Services Commission and Health and Safety Commission.

B.8 Any proposal to establish a new board raises potential problems of accountability, which need to be considered. There are two key principles. First, a board's responsibilities should be clearly defined so that disputes do not arise between it and the sponsoring Minister. Either the statute should create the board and give it precise powers, or it should provide that the Minister concerned should

be able to delegate (preferably in some public manner) certain powers to the board. Second, the concept of corporate responsibility must not be allowed to blur clear lines of managerial accountability to Ministers on which effective financial management depend. This needs to be taken into account in defining the respective roles of Chairman, Chief Executive if any, and board members. Detailed reporting arrangements - notably whether a board should report to a Minister directly, or via the Permanent Secretary - would need to be decided in the particular case.

B.9 One argument for a corporate decision-making structure - relevant in setting up the Manpower Services and Health and Safety Commissions - has been to allow for the representation of outside interests. This method will, however, only be appropriate if the Secretary of State appoints the board's members, and has the power to dismiss them if they cannot accept his decisions. (Other statutory control powers will also be needed - see Chapter 3 and Appendix C).

B.10 A further argument sometimes used for setting up a board is to involve part-time directors with relevant business experience in management. However, it is not essential, and may be inappropriate, to set up a board with full executive powers (as discussed in paras B.7-B.9) in order to benefit from outside advice. More effective methods may be: using consultants; appointing an advisory committee; or appointing a minority of outside members to a less formal type of "board". Boards whose powers fall short of full corporate executive responsibility have been set up in a number of departments to bring together senior officers for regular meetings about current business. Among boards which include outside members are those of the Royal Mint and the British Overseas Trade Board.

DECENTRALISATION OF DECISIONS ON RESOURCE CONTROL

B.11 Where the scale of an activity is insufficient to justify any of the radical re-organisation options discussed above, departments have substantial scope for decentralising to cost or responsibility centres day-to-day decisions on how resources should be used and responsibility for planning future activities and resources. Such arrangements are being used increasingly to clarify the responsibility and accountability of Civil Service managers. Typical features of this kind of approach are:

- a. **an effective management structure:** aiming at the maximum delegation of decision-making commensurate with effective control and accountability;
- b. **more autonomy in resource use:** there may be increased delegation for example in some or all the following areas:
 - authorisation, allocation and grading of posts; authorisation of overtime;
 - career development, training, promotion, recruitment, location of work, leave arrangements;
 - property: subject to PSA agreement, charging and management arrangements which give stronger control over the timing and priority of new works and maintenance, rationalisations, and disposals;
 - plant and equipment purchases;
- c. **a management accounting system** which identifies the costs (and attributable income where appropriate) of each main activity, at each significant management level;

d. **effective arrangements** for planning, objective-setting and performance monitoring.

B.12 Where a particular central department rule or practice is seen as an obstacle to strengthening accountable management in this way, the department concerned should be prepared to make a detailed case for its easement, unless this would obviously be impracticable.

Manpower control

B.13 Civil Service staff numbers are included in the manpower count and so subject to prevailing government policy on Civil Service manpower numbers. Currently the government's aim is to reduce manpower numbers. It is not, however, government policy to impose manpower reductions where there is a good case for maintaining the status quo, or for increased manpower, though in many cases there will be scope for reduction through higher productivity and more efficient operations.

Pay and grading

B.14 Civil Service pay and grading arrangements are negotiated centrally and generally apply to the service as a whole. But departments are encouraged to make full use in suitable cases of, for example, fast stream or accelerated promotion; trawling of "opportunity posts"; and the increased opportunities for lateral transfers provided by unified grading. Exceptionally, the establishment of departmental grades to deal with limited numbers of specialist posts can be considered where there is a well-established management case. There is also flexibility in the pay that can be offered on a "market rate" basis where necessary to recruit individuals from outside with particular skills or experience.

Common service agencies

B.15 Departmental autonomy vis-à-vis the common service agencies (including HMSO, PSA and CCTA) is increasing in various ways. Examples are: untying purchases of office goods and services, and minor maintenance work; greater freedom to choose information technology options; and encouragement of competitive tendering for catering services.

COMMERCIAL-STYLE (ACCRUALS-BASED) ACCOUNTING SYSTEMS

Trading accounts

B.16 Accounting for public expenditure is normally on an annualised basis. Departments plan and account for their expenditure a year at a time, corresponding with annual votes on Supply Estimates and the Appropriation Acts, and unspent surpluses cannot be carried forward. The Appropriation Accounts do not, however, provide sufficient information for the effective and efficient management of certain activities. Accordingly, the Exchequer and Audit Departments Act 1921 empowered the Treasury to "direct or approve statements of account showing income and expenditure of any shipbuilding, manufacturing, trading or commercial services conducted by a department, together with such balance sheets and statements of profit and loss and particulars of cost as the Treasury may require."

B.17 Trading accounts usually consist of a balance sheet, and a trading and profit and loss account, that is, they are on an accruals basis. They provide the following information which is not available in Appropriation Accounts

- a. the periodic consumption or other loss of value of fixed assets, such as buildings, equipment and machinery;
- b. resources consumed rather than paid for eg cost of stores used in the activity;
- c. any services provided by other departments free of charge;
- d. notional costs: interest on capital employed and insurance;
- e. amounts owed by or to the organisation;
- f. value of stocks of raw materials and finished goods;
- g. value of work in progress; and
- h. the unconsumed value of fixed assets.

B.18 There are several different kinds of trading account

- **White Paper Accounts** are published in a single White Paper, covering inter alia: lands managed and farmed (MAFF and DAFS); offshore petroleum installations facilities (DEN and SDD); and certain ECGD functions;
- **Production Accounts.** These cover certain MOD activities, and are published with the Defence Appropriation Accounts; and
- **Memorandum Trading Accounts (MTA).** These are not an integral part of a department's accounting system, and the information they contain is either extracted from the system, or estimated. There is rarely a balance sheet, the main purpose of MTAs being to ensure that relevant costs are fully recovered. MTAs are never published.

Trading funds

B.19 Provision is made in the Government Trading Funds Act 1973 for a Minister, with Treasury concurrence, to establish such a fund by Order, for a service whose operations "consist of or include trading operations ...". Instead of relying on the annual authority of Estimates and the Appropriation Acts for its expenditure, an organisation financed by means of a trading fund (sometimes called a revolving fund) is not subject to the constraints of annuality but operates on a continuing commercial basis from year to year. Key elements are:

- On current account, receipts are applied to meet outgoings; the organisation pays, and is paid for, all goods and services received or provided.
- Trading funds have capital in the form of loans from the National Loans Fund and, where appropriate, Public Dividend Capital (PDC), and have to service debts from earnings. Dividends are declared and paid on the PDC. Net requirements for working capital, and short-term financing, are covered by loans from the National Loans Fund.

- Cash balances are carried forward from one year to the next, and retained surpluses ploughed back.
- A fund is statutorily required to break even taking one year with another, and to achieve any further financial objectives determined from time to time by the responsible Minister with Treasury concurrence.
- The annual accounts of the Trading Funds are published individually as White Paper accounts, in similar form to those of commercial companies.

B.20 Trading funds have been set up for the Royal Mint, HMSO and The Crown Suppliers. A move to trading fund finance is usually made as part of wider changes designed to strengthen an organisation's efficiency and effectiveness and to establish it as an accountable management unit. In particular, for a trading fund to operate the organisation must

- have an adequate management accounting system, and means of assessing performance;
- have sufficient management autonomy, including the use of resources; and
- be able to separate its responsibilities clearly from those of its customers.

Assuming these requirements can be met, the switch from Vote to trading fund financing is most likely to be conducive to efficiency where the organisation is engaged in trading activities which may be liable to significant fluctuations in demand; and where the functions of management include the active management of assets, whether fixed assets or working capital.

B.21 The Treasury Office of Accounts can advise further on accounting methods, and on whether trading fund financing might be suitable.

GUIDANCE ON THE APPROACH TO LEGISLATION

GENERAL

C.1 Conferring functions on an NDPB involves recognition that a degree of independence of Ministers in carrying out those functions is appropriate. Nevertheless, Ministers may be answerable to Parliament for a failure to take controls that are necessary or advisable especially in the case of an NDPB which is to receive public funds. Ministers may also be answerable if, having taken responsibility by establishing such controls, they fail to use the controls properly. Legislation must strike a balance between enabling the Minister to fulfil his responsibilities to Parliament and giving the NDPB the desired degree of independence. The balance will depend largely on the nature of each NDPB's functions and on the reasons for distancing these from government.

C.2 It may be appropriate to provide for certain controls other than through legislation: for example, through conditions attached to the issue of grant-in-aid, or in a formal document of agreement between the department and the body. This is the normal course for detailed financial conditions and is also appropriate where it is intended that the detailed control arrangements should change over time. Such changes can be made more easily if detailed arrangements are not embodied in legislation.

C.3 Ideally, ministerial powers over an NDPB (statutory or otherwise) should rest with one sponsoring Minister. If two or more Ministers are involved there is a risk of uncertainty about the precise division of responsibilities and about who should answer in Parliament; an NDPB might also encounter difficulties in serving two or more "masters". In certain cases, however, shared ministerial responsibility may be unavoidable.

C.4 Except where the Minister is not a Secretary of State, statutory powers are normally vested in the Secretary of State at large. It will generally not be appropriate to name individual Secretaries of State in statute unless there is a particular reason for limiting performance to a named Secretary of State. The precise allocation of responsibilities should, however, be decided at an early stage and made clear during the passage of the legislation if there is any room for doubt.

C.5 Typically, legislative provision will cover some or all the matters listed below. More detailed advice on the provision to be made on each aspect is contained in the body of the Guide.

POWERS AND OBLIGATIONS OF THE BODY

C.7 The statute should define clearly the NDPB's functions, the method of funding, and other specific powers and obligations. Provisions such as the following are frequently included:

- a. power to appoint staff;
- b. power to pay salaries, allowances and pensions;
- c. power to raise money by levies or charges, and/or to borrow and lend;
- d. enforcement powers where appropriate;

- e. power to acquire property to accommodate the body's staff and activities. (In the case of a Crown body this question will not normally arise; unless there are special reasons to the contrary, Crown bodies should use property vested in the Secretary of State for the Environment);
- f. power to create subsidiary organisations;
- g. obligations to make suitable external audit arrangements; to submit accounts by a certain date; and to lay audited accounts before Parliament and to publish them;
- h. the obligation to inform Parliament of its activities through an annual report;
- i. a declaration of whether the body exercises its functions on behalf of the Crown (unless there are other means by which status can reliably be inferred).

MINISTERIAL POWERS

C.8 The statute should normally provide suitable powers of appointment and dismissal over the chairman and board members. The following are some examples of additional provisions that may be needed:

- a. a requirement that the body exercise particular functions subject to guidance from the Secretary of State, and/or in accordance with plans approved by the Secretary of State;
- b. general or specific ministerial powers of direction;
- c. exercise of certain financial powers - eg borrowing, or capital expenditure - to be subject to ministerial approval or consent;
- d. staff numbers, terms and conditions, and superannuation arrangements to be subject to departmental approval and Treasury consent;
- e. powers to require the production of information which Ministers need in order to answer satisfactorily for the body's affairs.

C.8 The nature of the controls will depend both on the NDPB's functions, and on the closeness of supervision which Ministers wish to exercise. In particular, the controls mentioned at d will not generally be appropriate for bodies which receive less than 50 per cent of their funds from government. For all bodies in receipt of government funds, more detailed provisions for financial control and the provision of information are likely to be included in the conditions attached to the grant-in-aid. Further guidance is in Chapter 8.

"SHADOW" ORGANISATION

C.9 By definition statutory bodies cannot have a corporate legal existence until Royal Assent to the enabling Bill has been obtained. From time to time, however, Ministers may decide to designate prospective members of the proposed board and to bring them together on an informal basis, for example as an organising committee, in advance of legislation. Past practice has been that the decision to set up a "shadow" organisation has been announced during or after the Second Reading of the relevant Bill.

C.10 Shadow arrangements have been subject to some criticism in Parliament, especially where the proposal to set up the NDPB is controversial, on the grounds that such action can be interpreted as prejudging Parliament's intention. It will be for Ministers, therefore, to balance considerations of parliamentary propriety and public controversy against the benefits from creating a shadow organisation or appointing members-designate before legislation has been passed.

Sunset legislation

C.11 Departments should consider whether the legislation setting up a new body should include provision for it to be wound up without fresh primary legislation once its task is completed

DISSOLUTION OF NDPBs

D.1 A public body continues to exist so long as the founding instrument remains in force. But when a decision has been taken to dissolve an NDPB Ministers may decide to wind down its affairs in anticipation of its dissolution in law. It is customary to inform Parliament of such proposed action, and this should always be done where the body has been set up by or under an Act of Parliament. Care should be taken to ensure that such winding down does not conflict with any legal duties of the NDPB or of Ministers to the NDPB.

STATUTORY BODIES

D.2 Abolition of a body established by or under statute will generally require primary or secondary legislation.

SURRENDER OF ROYAL CHARTERS

D.3 If a chartered body is to be dissolved, arrangements must be made for the Charter to be surrendered following dissolution. This is done by the body petitioning the Queen in Council to accept the surrender of their Charter. The Petition is accompanied by an appropriate Deed of Surrender together with the original Charter bearing the Great Seal (and any Supplemental Charters). All these documents should be sent to the Privy Council Office. Acceptance of the surrender is signified by an Order in Council which usually recites the terms of the Deed of Surrender. The chartered body ceases to exist from the date on which such Order in Council is made.

D.4 The procedure, and the form of the Petition and Deed of Surrender, may vary according to the body's constitution and the circumstances of its dissolution, and the Privy Council Office should be consulted in every case.

TERMINATION OF ROYAL COMMISSIONERS

D.5 Royal Commissions normally cease to have any existence once they have completed their task. But in some instances a Commission may be superseded by a new Commission. In such cases the superseded Commission needs to be formally wound up, by the issue of a further Royal Warrant.

D.6 Where a Royal Commission is not superseded by another body but where no appointments are made to fill vacancies which arise in the course of extended researches, the Commission may be considered defunct if no report is made after a lapse of months.

REMOVAL OF HOUSE OF COMMONS DISQUALIFICATION

D.7 Where an NDPB whose members were disqualified from membership of the House of Commons is to be dissolved by statute, the legislation should provide for the removal of the relevant entry from Schedule 1 to the House of Commons Disqualification Act 1975. Where an NDPB is to be dissolved by other means, the Machinery of Government Division, Cabinet Office should be informed by the sponsor department so that the entry can be removed from the Schedule in due course by Order in Council.

COMPENSATION FOR REDUNDANCY

D.8 When a body is wound up, board members who are not found alternative appointments may be due for the compensation referred to in paragraph 4.20. Staff who are made redundant will normally be entitled to the benefits referred to in paragraph 5.23. The sponsor department should check that the statutory powers are adequate to pay compensation; if not, provision should be included in the winding-up legislation. If staff are to be transferred with their work to another body on terms which are no less favourable, taken as a whole, paragraph 5.5 of this Guide is relevant.

RESIDUAL SUPERANNUATION LIABILITIES

D.9 When an NDPB is abolished, the sponsor department should establish that adequate powers exist to meet residual superannuation liabilities for board members and staff. Inadequacies should be remedied in any legislation to abolish the body. The source of finance to meet the residual liabilities should also be carefully determined, particularly when the NDPB was only partly grant-aided. For wholly grant-aided bodies the financial source may well be the Vote from which the grant was paid, but each case needs to be considered with the Treasury Divisions concerned. In some cases, a major part of the residual liabilities may be covered in alienated funds which will fall to be dealt with in accordance with the provisions in the Trust Deeds; and some other schemes may be insured. But extra costs are still likely to arise, eg for future pensions increases which formed part of contractual commitments. In all cases, it will be necessary to clarify who will have the responsibility for paying the benefits in the future. Some of these problems will be avoided where there is a successor body to take over the residual liabilities or where it is possible for the staff to transfer their accrued superannuation rights to another scheme. But the question of powers will still be important, and when reliance is placed upon adequate existing powers it is important that these are not repealed too soon.

PUBLIC RECORDS

D.10 The sponsor department's Departmental Records Officer should be asked to advise about what should happen to the records of an NDPB that is to be abolished. If the body is being superseded by another - and there is to be legislation - it may be appropriate to provide for the transfer of records. When an NDPB is abolished without its functions being transferred elsewhere, arrangements should be made for the disposal of those of its records worthy of permanent preservation. Records of bodies subject to the Public Records Acts should be transferred to the Public Records Office in the normal way (see Chapter 5). Those of other bodies can, with the agreement of the Keeper of Public Records, be accepted by the PRO as a deposit or gift. Arrangements are described in RAD Occasional Paper No 6 (revised 1984) available from the Records Administration Division, Public Record Office, Kew, Richmond, Surrey.

DISPOSAL OF GOVERNMENT-FINANCED ASSETS

D.11 Guidance is given in Chapter 8.

POLITICAL ACTIVITIES: RULES FOR THE GUIDANCE OF MEMBERS OF PUBLIC BOARDS

- E.1 Members of boards, whether whole-time or part-time, should not serve as officers carrying out executive duties in any political party.
- E.2 Whole-time members should abstain from controversial political activity.
- E.3 Subject to E.1 above, part-time members should be free to engage in any political activities, provided that they are conscious of their general public responsibility and exercise a proper discretion, particularly in regard to the work of the boards of which they are members. On matters affecting that work, they should not normally make political speeches or engage in other political activities.
- E.4. Members of boards, whether whole-time or part-time, who are also Members of the House of Lords will no doubt wish to be guided in their conduct in that House by the statement made by Lord Addison in the House on 21 March 1951 (see Annex I).
- E.5 All members of boards should be free to maintain associations with trade unions, co-operative societies, trade associations, etc to the extent that such associations do not conflict directly with the interests of the boards to which they belong.
- E.6 Any member of a board who is doubtful about the application of these rules, or about the propriety of any political activity, should seek guidance from the Minister responsible for the board.
- E.7 The foregoing rules apply equally to political activity on behalf of any of the political parties.

ANNEX I: PEERS AND PUBLIC BOARDS

Extract from House of Lords Official Report 21st March, 1951. Col. 1241-2

Lord Hawke: The Question is

To ask His Majesty's Government whether they have any statement to make on the invitation made by the Leader of the House to the Leaders of the Opposition Parties to discuss the position of Peers of Parliament who are members of the boards of socialised undertakings, including the BBC.

The Lord President of the Council (Lord Addison): My Lords I am grateful to the noble Lord for giving me this opportunity of informing the House that these

discussions have taken place and memoranda have been exchanged, and, as a result, I am able on behalf of the Government to make a statement to which the Leaders of the Parties opposite have agreed:

1. In the first place, we are agreed that only the Peer concerned can in the last resort decide whether he shall speak in the House on a particular occasion.
2. Nevertheless, we are agreed there are certain general considerations which it would be right that the House and the Peer should take into account.
3. When questions affecting a particular board or public boards in general arise in Parliament, the parent Minister and the Government of the day generally are alone responsible to Parliament. The duty of reply rests with Ministers only, and cannot devolve upon members of public boards who may also be members of the House of Lords. There can be no question of board members replacing, or usurping the functions of, Ministers and dealing with matters of ministerial responsibility. In the Commons, of course, the possibility could not arise, because a Member of the House must resign his seat on accepting an appointment of this nature.
4. Further, we agree that it is important that, as contemplated by the Statutes and, in the case of the BBC, by the Charter, the boards shall be free to conduct their day-to-day administration without the intervention of Parliament or Ministers, except where otherwise provided. If board members who happen also to be Peers were to give the House information about the day-to-day operations of the board or to answer criticisms respecting it, the House would in fact be exercising a measure of Parliamentary supervision over matters of management. It would also be difficult for the responsible Minister not to give similar information to the House of Commons.
5. We also agree that there is no duty upon the board member to answer questions put to him in debate, and that no criticism should attach to any member of a board who refrains from speaking in a debate. Nor should the fact that a member spoke in a particular debate be regarded in any way as a precedent for him or any other member speaking in any other debate.
6. Finally, I should like to make it clear that what I have said applies only to debates relating to public boards. Experience acquired as a member of a public board will often be relevant to general debates in which the same considerations do not arise, and the contributions of board members who are Peers may be all the more valuable because of that experience.
7. We do not think that this Statement can better be summed up than by words taken from one of the memoranda exchanged:

"The House of Lords is a sensible body; and the latitude to speak or refrain from speaking, inherent in a Peer, is not likely to cause embarrassment. Indeed, any attempt to lay down a hard and fast rule would be more likely to cause embarrassment".

DELEGATION OF AUTHORITY TO PUBLIC BODIES AND CONDITIONS ATTACHED TO GOVERNMENT FUNDING

F.1 Government finance is provided to NDPBs for the purposes of their activities. The bodies concerned are then subject to controls and safeguards exercised by the sponsoring Minister. These must be set out clearly if the NDPB and the department are to know their respective responsibilities.

F.2 The arrangements between the body and the department should be set out in a Financial Memorandum as conditions to be attached to the issue of any grant-in-aid. It is not possible to give an exhaustive list which meets all circumstances. But the following points will normally need to be considered.

GENERAL

F.3 There should be:

- a. a clear statement of the main purposes for which the grant is issued and a requirement to seek the sponsor department's consent before embarking on new commitments beyond those covered by the statement;
- b. requirements to comply with accepted recommendations of the Public Accounts Committee or other parliamentary authorities, whether in relation to the body or of more general application;
- c. requirements for the NDPB to plan and manage its resources economically, efficiently and effectively, by means of appropriate systems of financial and manpower control including right of access by the sponsor department's staff to carry out reviews;
- d. a clear statement of any powers which are reserved to the Minister to direct the NDPB, eg in its use or subsequent disposal of assets.

F.4 When making a grant-in-aid available for the first time or for new purposes it may also be appropriate to make a public statement about the relationship between the NDPB and the sponsor department, eg about the policy framework within which it will work.

FUNDING AND ACCOUNTING

F.5 The conditions attached to grants-in-aid should normally include:

- a. the headings under which the NDPB is to account to the department, and the limits within which it may transfer money from one heading to another without departmental approval. Where the grant involves significant expenditure, a breakdown between these headings should normally be annexed to the department's Supply Estimate;
- b. the conditions governing fees and levies, the treatment of receipts, the surrender of surpluses to the Consolidated Fund and the level of cash balances and reserves;

c. any controls the sponsor department will exercise over borrowing, lending, the giving of guarantees, indemnities, letters of comfort etc. (Normally such powers will require specific legislation unless the need for them will rarely arise or the powers are to be used for only insignificant amounts);

d. any powers the NDPB will have to write off losses and make special payments;

e. the arrangements for the NDPB to submit Estimates and for the preparation, audit and publication of accounts. These arrangements will include the need to keep proper books and records, the form of accounts, and the nature of the audit, whether public or private.

DELEGATED AUTHORITIES

F.6 Within the limits of their own delegation and where appropriate, the department should set out authorities which it is agreed should be exercised by the NDPB and the degree of control it will reserve. This may include general money limits and criteria and specific provision to be applied to decisions on:

- a. pay, allowances etc;
- b. manpower numbers and grading;
- c. capital spending;
- d. setting fees and charges;
- e. discretionary and ex gratia payments;
- f. payments of a novel or contentious nature.

F.7 Limits should be set on delegated authorities by fixing monetary ceilings or other criteria until the department is wholly confident of the NDPB's internal planning and control systems. It should wish to make arrangements to assure itself of the effectiveness of those systems by receiving regular information from the body, assessing individual cases and, from time to time, reviewing the use made of delegated authorities. Appendix G gives guidance on the exercise of delegated authorities for major items of expenditure.

DISPOSAL OF ASSETS

F.8 Conditions of government funding should usually cover the arrangements to be made when assets acquired or improved are sold or used for purposes other than those for which funds were provided. In these circumstances the proceeds of the sale should normally be surrendered to the Consolidated Fund, or sponsor department (depending on the circumstances) if appropriate by taking the receipts into account when determining the level of government funding. If government funds met less than the whole cost of acquisition or improvement then proportion should be surrendered. In some cases, receipts surrendered to the Consolidated Fund may form part of the Government's privatisation programme and be classified as special sales of assets; the Treasury's advice should be sought in cases of doubt.

F.9 The same conditions apply to grants made by an NDPB in receipt of government funds to others.

F.10 In order to meet these requirements it may be necessary to require that:

- a. legal advice is taken before entering into a contract; and
- b. any disposal which is not a sale at arm's length should be deemed to be a sale at a price determined by the District Valuer.

F.11 Other arrangements should be allowed only if provided for in the conditions attached to the grant or if specifically approved by the Treasury. For example, special arrangements allowing (partial) retention of receipts by certain large asset holding bodies, and by other bodies as well where the disposal of surplus land or buildings is involved, have been agreed with the Treasury. The need to encourage disposal of surplus assets, and the subsequent use to which receipts will be put, are important considerations in these cases.

Administrative Practices

F.12 The conditions attached to funding may include:

- a. accounting requirements;
- b. procedures for contracts (eg. about tendering and competition policy);
- c. banking procedures;
- d. property transactions;
- e. insurance or non-insurance;
- f. personnel management;

and other guidance and instructions specific to the body or department, or taken from general guidance issued by the Treasury or Cabinet Office. Examples of the latter are included in the bibliography at Appendix J.

PLANNING AND CONTROLLING MAJOR EXPENDITURE

G.1 The following paragraphs give guidance on the arrangements a sponsor department and an NDPB should make for planning and controlling major expenditure decisions. The guidance also illustrates the principles which apply to other resources and types of spending.

INVESTMENT APPRAISAL

G.2 It should normally be a condition of delegated authorities that departments use appropriate investment appraisal methods. Appropriate appraisal will also be expected to accompany requests for approval of expenditure above delegated limits. Investment appraisal is not a standard drill; it is a sensibly ordered, but very flexible, approach to expenditure decisions. It involves deciding the objectives of an expenditure proposal, considering the ways of meeting them, and working out and presenting the cost and benefits of each option to aid decision-making.

G.3 The Treasury produces technical and management guides on investment appraisal in the public sector (see Appendix J for references). These should be drawn to the attention of those who deal with capital projects and other spending proposals.

RESOURCE ALLOCATION

G.4 The effects of implementing a project on the resources required by the NDPB must be considered. Funds need to be available in each relevant year's cash limit, taking into account any flexibility that might be available under the arrangements for carry forward of unspent capital provision, to enable the project to proceed according to the planned timetable. If these are not reflected in the current plans for resource allocation (eg the Supply Estimates and Public Expenditure Survey) the body will need to consider the possibilities for reallocating resources or varying the timetable.

AUTHORITY TO PROCEED

G.5 Proposals for major capital projects with resource implications extending beyond the current year will virtually always be referred to the NDPB's Finance Officer and senior management before final decisions are taken. Where the process leads from there depends on the scale of the project in relation to the authorities delegated to the body and the results of the investment appraisal.

G.6 NDPBs which have proven systems for appraising capital projects may have authority to approve projects subject to certain conditions. These may include a monetary ceiling on the amount of expenditure they may authorise; a timescale for completing the project; and a minimum rate of return. In such instances the body should, however, still inform its sponsor department of the development of the project and its decision. This is essential both to keep the department in touch with the NDPB's developing plans and resource allocation, and to give it an opportunity to use the project as an example of how the body carries out such appraisals. Reviews of such cases are an important means for departments to satisfy themselves that delegated authority is being operated effectively. They provide vital evidence when delegated authorities are reviewed.

G.7 For other NDPBs and other projects the department's (and the Treasury's) prior approval may be needed. The request for approval should be supported by an investment appraisal. This appraisal is likely to be interpreted as an indicator of the strength of the NDPB's management systems.

CONTROL

G.8 Before a project is approved detailed cost estimates for each stage should be prepared for control purposes. Then, during implementation, responsibility for controlling the project should be given to an identified manager who will receive:

- a. regular reports of the progress of the project in relation to the programme or contract;
- b. costs compared with the estimates, in total and broken down by major components;
- c. forecasts of costs to completion (including any variations from plan) as compared to the original estimates;
- d. accounts of cash payments made, commitments to make payments for the current year and for future periods, and forecasts of further cash requirements to complete the project.

MONITORING

G.9 Once a project is completed:

- a. the total cost (taking account of outstanding contractual claims for expenditure committed) should be compared with the original estimates;
- b. the operating costs should be monitored periodically and compared with those estimated in the original investment appraisal.

Where NDPBs have major capital spending functions and undertake numerous projects, it may be appropriate for sponsor departments to monitor performance on a more selective basis.

G.10 These comparisons are important as indicators, for the NDPB and for the department, of the strength of the original investment appraisal, and as a basis for improving subsequent appraisals.

RUNNING COSTS CONTROL IN NDPBs

H.1 Since for many NDPBs expenditure will be primarily on staff and associated costs, effective running costs control is particularly important.

H.2 An NDPB should have an effective running costs control system, and this should be made a condition attached to the grant. An effective control system will ensure that only essential work is done, that the organisation is sound and economical, that staff numbers are adequate but not excessive and that appropriate grading standards are being met. Criteria for judging whether an NDPB has an acceptable system are given in paragraph H.7.

H.3 NDPBs vary widely in character, dependence on government funds and extent of independence of sponsor departments. The guidance below gives an indication of which features should normally apply to controlled NDPBs. For other NDPBs control the arrangements should be considered case by case; normally the higher the proportion of government grant and the larger the amount of government grant the closer the arrangements should adhere to the regime for controlled NDPBs. The guidance does not apply to those NDPBs whose staff are included in the Civil Service manpower count. It is assumed that the staff of controlled bodies are brigaded on Civil Service lines; this is true of the great majority. The same principles will apply in other cases; guidance should be sought from central departments where there are difficulties.

CONTROLS

H.4 The controls on the number and grading of staff and other elements of running costs needed within an NDPB and by the sponsor department are for the sponsor department to decide in consultation with the body, taking account of such factors as the number of staff, size of administration costs and the proportion they represent of the body's gross expenditure.

H.5 There should be a system of staff inspection, or other equivalent review arrangements, as described in the Treasury note on the future role of staff inspection (see Annex I). (Paragraph 16 refers particularly to NDPBs. Staff inspection is a formal check on the planning, allocation and use of manpower resources. Features of an acceptable system are:

- a. managers in the NDPB should have up-to-date and accurate information on matters set out in paragraph H.4 above;
- b. there should be regular and systematic arrangements for line management to review the need for work and whether functions should be dropped as well as taken on;
- c. there should be evidence that productivity gains are being made;
- d. there should be evidence that grade structure is kept under close scrutiny; and there should be no grade drift (that is the proportion of senior staff should not increase without very good reasons).

All these features are appropriate to all NDPBs, not just controlled bodies, but the level of detail with which they can and should be investigated will vary according to

individual circumstances. Systems will need to be kept under review in the light of developments in the financial management systems of both sponsor departments and NDPBs.

H.6 The approval of the sponsor department should be required for the creation of posts above an agreed level. Where authority has been delegated to the sponsor department to create Grade 5 posts the personal approval of the Permanent Secretary of the sponsor department is required for Grade 5 posts created in the NDPB. The approval of the Treasury should be sought for all proposed posts above the level delegated to the sponsor department for its own staff.

INFORMATION

H.7 Sponsor departments need to know about the demands for resources in the NDPBs and they need sufficient information to decide how, and to what extent, demands can be met. Information flows should provide details of, inter alia:

- a. tasks where workloads are declining, or where there is no change, and new tasks or those with increasing workloads;
- b. the numbers and grades of staff allocated to the main tasks currently and in forward plans;
- c. the priorities between tasks.

H.8 The frequency of information flows should depend on the circumstances of the NDPB. For most controlled NDPBs once a year will be appropriate. Less detail may be appropriate for other NDPBs, although some details on the lines of paragraph H.7 will always be needed.

H.9 The maintenance of tight financial controls on NDPBs may itself do much to ensure effective control of their running costs although this will depend on the mix of administrative and other expenditure covered by the grant. Treasury Expenditure Divisions will make their agreement to grants to NDPBs conditional on assurances that effective running costs control systems are in operation and that reviews or audits are being done on time; and on a sensible level of implementation of the recommendations of such reviews.

ANNEX I: THE FUTURE ROLE OF STAFF INSPECTION

A note by HM Treasury

INTRODUCTION

1. In 1949 the Treasury delegated to departments extensive responsibilities for determining numbers and grading of staff. Since then staff inspection has gone hand in hand with delegation and has been an essential ingredient of departments' manpower control arrangements.
2. Although it may be used in other ways, staff inspection is primarily a formal check on the planning, allocation and use of manpower resources. Briefly, it does this by examining:

- a. **Need** - to ensure that only necessary work is done (and that necessary work is not left undone);
 - b. **Organisation** - to ensure that it is sound and economical;
 - c. **Numbers** - to ensure that they are adequate but not excessive;
 - d. **Grading** - to ensure that grading standards are being met.
3. The role of staff inspection has been re-examined by the Treasury in conjunction with departments because:
- a. departments are changing the way they plan, allocate and control their use of manpower. Increasingly, changes in financial management are giving individual managers delegated budgets within which they have much more flexibility in determining the organisation of work and the numbers and grading of staff. This is changing the managerial environment within which staff inspection has to operate;
 - b. of comments and recommendations arising from the 1984 review of consultancy, inspection and review capabilities on how staff inspection and other management support activities might be best organised and used to help new budgeting arrangements to work successfully;
 - c. some departmental Ministers have suggested that staff inspection programming should be more selective and that the performance indicators for staff inspection should be improved;
 - d. the PAC and NAO want staff inspection to be strengthened and the government have given commitments to them on maintaining and improving the inspection process.
4. The view on the future role of staff inspection that has been drawn from this review is set out below. This is seen as part of an evolutionary process linked closely to progress with other developments aimed at securing better control of resources, so the Treasury will continue with departments to keep the role of staff inspection under review.

THE FUTURE ROLE OF STAFF INSPECTION

5. As changes in financial management work through, increasingly it should be:
- a. line managers who themselves judge and bid for the manpower and other resources they require in order to achieve their objectives; and
 - b. the process of bidding, allocating budgets, monitoring and reviewing which provides the main central control over manpower (and other) resources.
6. In support of their work under 5a. above, line managers will from time to time need independent advice on the matters listed in paragraph 2. Similarly, top management (who are, of course, also line managers) will need such advice when examining and challenging budgets under 5b., and to satisfy themselves that the department is economically run. Both these aspects provide a continuing role for staff inspection.
7. As the improved arrangements for financial management become effective, and line managers at all levels become more skilled at managing their manpower

budgets, the balance between the staff inspection effort under 5a. and 5b. may vary. The success of the wider changes relies on the judgement and motivation of individual managers. They need to be given reasonable freedom of action to maximise their efficiency within budgetary limits. Nevertheless, there will still be a continuing need for top management to have staff inspection available to it because:

a. the Government wishes to maintain firm control of Civil Service costs, which are largely determined by manpower numbers. This means that decisions on staff numbers cannot be left solely to line managers. Top management of departments will continue to need an independent and objective assessment of manpower utilisation in order to assist with central resource control and allocation;

b. there is a unified Civil Service pay and grading structure, which means that Service-wide grading standards have to be maintained, and grading judgements cannot be left to line managers without check. Top management will continue to need staff inspection to provide assurance that decisions taken by line managers within their delegated powers are sound and consistent with Service-wide and department-wide standards.

8. For similar reasons, top management will need to have access to any reports provided by staff inspection to line managers under its advisory role. This will provide senior line managers with useful evidence of whether budgets are taut enough and the extent to which managers down the line are using resources effectively. It will also avoid reports being commissioned by line managers and top management on the same, or overlapping, topics (see also the comments below on coverage and frequency).

9. Staff inspection should remain a relatively rapid method of work survey, and its accompanying diagnostic role of recommending wider or deeper study by line management or other management support services should be given greater emphasis. Staff inspection should provide a powerful force to stimulate and encourage the wider adoption of the principles for improving financial management.

FREQUENCY AND COVERAGE

10. Departments should maintain a rolling programme of staff inspection, normally looking at least six months ahead. Priorities should be set by top management, taking account of requests from line managers (and possibly the Treasury or trade unions), plans for other reviews and their own assessment of areas which most need to be inspected, informed by their top management information system. The difficulties involved in carrying out inspections of areas which are in the process of being reorganised will need to be borne in mind. The Treasury recommends that, as a general guide, all areas should be inspected at least once every five or six years. Staff inspectors should be deployed where they can most effectively help senior management with the monitoring, allocation and control of manpower resources. Priority should be given to the inspection of areas where the greatest contribution to economy and efficiency is expected, though there is also a need to check more widely, for example, that grading standards are being correctly observed.

11. There are some parts of departments where complements are fixed by formulae based on staff inspection and work measurement. These formulae should be reviewed regularly, and questions of need, organisation and grading should be considered. Between major reviews, a limited sample of staff inspection and work measurement reviews need to be carried out. (Departments will need to consider the effects on complementing formulae of delegating manpower controls within

budgets; where formulae are replaced by more flexible arrangements, more frequent staff inspection is likely to be necessary.)

12. As financial control arrangements and performance indicators develop, there may be areas where top management can satisfy itself by these means that the need for work to be done is questioned, that organisational structures are sound and that numbers and grading are correct. In these areas too the Accounting Officer may authorise less frequent staff inspection. And of course if the results of staff inspection itself consistently demonstrate that line managers are maintaining effective control over manpower resources (that is, if few changes of numbers and grading are recommended) then a reduction in the frequency of staff inspection could be considered. The Accounting Officer should first be satisfied, however, that the staff inspection arrangements are themselves effective. The Treasury can advise on this. And some minimum level of staff inspection is likely to be needed to provide the Accounting Officer with assurance that control standards are maintained at the same high level.

13. Another reason for less frequent staff inspection in a particular area could be that it has been subject to some other form of review or scrutiny which can provide assurance to top management as in paragraph 12. As a more multi-disciplinary approach develops, there may be a question of whether some wider reviews can be counted as part of the staff inspection programme itself. This is acceptable provided that the review in question examines critically the need for work to be done and the organisation, numbers and grading of staff required; thus it would provide a fully equivalent assurance about the use of manpower in the area concerned. The agreed minimum arrangements for consultation with the trade unions set out in the Staff Inspection Code of Practice should be applied to any wider reviews carried out instead of staff inspection or as part of the staff inspection programme itself.

14. The Treasury retains its right of access to all parts of the Civil Service to conduct test checks and inspections at any time. This will provide, on occasions, for Treasury participation in, or monitoring of, alternative forms of review in the same way as for departmental staff inspection. Where departments decide, for whatever reason, to leave areas uninspected for more than the recommended frequency of about five to six years, the reasons should be given in the annual report to its Ministers (which is copied to the Treasury). The Treasury reserves the right to question these decisions and to carry out its own test inspections of such areas.

IMPLEMENTATION

15. Reports on inspections by departmental inspectors (and on any alternative forms of review carried out instead) should be available both to top management and line management of the area concerned. Staff inspectors' recommendations should not be set aside lightly; the onus should be firmly on local management to be able to provide sound reasons why implementation should not go ahead. The aim should be to reach decisions quickly, normally within three months of the issue of the report. Subsequent implementation should normally take place within a further three months, subject to personnel management considerations. Line managers' budgets should be adjusted accordingly once decisions are reached. Overall, the aim should be to achieve an average implementation rate of at least 75 per cent. Similar expectations should apply to any alternative forms of review.

NON-DEPARTMENTAL PUBLIC BODIES

16. There should be a system of staff inspection or other equivalent review arrangements for posts in controlled non-departmental public bodies. Sponsor departments have the prime responsibility for determining these arrangements in association with the bodies themselves, although the Treasury will want to be satisfied that the arrangements are effective. As a general guide it is suggested that the frequency, coverage and implementation should as far as is practicable be along the lines described in paragraphs 10 to 15 above and that:

a. where it is economical and practical to do so, the body should have its own staff inspectorate and staff inspection arrangements similar to those in government departments. Sponsor departments should monitor the performance of those inspectorates, and undertake occasional test inspections;

b. non-departmental bodies which do not have their own staff inspectorates should be covered by the sponsor departments' own staff inspection arrangements.

There should be access by the Treasury.

MANAGEMENT AND PRACTICE

17. Improved performance indicators for staff inspection are being developed under Treasury guidance and should be reflected progressively in departmental annual reports on staff inspection performance, as well as in the day-to-day management of staff inspection units.

18. A closer relationship between staff inspection and other management support services is being fostered under the guidance of the central departments. Inevitably this will be an evolutionary process and may involve changes of an organisational, operational or technical nature. Within any new organisational unit, staff inspection should remain a discrete function so that it can be monitored and controlled effectively.

19. The practice of staff inspection should be modified progressively in the light of Treasury guidance and training to reflect the increasing availability of better information from financial management systems; the increasing emphasis on the scrutiny of line managers' performance and the diagnostic role of staff inspection; closer relationships with other management support services and wider changes in the managerial environment.

ACCOUNTABILITY IN NDPBs

I.1 Where a department gives a grant-in-aid to an NDPB this should be done on terms which clarify the respective responsibilities of the Accounting Officer of the department and the senior full-time official of the recipient body. The responsibility of the Accounting Officer in the sponsor department is to ensure that the conditions attached to the grant-in-aid conform with the terms of the Vote; to monitor compliance with those conditions by the body; and to satisfy the Officer that the financial and other management controls applied by the department are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by the body conform with the requirements both of propriety and good financial management.

I.2 The senior full-time official of the recipient body carries a similar responsibility to that of a Departmental Accounting Officer so far as expenditure out of the grant-in-aid is concerned. This includes, in particular, responsibility for ensuring that the accounts of the body are properly presented, and for proper management of the expenditure, including preparation of the material on which decisions are taken; the efficiency with which administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services (scientific, statistical, accountancy, O&M etc) for handling particular problems; and the selection and handling of staff. The senior full-time official will normally be expected to be a signatory of the accounts. The Public Accounts Committee has traditionally attached great importance to the responsibilities of the signatories of public accounts prepared by NDPBs, and any of them are liable to be summoned to appear before the Committee, alongside the Departmental Accounting Officer concerned. They should therefore be notified by the sponsor department of that liability.

I.3 The degree of formality attached to such notification is a matter for the Accounting Officer of the department providing the grant-in-aid. In the case of a large grant-in-aid the senior full-time official may be formally designated 'accounting officer'. In the case of a small one such formality may be inappropriate. In general it will be prudent to deal with the matter formally since it cannot be forecast whether a PAC appearance will be required.

I.4 Whenever the formal procedure is followed it should include specific transmission of the Treasury memorandum which sets out the responsibilities of Accounting Officers and the letter of appointment should be copied to the Comptroller and Auditor General, the Clerk to the PAC and the Treasury Officer of Accounts.

I.5 The Treasury appoints Accounting Officers for a few non-departmental bodies (that is, the Vote financed museums and galleries, the Manpower Services Commission and the Health and Safety Commission). Appointments of this kind are made by analogy with appointments of Accounting Officers in departments.

SELECTED GUIDANCE ON FINANCIAL MANAGEMENT

J.1 **Government Accounting: A Guide on Accounting and Financial Procedures for the Use of Government Departments**, 1974, ISBN 0 11 630668 8 (£6.60). Four supplements have been issued: No 1, 1976, ISBN 0 11 630669 6 (£0.85); No 2, 1977, ISBN 0 11 630670 X (£1.25); No 3, 1979, ISBN 0 11 630671 8 (£1.50); No 4, 1982, ISBN 0 11 630462 6 (£4.15); No 5, 1985, ISBN 0 11 630 4871 (£6.00).

J.2 GUIDANCE ON INVESTMENT AND GENERAL EXPENDITURE APPRAISAL

Investment Appraisal in the Public Sector: A Technical Guide for Government Departments, 1984, ISBN 0 947819 02 9 (£2.00).

Investment Appraisal in the Public Sector: A Management Guide for Government Departments, 1983, ISBN 0 9502890 8 6 (£1.00).

Investment Appraisal in the Public Sector: Supplementary Note 1, The Appraisal of Financing Costs, 1984, ISBN 0 947819 03 7 (£1.50).

Investment Appraisal in the Public Sector: Supplementary Note 2, Further Guidance on the Appraisal of Public Purchasing Decisions, 1984, ISBN 0 9502890 9 4 (£1.00).

J.3 REPORTS BY THE CABINET OFFICE (MPO)/TREASURY FINANCIAL MANAGEMENT UNIT

Budgetary Control Systems: Implementation Report, 1984, ISBN 0 71150059 2 (£3.50)

Top Management Systems, 1984, ISBN 0 71150058 4 (£2.50)

Financial Management Initiative: Non-Departmental Public Bodies, 1984 ISBN 0 71150063 0 (£2.50).

J.4 **Government Internal Audit Manual**, 1983, in three parts: ISBN 0 11 630293 3 (£3.95); ISBN 0 11 630294 1 (£3.06); ISBN 0 11 630295 X (£4.50); Binder ISBN 0 11 701117 7 (£2.50 plus VAT).

J.5 Explanatory and Technical Notes in Part 6 of **The Government's Expenditure Plans 1985-86 to 1987-88**, Cmnd 9428-II, January 1985, ISBN 0 10 194281 8 (£15.00).

J.6 Guide to the Supply Estimates in **Supply Estimates 1985-86, Summary and Guide**, Cmnd 9450, March 1985, ISBN 0 10 194500 0 (£7.00).

J.7 STAFF INSPECTION GUIDELINES

An Introduction to Staff Inspection, 1983, ISBN 0 947819 00 2 (£1.50)

Examining the Need for Work, 1984, ISBN 0 947819 01 0 (£1.50).

All these publications are obtainable from HMSO except items J.2 and J.7, which should be obtained from Committee Section, HM Treasury, Parliament Street, London SW1P 3AG, and items J.3, which should be obtained from the Treasury and Cabinet Office Library, Great George Street, London SW1P 3AL.

UNPUBLISHED PAPERS

J.8 **Financial Information System Operating Procedures Manual, 1982.** (Revised pages issued when necessary.)

J.9 **Supply and Other Financial Procedures of the House of Commons, 1977** and supplements and revisions.

J.10 **Fees and Charges: A Guide for Government Departments, 1983.**

J.11 **Treasury Ready Reckoner for Staff and Other Costs.** (Revised annually.)

J.12 **Grading guidance for the Open Structure, 1984**

J.13 **A Framework for Management Services.**

All these unpublished papers are obtainable from departmental finance or establishment divisions except items J.12 which should be obtained from Staff Inspection and Evaluation Division, HM Treasury, Parliament Street, London SW1P 3AG, and J.13 which should be obtained from Management and Efficiency 2C Division, Cabinet Office (MPO), Government Offices, Great George Street, London SW1P 3AL.

NEW REVIEW ARRANGEMENTS FOR NDPBs

K.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.

K.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."

CHECKLIST OF QUESTIONS TO BE CONSIDERED BY FINANCIAL MANAGEMENT SURVEYS

INTRODUCTION

L.1 This checklist has been prepared in order to identify and develop the key features of a plan for improving financial management. It is intended for use by departments and bodies in preparing such plans and presents not only questions which focus on the bodies' financial systems and their arrangements for forecasting and monitoring expenditure and performance, but also looks at the relationship and working procedures between the body and the policy and finance responsibilities within the sponsoring department. In line with the requirements of the FMI it also covers the wider links between objectives, finance and performance.

L.2 The list is intended to be a working document and it is recognised that not all the detailed questions will be relevant to all bodies subject to review. It assumes a blank sheet for the purposes of an initial review of this type, during which the areas which have not been covered in an annual or other review by the sponsor department should be identified. In the case of many bodies, answers to a large number of background questions will already be available as the result of recent studies, staff inspections, internal audit scrutinies and other enquiries.

L.3 The list does not include detailed questions on, for example, internal financial control and personnel management.

L.4 We have attached, at Annex I and Annex II respectively, a list of background material that could be relevant to the study and which should be obtained if not already done so, and a list of preparatory questions which should be read through in order for the reviewer to check his or her present knowledge and understanding about the body being reviewed.

DELEGATION AND INTERNAL CONTROL

Before commencing the detailed scrutiny, refer to Annex I for relevant background material that should be collected.

1. Financial arrangements

Refer to Preparatory Questions 7 and 8, Annex II and to Annex IV for bodies with revenue raising activities.

1.1 How is financial authority delegated from the sponsoring department to the body? Are the delegation arrangements separate for capital and revenue items? When were the arrangements for delegation of financial authority last critically reviewed and what recommendations were implemented?

1.2 What limits are fixed for capital and revenue delegation? Are the limits based on fixed monetary or other criteria (and if so, what criteria and for what purposes)?

1.3 Are major capital projects subject to separate arrangements? (See Annex III for specific questions on capital project control.)

1.4 Who is the Accounting Officer within the body, that is, is it the chairman, and to what extent is this responsibility exercised through executive officers for day-to-day management purposes? How is the financial authority delegated from the body's governing board to its committees?

1.5 Has the present system of internal financial control operated by the body been reviewed recently and, if so, what recommendations were implemented? Refer to Annex V for specific questions on internal audit arrangements.

2. Manpower arrangements

Refer also to Preparatory Questions 9 and 10, Annex II.

2.1 To what extent is responsibility for manpower numbers and complementing delegated from the sponsoring department to the body? What are the formal arrangements for operating the delegation? To what extent can the body create positions and appoint staff? What constraints are there on the grading of staff and throughout the organisation?

2.2 Is a manpower ceiling applied to the body in order to control its total complement? Is the control operated through cash limits? What has happened to manpower numbers in the last (three) years?

2.3 How are gradings and staff complements decided and tested out? Is the body subject to either internal or departmental staff inspection and complementing reviews - if not, why not? When was the last staff inspection held? Have all the recommendations been acted upon?

PLANNING

3. Present arrangements

3.1 What are the arrangements within the body for planning its future programme of work? What timescale is adopted for the planning period? What

time in the year does it start, how long does it take, does it allow enough time for the department and Treasury to adequately consider the submission from the body and does it contain sufficient detail for the department and Treasury to be able to challenge the assumptions on which it is based (without having to do the job again)?

3.2 Are any guidelines or constraints given by the department in the planning process? Who is responsible for issuing such guidelines? Does the department get involved in discussions at the time of the preparation of the body's plans? Are departmental specialist resources consulted by the body when plans are being prepared? From what alternative sources does the body seek advice and information?

3.3 Is there a letter of appointment to the chairman and does it include:

- a. formal terms of reference with written objectives and targets?
- b. arrangements for the regular review of progress against a. above and when being considered for re-appointment (when the term of office expires)?

Is it issued on appointment only? (Obtain explanation why such letters are not issued.)

4. Evaluating future options

4.1 What information is used by the body in reaching conclusions on how policy should be developed and work activities planned? Does it use:

- a. statutory objectives?
- b. ministerial guidelines and statements of policy objectives?
- c. social and economic data and other statistical material?
- d. reviews of past performance and scrutiny of variance from target objectives?
- e. other material?

4.2 Does the body consider a range of possible changes in the financial situation (eg no growth, reduction or increases in costs) when preparing plans? To what extent does the body use systematic appraisal procedures - that is, setting out formally and, so far as possible, quantifying the costs and benefits of alternative courses of action? What criteria does it use for assessing costs and benefits? Are they the same as should be used by a central government department?

4.3 Who decides within the body on what the major priorities for future policy and work are and who is responsible for the development of policy options?

5. Presentation

5.1 Are the plans and background considerations written up (eg as in a corporate plan)? Are they published/made available to the sponsoring department and other interested parties?

5.2 Once the plans/future workload have been agreed at board level, how is this information passed on to relevant managers?

RESOURCE ALLOCATION AND BUDGETING

6. Present arrangements

6.1 How does the annual budgeting process work within the body and how does this process fit into the PES/Estimates cycle of the sponsoring department including:

a. how does the body relate its allocation of capital and staff to its agreed work programme plan?-

b. what is the level of detail for individual activities, and how does this relate to individual management objectives?

c. who is responsible for preparing the budgets for individual areas and who co-ordinates contributions from the various parts of the organisation?

d. what discussion takes place on the individual budget areas?

6.2 What discussion and approval process is used to agree the total budget at both executive and committee levels? What key questions are asked by senior management?

6.3 Are both programme and administrative resources allocated using information from the output measures as described in questions 8.1-8.5 below? Are there well-defined and systematic procedures for using this information, for the comparison of alternative allocations of staff and other resources? Does management have clear statements of what staff and other resources are devoted to particular activities (see also 9.4)?

6.4 Are improvements in performance, that is, increase in efficiency and productivity, always built into the allocation of staff resources?

6.5 When does the body next intend to review its process of allocating staff and other resources?

7. Dealing with uncertainty

7.1 Does the body regularly consider ways of increasing funding from external, that is, non-governmental, sources?

7.2 What flexibility is built into the allocation of resources to allow for sudden changes in the course of the budget year due to, for example:

a. major exogenous shocks such as the effects of the exchange rate fluctuations on international transactions, withdrawal of major source of funding?

b. allowance for new activities and operations still to be developed?

7.3 How does the body deal with cuts or changes in PES and Estimates; do the ensuing changes relate to the priorities that may have been attached to the body's existing activities and the proposed programme of work?

7.4 Does the final PES allocation result in a detailed reworking of the body's plan?

MONITORING

8. Output measurement

8.1 What information does the body's management have to decide whether there has been achievement of:

- a. the overall objectives of the organisation?
- b. the targets and aims relating to individual activities and responsibilities?

Does it bring together both financial and non-financial data as appropriate, and are these integrated in order to assess the overall performance of particular activities and staff? Who is responsible for developing and refining the measures used for output and performance?

8.2 Is the above information used by management at all levels in making decisions about the value for money obtained from different programmes or activities? What are considered to be the critical measures of performance? If reported, do these show an improving trend?

8.3 Does the information include measures of effectiveness ("is the right job being done?") as well as efficiency ("is the job being done as well as possible")? What targets are management setting themselves for improving both effectiveness and efficiency? Are these realistic?

8.4 What scope is there for comparison of the unit costs of individual activities with each other internally? What steps is the body taking to review information on unit costs by reference to other bodies and organisations, both in the public and private sector, here and abroad, carrying out the same or similar activities?

8.5 Does the information cover the management of assets and liabilities, as well as operational performance?

9. Use of resources

(Refer also to Preparatory Questions 14 and 15, Annex II).

9.1 What information is used to measure how effective managers have been in achieving their work programme? Is line management regularly informed about actual performance to date and forecast out-turn in plan/budget? How are individuals held responsible for variances in performance? What action can be taken on the results (favourable or unfavourable)?

9.2 Are results fed back into the allocation of staff and other resources? How quickly is such action taken?

9.3 Can the financial records adequately identify the income and expenditure (including manpower and related resources) in respect of:

- a. the body as a whole?
- b. each separate functional division and/or activity group?
- c. each individual activity or responsibility?

9.4 Does the system separately identify the resources used in supporting activities (that is, administration expenditure) and the use of resources directly for its operations (that is, programme expenditure)?

10. Review of information requirements

10.1 When did the body last, and when is it next planned to, carry out or commission its own internal reviews of its systems for recording information, reporting and monitoring performance? Were the above reviews carried out by persons or organisations suitably qualified and experienced to do so?

10.2 What action has been taken and is proposed to be taken on the results of previous reviews and what recommendations have not been implemented (and why not)?

11. Annual report

11.1 Does the body publish regularly an annual report? If not, why not?

11.2 Does the annual report contain:

a. the annual accounts with a statement of income and expenditure balance sheet and source and application of funds statement?

b. both qualitative material as well as quantitative information on the body's performance? Are measures of output and administrative performance related to financial information in the report (eg unit cost per activity and average cost per person employed)?

11.3 Does the information in the annual report enable the readers (sponsoring department, Ministers, MPs, general public) to make their own judgements on the cost-effectiveness or the "value for money" spent by the body on behalf of the taxpayer? Are both the costs and the benefits of the body's activities explained?

DEPARTMENTAL RESPONSIBILITIES

12. Overall responsibility

12.1 Who, within the sponsoring department, has responsibility for the following:

a. formulation of and advice on setting strategic aims and policy?

b. delegated financial authority matters?

c. use and control of manpower and other resources?

d. PES/Estimates procedures?

12.2 What expert advice is available on each item from within the department or elsewhere? Are there gaps in the provision of "expert" material and what action is being taken to improve the situation?

12.3 How is each person made aware of the full responsibilities and how is judgement made on the efficiency with which the function is carried out by the body?

12.4 How are the different strands of departmental interests and responsibilities (Question 12.1 a.-d.) pulled together and integrated? What effect will the full operation of the FMI have on such arrangements?

12.5 Who is the Accounting Officer within the sponsor department? What arrangements are made by the departmental Accounting Officer to ensure compliance with grant-in-aid conditions and to ensure adequacy of financial and other controls?

13. Policy setting and strategy

13.1 Does the department take an active lead in the development of policy or does it just respond to the body's suggestions?

13.2 How does the department feed in new initiatives or follow-up ministerial directives with the body?

14. Monitoring and control

14.1 Does the sponsor department receive timely, adequate and sufficient information, both for exercising the above responsibilities in relation to the body and for reviewing and monitoring the body's responsibilities to the department? In particular:

- a. is the department satisfied by the amount of detail supplied by the body on completion of its planning process?
- b. how does it respond to ad hoc information submitted by the body?
- c. how does it monitor the operation of delegated authority for finance and manpower?
- d. how does it monitor and control actual and forecast out-turn expenditure against estimates and profiles (eg FIS forms)?
- e. does it regularly receive a sufficiently detailed set of management accounts from the body in order to monitor operations and expenditure within the financial year (eg monthly cost statements, quarterly review of out-turn compared with forecast)?

14.2 Does the department receive a full set of board and management committee minutes and papers in order to keep fully aware and informed about the body's activities and future plans? What action follows on receipt of such papers?

15. Reviews

15.1 When did the sponsor department last, and when is it next planning to, carry out or commission a review of the body's activities in relation to the department's own responsibilities and, if so:

- a. on what basis does it judge performance (including "value for money")?
- b. what methods and information does it use to carry out the reviews and analyse results?
- c. what action does it take on completion of the review:
 - i. within the department itself?

- ii. in feeding back the results of the body?

15.2 When did the department last review its own internal arrangements and activities for managing its relationship with the body? What action followed?

ANNEX I: BACKGROUND MATERIAL

Before commencing the scrutiny, it is recommended that the reviewer(s) collate all the relevant basic reference material to provide the necessary background for the enquiry. The type of documents which will be useful include:

- a. recent series of annual reports and accounts;
- b. copy of document which sets out the details of method under which the body was established (Statutory Instrument, Act of Parliament, Royal Charter, incorporation under the Companies Acts, Royal Commission, administrative action, other);
- c. letters of appointment/contract of service for:
 - i. Chairman and (possibly) individual members of the governing committee;
 - ii. Chief Executive and other senior officials;
- d. recent internal audit reports, either from the body's own internal audit facilities or from departmental visits;
- e. external audit reports, either from the National Audit Office or a commercial firm;
- f. staff inspection and complementing, O & M reports (if the body is subject to these arrangements);
- g. recent sets of minutes, papers etc from the governing committee of the NDPB and any other major sub-committee(s);
- h. published planning and strategic documents;
- i. chart of body's organisation and committee structure.

ANNEX II: PREPARATORY QUESTIONS

POWERS AND FUNCTIONS OF THE BODY

1. What are the principal functions of the body? For example, grant-giving, research activities, advisory, executive action, and why are these being carried out outside a government department?
2. Do these functions match the objectives as set out in the arrangements under which the body was established? Explain reasons for any divergence between original objectives and current functions of the body; at what level was the change in direction agreed between the department and body?

3. What are the statutory powers of the body in carrying out its activities, and how are they exercised? Are there any statutory constraints on the body's activities?

RELATIONS WITH THE SPONSORING DEPARTMENT AND OTHER ORGANISATIONS

4. What are the statutory relations between the Secretary of State of the sponsoring department and the body? Does it include appointment to the governing committee of the body?

5. Does the department have a formal assessorship role vis-a-vis the body? Is a member of the department appointed ex officio to the governing body and/or major committee of the NDPB? Are there other formal relationships and links between the body and the department and how are they implemented?

6. What relationships does the body have with other organisations such as:

- a. other bodies of a similar type or in the same field?
- b. bodies and authorities outside government and public sector, eg private industry, charitable trusts?
- c. EC or other international organisations?

How do these relations affect the way in which the body operates, eg are the relations statutory, advisory or consultative? How does the body relate to pressure groups and the public in general?

FINANCIAL ARRANGEMENTS

7. How is the body funded and what proportion of the total comes from each source:

- a. through grant-in-aid from the sponsoring department?
- b. through a grant from the sponsoring department?
- c. revenue from other bodies or industry via levies or fees?
- d. own income generation?
- e. borrowing, e.g. the National Loans Fund, banks and other private sources?
- f. other?

What conditions are attached to the funding arrangements?

8. Are there written financial instructions for the staff operating the finance function? If not, are these in preparation?

MANPOWER ARRANGEMENTS

9. Where the body employs staff, are they members of the Home Civil Service? Where they are not civil servants, are they subject to departmental control of pay, superannuation etc or not?

10. What qualifications does the body seek when recruiting staff to the finance function? What is the system of staff training for finance work? How are relevant finance staff made aware of the government accounting system and the broad outline of the operation of the PES/Estimates cycle?

INTERNAL ORGANISATION

11. When was the present organisation structure of the body established and has it been recently reviewed? Have the recommendations been implemented?

12. Is there a senior management group or executive committee? Is the Finance Officer a member of that group? To what extent does the group carry out day-to-day management control of the body; are there defined management lines to the staff at lower levels?

13. Do decisions from external organisations or independent peer groups affect the way in which the body can organise itself and its activities?

INFORMATION AND REPORTING

14. Do the present financial reporting arrangements cover both government (Vote) and management accounting requirements? Is it a comprehensive and integrated system in order to ensure, for example, that Treasury and the sponsoring department are able to receive information on the same basis as that for the body's own management?

15. Does the present information system(s) distinguish adequately between "commitment" and "spend" at all levels of the body's activities? In what form and how frequently is it presented to the senior management groups and to the board?

ANNEX III: PLANNING AND CONTROL OF MAJOR CAPITAL PROJECTS

Reference should also be made to Treasury and other available guidance on methods of investment appraisal that are specified generally in central government.

PLANNING

1. Has the body (either itself or through use of outside agents) carried out a full investment appraisal for each project? Does it include the following and are they adequately documented:

- a. the purpose for and forecast use to be made of the intended facility?
- b. its relation to other projects and similar facilities which are or will be available elsewhere?
- c. the full costs of both construction and operation of the intended facility, including due allowance for the effects of price changes and any likely time delays?
- d. any revenue that can be expected to accrue from the use of the facility by outside bodies and individuals?

2. Has the body fully considered alternative ways of meeting its requirements by other means?

3. To what extent has the decision to include the project in the planning and resource allocation processes been based upon factors which cannot be explicitly valued? Is the weight given to these factors consistent with the overall aims of the body?

RESOURCE ALLOCATION

4. Have the effects of the implementation of the project on the resources required by the body been fully reflected in the current resource allocation process eg are sufficient funds available within each relevant period's cash limit to be able to progress the project through according to the planned timescale?

5. Have detailed cost estimates for the completion of each stage in the project been prepared for (subsequent) control purposes?

CONTROL

6. Once the project has been implemented, is the relevant manager responsible for its control regularly (eg at least quarterly) supplied with the following information:

a. physical progress to date, by major component or stage, as appropriate, in order to recognise the exact state reached (per the contract or project programme)?

b. total costs to date compared to detailed estimated costs, by major component and/or stage?

c. a forecast of costs to complete (including agreed contractual variations and claims) as compared to total estimated to complete?

d. actual cash paid to date and forecast cash requirements for both current year and for each period to completion?

7. Once completed, is full account taken of all outstanding contractual claims or accrued expenditure?

8. Is the use of the facility, once commissioned, and its operating costs monitored periodically against those estimated in the original investment appraisal, and the results fed into current work on future projects being examined?

ANNEX IV: COMMERCIAL, PROMOTIONAL AND ENTERPRISE BODIES

1. If a major activity of the body is the selling and/or marketing of either goods or services, does it have adequate market research information upon which to base decisions concerning the development of this activity, eg current market share? How is this information fed into the planning process?

2. What marketing strategy is adopted? If the body is dependent on one or two key customers how does it safeguard its position?

3. Are there declared commercial objectives and are these subject to review? How widely are these objectives discussed, eg do they include Treasury and (possibly) other organisations?

4. Where the body sells any of its output, what pricing strategy is adopted? Does the strategy vary according to the type of output, eg publications where administrative costs only are covered, or services where there is a full cost charge plus mark-up etc? Is Treasury guidance on fees and charges referred to?

5. At what level in the body is the pricing strategy agreed and how frequently is it reviewed? Does variation in revenue from expected profile result in consideration of change in pricing policy within the current financial year or at a subsequent date? Is there scope for higher revenue receipts without a loss of market? Are there constraints on the organisation maximising and/or retaining its revenue?

ANNEX V: AUDIT ARRANGEMENTS

INTERNAL AUDIT

1. What are the body's arrangements for internal audit and have these been reviewed recently? If so what were the results and have the recommendations been implemented?

2. If the body has its own internal audit function how does this relate to that of the sponsoring department?

3. What areas or subjects does the body see as priorities for attention by the internal audit function and why?

4. When did the internal auditors last report on, for example:

a. arrangements for planning?

b. the resource allocation process budget cycle?

c. monitoring and systems?

d. internal control of accounting practices/policies and what arrangements are made to discuss the findings?

5. What recommendations were implemented in each case (and if not implemented, why not)?

6. How does the department pursue points raised in any internal audit report?

EXTERNAL AUDIT

7. What are the arrangements for external audit? Are the accounts subject to full audit by Comptroller and Auditor General (C&AG) or do C&AG have access to the books and records only or are commercial auditors appointed? Have the arrangements been reviewed recently?

8. At what level of staff is the audit carried out? Is the audit report the minimum required by legislation or is a fuller management letter supplied? What subsequent contact is there with the appointed auditors to discuss audit findings?

9. Does the external audit exercise consider/recommend options for revision to the present financial systems, or confine itself to examination of effectiveness of the present arrangements?

10. Are the activities of the following sufficiently well-integrated in order to ensure that together they form a comprehensive, efficient and effective audit function:

- a. the body's own internal audit?
- b. the department's internal audit?
- c. the body's external auditors?
- d. the National Audit Office?

SOURCES OF ADVICE ON CONSULTANCY FIRMS

M.1 The Cabinet Office (MPO) maintains an Index of management consultants willing to undertake government work. Its purpose is to help departments considering using management consultants by providing details of firms who specialise in the subject(s) with which the department wants help. The Index shows:

- an alphabetical list of all the specialisms in the Index to help identify possible alternative descriptions;
- contact details of firms, with a list of specialisms;
- government departments in which the firms have worked during the last four to five years and the departmental contact at the time
- a list of contacts in the central departments for advice/guidance/information on other specialist consultancies.

M.2 The Index is maintained on British Telecom's "Telecom Gold" system under CONSULTANTS (in capitals, no quotation marks). NDPBs with direct access to the Telecom Gold system can obtain authorisation to use the Index by telephoning Cabinet Office (MPO) Management and Efficiency (Consultancy) Division on (01) 233 4002. Those without direct access to Telecom Gold should contact the sponsor department, where the Management Services Unit, or the departmental link with management consultants, will either have access to Telecom Gold, or a printout of the Index.

M.3 The Management Consultants Association which maintains a professional register with the Institute of Management Consultants (IMC) can also provide information on suitable firms of consultants. The IMC can similarly help in the case of individuals in practice as consultants. These organisations are not comprehensively representative.

M.4 More specialist advice on consultancy firms is available as follows:

SPECIALISM	DEPARTMENT
Accountancy advice	HM Treasury (Government Accountancy Service Management Unit)
Operational research	HM Treasury (Operational Research Division)
Statistical surveys	Central Statistical Office (Survey Control Unit)
Social surveys	Office of Population Censuses and Surveys (Social Survey Divisions)
Economic studies	Committee of Economic Research and Training Secretariat (HM Treasury, Economist Group Management Unit [EGMU])

Sponsor divisions should, of course, address such enquiries to their corresponding departmental specialists in the first instance.

M.5 Reference should be made to the "Code of Practice for the Use of Computer Consultants and Software Houses by Government Departments" (issued by CCTA) where it is proposed to engage consultants on work which has mainly computer implications.

QUESTIONS FOR CONSIDERATION DURING POLICY REVIEWS

EXECUTIVE, REGULATORY, COMMERCIAL ETC BODIES

N.1 What is the body for? Why are these functions vested in a public sector body? What is the balance of argument for dispensing with or reducing them, or for contracting out or privatisation?

N.2 If all or some of the body's functions are considered to be of a kind which is most cost-effectively and efficiently provided by the public sector, is a separate body still justified or would it be more cost effective for the department or another existing body to take them over?

N.3 Does the body have adequate arrangements for setting and reviewing corporate objectives annually? Apart from planning arrangements, what other formal or informal means are used by the department to achieve compatibility with departmental plans? Do the arrangements, taken together, achieve the right balance between independence for the body and ministerial accountability?

N.4 Are any changes desirable in the composition of the management body, or in any other aspects of its constitution?

N.5 Does the basic organisational structure appear satisfactory? Should the body be subject to a financial survey in the near future?

N.6 Would the body benefit from specialist advice on management services or other aspects of its work?

TRIBUNALS

N.7 The continuing need for the tribunal

- a. Is there a continuing need for all the jurisdiction which is exercised by the tribunal?
- b. Could that jurisdiction, or part of it, be satisfactorily exercised:
 - i. by another tribunal?
 - ii. by a Minister?
 - iii. by the ordinary courts?
 - iv. by some other means?

N.8 The effectiveness of the arrangements for managing the work of the tribunal

- a. Are the arrangements for appointing members of the tribunal such as to ensure the appointment of suitably qualified and competent members? Are the appointment procedures cost effective?
- b. Do regional arrangements for hearings by the tribunal adequately reflect the distribution of work? Would different arrangements lead to greater efficiency and cost effectiveness?

c. Are the administrative arrangements (including staffing and management chain) such as to ensure the efficient and cost-effective running of the tribunal?

d. Do the primary legislation and rules of procedure for the tribunal encourage the just and expeditious disposal of work? Should the procedures be modernised? Are they cost effective?

N.9 The relationship between the tribunal and other relevant bodies

a. What benefits or disadvantages flow from the Tribunal's relationship with:

- i. the sponsoring department?
- ii. the Lord Chancellor's Department?
- iii. the Council of Tribunals?
- iv. any other relevant bodies?

b. Should these relationships be altered?

ADVISORY BODIES

N.10 Is there a continuing need for outside advice in the field covered by the body?

N.11 If so, is it cost effective to maintain a special and formal body for the purpose, or could the need be met equally well by informal, ad hoc methods?

N.12 Is the body giving value for money, judged by its terms of reference and the practical usefulness of its advice?

N.13 Should changes be made in the composition or operation of the body (eg frequency of meetings) which would streamline its work and/or reduce departmental support costs?

N.14 Is there scope for amalgamating the body with another one or, in the case of a network of bodies, for reducing the size of the network?

N.15 Would the body benefit from specialist advice on management services or on other aspects of its work?



Sub
Z

10 DOWNING STREET

From the Private Secretary

13 July 1983

STRATEGY FOR EMPLOYMENT

The Prime Minister has asked me to thank Lord Cockfield for his minute of 12 July about quangos. The Prime Minister has commented as follows:

"Not a subject for the Chequers discussions. Let us pick off the quangos one by one as they come up."

M. C. SCHOLAR

A. Galloway, Esq.,
Office of the Chancellor of the Duchy of Lancaster.

SECRET AND PERSONAL



SECRET AND PERSONAL

PRIME MINISTER

STRATEGY FOR UNEMPLOYMENT

*N. & J. -
the ones*

Prime Minister ⁽¹⁾ /

Another subject for
Cheques? Or would it better
to pick off the quangos one by
one as they come up? Yes
Mes 12/7 not

I wonder whether the subjects to be studied ought not to include another and searching review of quangoes.

We are now busily creating a whole new generation of them - including a new "co-ordinating" one for London Transport services. I myself not only question the need for them but I am more than doubtful about the value of many which survived the 1979 purge. I am not thinking of minor bodies: but of quite major ones like NEDC and OFT. And there are plenty of others.

A.C.

COCKFIELD

12 July 1983

file
BPL
GOVERNMENT
MACH

1 March 1983

The Prime Minister has now seen the Lord Privy Seal's minute of 25 February about the 1982 Review of Non-Departmental Public Bodies.

She has noted the outcome of the Review and that the programme will continue for at least a few more years.

(Timothy Fleisher)

Mrs. Mary Brown,
Lord Privy Seal's Office

BPL



cc D1

2

Prime Minister

JH

28/2

PRIME MINISTER

NON-DEPARTMENTAL PUBLIC BODIES: 1982 REVIEW

We now have the results of the 1982 reviews of non-departmental bodies. Ministers in charge of departments have reviewed all their advisory bodies and a selection of executive bodies and tribunal systems on the lines we agreed following the Pliatzky report.

The review has not produced anything startling. Of the executive bodies, only two disappear, the Schools Council and the Advisory Council for Adult and Continuing Education. The advisory body count is a little better: 8 bodies are being wound up as a direct result of the review and a further 78 are disappearing as a result of separate reviews. The details are given in Annex A (executive bodies) and Annex B (advisory bodies).

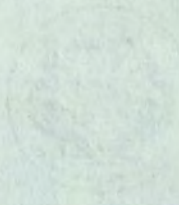
There are therefore no very significant savings this year and one might well question the value of such a formal review, which imposes some costs of its own. Most of the dead wood should now have been cut out anyway, and we are careful to scrutinise any new quango proposal. But a regular scrutiny of this kind (Annex C shows the programme we have agreed with departments through to 1987) does impose a certain discipline. It also gives colleagues an opportunity to look more closely at their department's relationship with and control over particular bodies. Norman Tebbit for example has reviewed his department's relations with the Manpower Services Commission and as a result useful new arrangements have been agreed for involving Ministers in the planning and monitoring of MSC programmes. I think therefore we are right to continue the regular review programme at least for a few more years.

Baroness Young

mt

BARONESS YOUNG

25 February 1983



COOPERATION



28 FEB 1983



NON-DEPARTMENTAL PUBLIC BODIES: EXECUTIVE BODIES AND TRIBUNAL SYSTEMS
REVIEWED IN 1982 (84)

[Body's name] = Review still to be completed

Ministry of Agriculture Fisheries and Food (3)

Agricultural Training Board
National Seed Development Organisation Ltd
Plant Varieties and Seeds Tribunal

Department of Education and Science (10)

Advisory Council for Adult and Continuing Education
British Film Institute
[Central Bureau for Educational Visits and Exchanges]
[Genetic Manipulation Advisory Group]
Imperial War Museum
Museum of London
National Film School
National Maritime Museum
Schools Council
Social Science Research Council

Department of Employment (3)

[Employment Appeal Tribunal]
[Industrial Tribunals]
Manpower Services Commission

Department of the Environment (4)

British Board of Agreement
Commission for the New Towns
Commons Commissioners
Housing Corporation

Foreign and Commonwealth Office (including ODA) (4)

Crown Agents Holding and Realisation Board
GB - China Centre
GB - East European Centre
GB - USSR Association

Department of Health and Social Security (2)

Health Education Council
[Public Health Laboratory Service Board (England and Wales)]

Home Office (9)

Chief Constables Committees for District Police Training Centres (6)
Criminal Injuries Compensation Board
Immigration Appellate Authorities
Police Promotion Examinations Board

Department of Industry (1)

Cotton Industry War Memorial Trust

Lord Chancellor's Department (2)

[Lands Tribunal]
[Pensions Appeal Tribunal]

Northern Ireland Departments (18)

[Compensation Appeals Tribunals]
[Compensation Tribunal for Loss of Employment through Civil Unrest]
Fisheries Conservancy Board
Health and Safety Agency
Mental Health Review Tribunals
NI Tourist Board
NI Training Executive
Pig Production Development Committee
Transport Users Committee
Industrial Training Boards (9)

Scottish Office (21)

Animal Diseases Research Association
[Central Institutions - Board of Governors (11)]
East Kilbride Development Corporation
Highlands and Islands Development Board
Macaulay Institute for Soil Research
Milk Appeals Tribunal
Rowett Research Institute
Royal Commission on the Ancient and Historical Monuments of Scotland
[Scottish Business Education Council]
Scottish National Camps Association
[Scottish Technical Education Council]

Department of Trade (2)

British Hallmarking Council
Hearing Aid Council

HM Treasury (2)

Chequers Trust
National Economic Development Office

Welsh Office (3)

[Development Board for Rural Wales]
[Sports Council for Wales]
[Welsh Development Agency]

DECISIONS TAKEN

TO WIND UP

1. Schools Council (DES)

The Schools Council is to close in the summer of 1983. It is to be replaced by two new bodies: an examinations council with supervisory and advisory functions on examinations at 16+ and 18+; and a school curriculum development council to provide central reserve capacity for curriculum development. Any savings are unquantifiable at this stage.

2. Advisory Council for Adult and Continuing Education (DES)

The projected savings in a full year is about £0.111m

TO BE RECONSTITUTED

Fisheries Conservancy Board for Northern Ireland (DANI)

The review concluded that the Fisheries Conservancy Board should be retained but should be reconstituted as a 4-6 man Board, including the Chief Executive. Furthermore, its functions should, in future, be confined to the protection of Fisheries and Pollution control. The advisory and consultative role currently allocated to the Board should be transferred to a new Inland Fisheries Authority.

DECISIONS TAKEN UNDER SEPARATE REVIEW

1. Business Education Council (DES)
2. Technician Education Council (DES)

The review confirmed that the work of the Business Education Council (BEC) in the field of sub degree education is essential. The recent decision by BEC and its counterpart in the technician area, the Technician Education Council (TEC), to merge to form Business Technician Education Council is a major and logical step forward in the rationalisation of the validation system in further education. A holding company is to be set up on 1 January 1983 and the fully merged Council will come into being on 1 October 1983 when BEC and TEC will cease to exist. The merger has been strongly encouraged by the Department not only because it is a sensible rationalisation from a policy viewpoint but also because it should lead to increased efficiency, from general economies of scale and standardisation of procedures.

3. Council for the Accreditation of Correspondence Colleges (DES)

Government support is to be withdrawn after the Financial Year 1982/83.

4. Underwater Training Centre (DEmp)

Government support ceased from the end of April 1982.

5. Northern Ireland Schools Examination Council (DE, NI)

The body is to be wound up. The existing functions of the Council and the Northern Ireland GCE and CSE Boards are to be re-structured into a single examining board.

6. Cwmbran Development Corporation (WO) is to be wound up.

THE 1982 REVIEW OF ADVISORY BODIES

All the advisory bodies in existence were reviewed, with the exception of those with a finite life and those where there had already been a decision to abolish. Those where the Minister responsible decided upon abolition are listed below (item 1). Details of decisions reached outside the review programme are also recorded (item 2).

1. Advisory bodies either already abolished or to be abolished (8)

Body	Cost Savings pa
Flood Protection Research Committee (MAFF)	£1,400
Thames Barrier Advisory Team (MAFF)	£1,300
Review Group on the Youth Service (DES)	£84,000
Informal Working Group on Effective Prescribing (DHSS)	-
Joint Inducements Payments Committee (DHSS)	negligible
Television Advisory Committee (HO)	-
Foreign Judgements Working Party (LCD)	-
Laying Test Advisory Committee (DANI)	-

2. Decisions reached outside the review programme

- i. The Advisory Committee on the Protection of Birds for England and Wales (DOE) has been wound up.
- ii. The Hydraulics Research Station Advisory Committee (DOE) has been wound up.
- iii. The Science Museum Advisory Council and the Victoria and Albert Museum Advisory Council (DES) were reviewed under a Rayner Scrutiny of the Departmental Museums and will be wound up in due course when the trustee boards are established under forthcoming legislation.
- iv. The Council for Continuing Education (DE, NI) has been reconstituted for a 4 year term of office with an independent Chairman.
- v. The Working Party on Medical Standards for HGV and PSV Drivers (DTp) has been wound up.
- vi. The British Overseas Trade Advisory Council (DT) has been wound up.
- vii. The Historic Building Council for England and Ancient Monuments Board for England (DOE) will be abolished under the National Heritage Bill and their functions subsumed in the new Commission for Ancient Monuments and Historic Buildings for England.
- viii. The Advisory Committee on Rent Rebates and Rent Allowances (DOE) will be wound up.
- ix. The Recreation Management Training Committee (DOE) will be wound up.
- x. The Advisory Committee on Vocational Training Allowances and Postgraduate Training Allowance Advisory Committee (DHSS) will be merged.
- xi. The National Training Council for the NHS (DHSS) is to be wound up.

xii. The District Manpower Committees (88)¹ and Special Programmes Area Boards (29) will be replaced during the first half of 1983 by the Area Manpower Boards (54) (DEmp).

xiii. The Special Programmes Board (DEmp) will be subsumed during the first part of 1983 by the Youth Training Board which was set up in September 1983.

xiv. The Standing Advisory Committee on List D Schools (SO) has been wound up.

xv. The Secretary of State's (Electricity) Amenity Committee (SO) has been wound up.

xvi. The United Nations Advisory Group (FCO) was wound up in March 1982.

PERIODIC REVIEWS OF EXECUTIVE BODIES AND TRIBUNAL SYSTEMS (1983-1987)

ANNEX C

Dept	1983	1984	1985	1986	1987	Notes
MAFF:	Apple and Pear Development Council Milk and Dairies Tribunals (England) Eggs Authority	Agricultural Wages Board for England and Wales Agricultural Wages Committees (24)	Sea Fish Industry Authority Meat and Livestock Commission Central Council for Agricultural and Horticultural Cooperation			The remainder of the department's bodies will be reviewed in 1986 or 1987.
MOD:						RAF Museum, National Army Museum and IMS Ltd are under separate review. SSVK (formerly the Services Kinema Corporation) is in a one year interim phase.
DES:	Council for National Academic Awards Science and Engineering Research Council British Museum Sir John Soane's Museum Crafts Council Council for Educational Technology for the UK Central Bureau for Educational Visits and Exchanges National Youth Bureau Genetic Manipulation Advisory Group	Centre for Information on Language Teaching and Research British Museum (Natural History) Natural Environment Research Council National Gallery Tate Gallery Wallace Collection	Industrial Scholarships Trust Medical Research Council British Institute of Recorded Sound British Library National Portrait Gallery	Agricultural Research Council Arts Council of Great Britain Council for the Accreditation of Correspondence Colleges Further Education Unit Registrar of Public Lending Right Independent Schools Tribunals Museums and Galleries Commission	Social Science Research Council British Film Institute National Film School Imperial War Museum Museum of London National Maritime Museum Central Bureau for Educational Visits and Exchanges	The Business and Technician Education Council, Victoria and Albert Museum and Science Museum will be reviewed in 1988.
DEm:	ACAS Central Arbitration Committee Remploy Ltd Employment Appeal Tribunal Industrial Tribunals	Health and Safety Commission Health and Safety Executive	Industrial Training Research Unit Ltd National Dock Labour Board	Community Industry Industrial Training Boards (7) Levy Exemption Referees		The Wages Councils (27) continue under separate review
DEnt:		United Kingdom Atomic Energy Authority				

PERIODIC REVIEWS OF EXECUTIVE BODIES AND TRIBUNAL SYSTEMS (1983-1987)

Dept	1983	1984	1985	1986	1987	Notes
DOE:	Sports Council London Housing Staff Commission	Letchworth Garden City Corporation Skelmersdale Develop- ment Corporation Rent Assessment Panels (15) National Heritage Memorial Fund	Aycliffe and Peterlee Development Corporation Washington Development Corporation Urban Development Corporation - London Docklands - Merseyside Countryside Commission COSIRA Development Commission	New Towns Staff Commission Regional Water Authorities in England (9) Inland Waterways Amenity Advisory Council Nature Conservancy Council	Commission for the New Towns Housing Corporation British Board of Agreement Commons Commissioners Housing Corporation Milton Keynes DC Peterborough DC Telford DC Warrington and Runcorn DC	Local Valuation Courts (57 panels) are under current review The local Government Boundary Commission for England is not to be reviewed
FCO (inc. ODA):	Foreign Compensation Commission Marshall Aid Commemoration Commission Crown Agents UK Trade Agency for Developing Countries	Commonwealth Insti- tute London and Edinburgh Commonwealth Scholar- ship Commission	British Council Institute of Develop- ment Studies	Commonwealth Development Corporation Intermediate Technology Industrial Services	GB - China Centre GB - East European Centre GB - USSR Association Crown Agents Holding and Realisation Board	Irish Pensions Appeals Board is to be wound up when the last pension has been paid.
DHSS:	National Biological Standards Board NHS Tribunal Council for Post- graduate Medical Education (England and Wales) Medical Boards Medical Appeal Tribunals Public Health Laboratory Service Board (England and Wales)	General Practice Finance Corporation Attendance Allowance Board National Insurance Local Tribunals Supplementary Benefit Appeal Tribunals National Radiological Protection Board	Pneumoconiosis Medical Panels Central Council for Education and Training in Social Work UK Central Council for Nursing Midwifery and Health Visiting and the English National Board	Medical Practices Committee Mental Health Review Tribunals Occupational Pensions Board Vaccine Damage Tribunals		
HO:	Commission for Racial Equality Broadcasting Complaints Commission Police Appeals and Disciplinary (Senior Officers) Tribunals Equal Opportunities Commission	Horserace Betting Levy Board Horserace Totalisator Board Horserace Betting Levy Appeals Tribunal Wireless Telegraphy Appeals Tribunal	Misuse of Drugs Advisory Body, Professional Panel and Tribunal London Building Acts Tribunal of Appeal Fire Service Central Examination Board Fire Service Research and Training Trust Boards of Visitors to Penal Establish- ments (116)	Community Projects Foundation Gaming Board Police Arbitration Tribunal Alcohol Education and Research Council	Criminal Injuries Compensation Board Chief Constables' Committees for District Police Training Centres (6) Police Promotion Examinations Board Immigration Appellate Authorities	

PERIODIC REVIEWS OF EXECUTIVE BODIES AND TRIBUNAL SYSTEMS (1983-1987)

Dept	1983	1984	1985	1986	1987	Notes
NIO:		Police Authority for NI Police Complaints Board for NI		Equal Opportunities for NI		
NI Depts:	Agricultural Wages Board Tribunal under Article 5 of the Health and Personal Social Services Order 1972 Compensation Appeals Tribunals Compensation Tribunal for Loss of Employment through civil Unrest	Livestock Marketing Commission Armagh Observatory Attendance Allowance Board for NI Labour Relations Agency Enterprise Ulster Northern Ireland Industrial Court Northern Ireland Industrial Tribunal Board of Visitors and Visiting Committees	Fishery Harbour Authority Public Service Training Council Sports Council Ulster Savings Committee Lands Tribunal for NI NI Board for Nursing Midwifery and Health Visiting Ulster Sheltered Employment Limited National Insurance Local Tribunals Supplementary Benefits Appeals Tribunals Wages Councils (9)	Lands Tribunal for NI Local Enterprise Development Unit NI Local Government Offices Superannuation Committee NI Transport Licensing Review Body Planning Appeals Commission Ulster Folk and Transport Museum Ulster Savings Committee Water Appeals Commission	Fisheries Conservancy Board NI Tourist Board Mental Health Review Tribunal for NI Health and Safety Agency for NI Industrial Training Boards (9) NI Training Executive Pig Production Development Committee	
LCD:	Pensions Appeal Tribunal Lands Tribunal			Pensions Appeal Tribunal Lands Tribunal		
DI:	English Industrial Estates Corporation		Design Council	Cooperative Development Agency British Technology Group; National Enterprise Board and National Research Development Corporation	Cotton Industry War Memorial Trust	
D/ Trades:		British Tourist Authority English Tourist Board National Metrological Co-ordinating Unit Simplification of International Trade Procedures Board	Monopolies and Mergers Commission Air Travel Reserve Fund Agency	Policy Holders Protection Board Red Sea Lights Company Ltd	British Hallmarking Council Hearing Aid Council	Pilotage Commission The following bodies are subject to separate reviews: British Film Fund Agency National Film Finance Corporation National Consumer Council Nationalised Industry Consumer Councils General Lighthouse Authorities The DTI Tribunals are currently being reviewed.

PERIODIC REVIEWS OF EXECUTIVE BODIES AND TRIBUNAL SYSTEMS (1983-1987)

Dept	1983	1984	1985	1986	1987	Notes
D/ Trans- port	Transport Tribunal Traffic Commissioners (11 areas)					
HM Trea- sury					Chequers Trust National Economic Development Office	
Scot- tish Off- ice	Scottish Council for Educational Technology Scottish Council for Research in Education Scottish Sports Council Central Institutions - Board of Governors (11) River Purification Boards (7) Glenrothes Develop- ment Corporation Orkney Islands Shipping Company Limited Newbattle Abbey College - Board of Governors Commission for Local Authority Accounts in Scotland (previously scanned in 1981) Scottish Institute of Agricultural Engineering Scottish Crop Research Institute Crofters Commission Edinburgh New Town Conservation Committee (previously scanned in 1981)	Rent Assessment Panel for Scotland West of Scotland Agricultural College East of Scotland College of Agri- culture North of Scotland College of Agri- culture Hill Farming Research Organi- sation Hannah Research Institute Scottish Examination Board General Teaching Council for Scotland Scottish Tourist Board Cumbernauld Develop- ment Corporation Scottish Medical Practices Committee Scottish Seed Potato Development Council Scottish Agricultural Wages Board	Livingston Development Corporation Irvine Development Corporation Scottish Development Agency Countryside Commis- sion for Scotland Red Deer Commission College of Education (7) Scottish National Board for Nursing, Midwifery and Health Visiting Electricity Consul- tative Councils (2) Central Institutions - Boards of Governors (11)	Fire Services Examination Board Lay Observer (Law Society of Scotland) Mental Welfare Commission for Scotland National Galleries of Scotland, Trustees National Library of Scotland, Trustees National Museum of Antiquities, Trustees Police (Scotland) Examinations Board Scottish Community Education Council Scottish Hospitals Endowments Research Trust Scottish National War Memorial, Board of Trustees Scottish Special Housing Associa- tion - Council of Management Childrens Panels (12)	East Kilbride Development Cor- poration Highlands and Islands Develop- ment Board Scottish National Camps Association Rowett Research Institute Milk Appeals Tribunal Royal Commission on the Ancient and Historical Monuments of Scotland Animal Diseases Research Association Macaulay Institute for Soil Research	It is expected that the Scottish Business Education Council and Scottish Technical Education Council, reviewed in 1982/83, will be merged in 1984.
Welsh Office:	Agricultural Wages Committees (6) Royal Commission on Ancient and Historical Monuments Development Board for Rural Wales Welsh Development Agency Sports Council for Wales	Wales Tourist Board Rent Tribunals and Rent Assessment Committees National Library of Wales National Museum of Wales	Milk and Dairies Tribunal Land Authority for Wales Welsh National Board for Nursing, Mid- wifery and Health Visiting Mental Health Review Tribunal for Wales	Agricultural Land Tribunal Welsh Water Authority		

Good Machinery: Pt 3; Quargos
& Piatzsky



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Gart Mach

Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

28 January 1983

W Rickett Esq
10 Downing Street
LONDON SW1

Prime Minister

Content to answer the attached
arranged question on Wednesday?

Dear Willie,

WR
3/1

ROYAL COMMISSION ON HISTORICAL MANUSCRIPTS

It is proposed that the responsibility for the Royal Commission on Historical Manuscripts be transferred to the Minister for the Arts with effect from 1 April 1983. When the Government Hospitality Fund was transferred to the FCO in April 1982 the Prime Minister took an arranged Written Answer, and if you agree that it would be appropriate for this precedent to be followed, the Prime Minister may wish to take a Written Answer for this transfer too. I am arranging for the Lord Privy Seal to take a parallel Answer in the Lords, as you will see from the attached draft. Unless I hear from you to the contrary, I shall arrange for the Lords Answer to go ahead as planned and drafted. The Lord Privy Seal has now approved the text of the Answer. If these arrangements are agreeable, perhaps you would arrange for the Prime Minister's Answer to issue on 2 February?

Yours sincerely,

Paul CANN

P L CANN
Assistant Private Secretary

Wednesday 2 February 1983

(Answered by the Prime Minister on Wednesday 2 February 1983)

UNSTARRED Dr Keith Hampson:

NO. 154 To ask the Prime Minister, who has Ministerial responsibility for the sponsorship of the Royal Commission on Historical Manuscripts.

I have asked the Minister for the Arts to assume responsibility for the sponsorship of the Royal Commission on Historical Manuscripts with effect from 1 April 1983. Previously I had responsibility, as Minister for the Civil Service, for the Commission's finances. This transfer of responsibility will in no way affect the Commission's independence, and its functions will remain as set out in its Royal Warrant.

BACKGROUND NOTE

The financial responsibility for the Royal Commission on Historical Manuscripts has hitherto rested with the Lord Privy Seal and the Management and Personnel Office. This responsibility has not fitted ideally with the other duties of the Office, and there has been consideration of how matters might be more suitably arranged within Government.

The Prime Minister has agreed to the proposition that the full responsibility - both financial and functional - for the Royal Commission should be vested in the Office of Arts and Libraries.

It is important, if the public confidence in the Commission's impartiality is to be retained, that the exercise of its functions under the Royal Warrant should be clearly seen to be unaffected by the transfer of Ministerial sponsorship to a department with other responsibilities in the same field as the Commission's. The Written Answer therefore incorporates a re-affirmation that the Commission's functions remain as defined in its Royal Warrant.



*file to
Sarkis*

10 DOWNING STREET

From the Private Secretary

27 October 1982

The Prime Minister has now seen the Lord Privy Seal's minute of 25 October about Ministerial Responsibility for the Royal Commission on Historical ^{*Manuscripts*} Documents. She has agreed that responsibility for the Royal Commission should now be transferred to the Minister for the Arts and that the change should be announced as soon as possible after the new Chairman and the Commissioners have been told.

I am sending a copy of this letter to David Staff (Lord Chancellor's Office), John Kerr (H.M. Treasury), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Mary Giles (Office of the Minister for the Arts) and Richard Hatfield (Cabinet Office).

TIMOTHY FLESHER

Mrs. Mary Brown,
Lord Privy Seal's Office.

Copy in Appointments.



Prime Minister:

agree to the
proposed transfer of
ministerial responsibility?

PRIME MINISTER

Yes

MS

JF

26/10

MINISTERIAL RESPONSIBILITY FOR THE ROYAL COMMISSION ON HISTORICAL MANUSCRIPTS

One of the functions of the Minister for the Civil Service that was not transferred to the Treasury last November was financial responsibility for the Royal Commission on Historical Manuscripts. Even before the CSD was disbanded this was an anomalous function: financial and functional responsibility for most of the standing Royal Commissions was transferred to appropriate Ministers early in this Administration, but the CSD was left with financial (though not functional) responsibility for the Royal Commission on Historical Manuscripts. This responsibility fits even less well with the MPO, and I suggested that the Lord Chancellor might take on oversight of the Royal Commission in view of his responsibilities for the Public Records Office. However, following more detailed examination by officials we have concluded that the responsibility would fit best with those of the Minister for the Arts. I am therefore writing, with the agreement of Paul Channon, to seek your approval for the transfer to him of financial responsibility for the Royal Commission, and for his assumption of full functional responsibility for it. Sir Robert Armstrong agrees that these changes would be sensible; and I understand that senior members of the Commission, whom Paul Channon has consulted informally, would also be likely to look upon them favourably. No Transfer of Functions Order is needed.

The Office of Arts and Libraries will be able to review the work of the Royal Commission in the light of other aspects of the National Heritage. It should be well placed to develop a national archives policy, as recommended in a review of the Royal Commission undertaken a couple of years ago.

It is not proposed that the Secretaries of State for Scotland and for Wales should have any formal responsibilities for the Royal Commission or its work; but they would expect to be consulted by the responsible Minister on aspects of the Commission's work affecting their countries; and on membership of the Royal Commission so that the question of Scottish and Welsh representation can be considered.

Copy in Appointments . 1

RESTRICTED

If you agree to the proposed changes, I suggest they take effect on 1 April 1983. I think we should announce them soon by an arranged Written Answer, precluding any possible criticism that we have left the Royal Commission's position unresolved. It would be courteous to let the Commissioners know first: on the assumption that the vacant chairmanship is filled fairly soon, it seems worth waiting until then. The new chairman could be informed on appointment and proposals put formally to the Commissioners when he or she is in post.

I am sending copies of this minute to the Minister for the Arts, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Scotland and for Wales, and to Sir Robert Armstrong.

Baroness Young

BARONESS YOUNG
25 October 1982

20 JULI 1982

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9 8 7 6 5

OLYMPIA WOL



JR

10 DOWNING STREET

From the Private Secretary

26 February 1982

NON-DEPARTMENTAL PUBLIC BODIES:
RESULTS OF 1981 REVIEWS BY DEPARTMENTS

The Prime Minister has seen and noted Lady Young's minute of 22 February.

W. F. S. RICKETT

Jim Buckley, Esq.,
Chancellor of the Duchy of Lancaster's Office.

B



Chancellor of the Duchy of Lancaster

PRIME MINISTER

NON-DEPARTMENTAL PUBLIC BODIES: RESULTS OF 1981 REVIEWS BY DEPARTMENTS

1. Following publication of the Pliatzky Report on non-departmental public bodies (Cmnd 7797, January 1980), you agreed that advisory bodies should be reviewed annually and executive bodies and tribunal systems on a 5-year rolling programme. A programme of reviews of executive bodies and tribunal systems was agreed with Ministers in charge of Departments in mid-1981; guidance on carrying out the reviews was given in the recently published booklet "Non-Departmental Public Bodies: a Guide to Departments".

2. The results of the 1981 reviews are summarised below.

Advisory Bodies

3. All bodies were reviewed (there were 932 at 1 April 1981). Ministers responsible decided that 49 bodies should be abolished; and that in 8 cases the bodies concerned should be amalgamated or modified, resulting in a further reduction of 5. Total cost savings resulting from the abolitions are expected to exceed £250,000 in a full year. Details are at Annex A. Reviews covering 17 bodies have not yet been completed.

Executive bodies and Tribunal systems

4. The rolling programme for 1981 led to the review of 108 executive bodies and tribunal systems. Ministers responsible have decided that 20 of these bodies should be wound up:

1. National Water Council (DOE)
2. South Bank Theatre Board (DES)
3. Education Panel of the Independent Schools Tribunal (SO)
4. Extra-Statutory Compensation Tribunal (NIO and departments)
5. 16 of the 23 Industrial Training Boards (DEm)

Details are at Annex B.

5. Amalgamations or general reductions in scale of membership or activities were agreed in the cases of 10 bodies and, in the case of most of the remaining 7 Industrial Training Boards, changes in scope are being considered. Details are at Annex C.
6. Ministers endorsed the continuation without change of 45 executive bodies and tribunal systems.
7. 1981 Reviews covering 26 executive bodies and tribunal systems have still to be completed. These have been added to the list of reports due in 1982.
8. The full list of executive bodies and tribunal systems reviewed in 1981, indicating those where changes are proposed and those where reviews have not been completed, is at Annex D. The review programme for the next 4 years is at Annex E.

Separate Studies

9. Certain other executive bodies were the subject of separate studies. A review of the Wages Councils, which started in 1979, has resulted in a reduction in their number from 41 to 27. This review continues. The Secretary of State for Northern Ireland has decided to wind up the Northern Ireland Development Agency, replacing it with the Industrial Development Board.

General

10. Responsibility for the reviews and decisions upon the outcome lies with the individual Ministers in charge of departments. Whilst my officials have been involved in drawing up the review programme and in some cases (together with officials of the Treasury) have assisted in reviews, we have not considered it appropriate to 'second-guess' decisions on the outcome of reviews in any cases. A second year's experience should enable us to make a better estimate of the value of the review exercise, and to build upon what we have learnt this year. But although the 1981 reviews have not resulted in major changes - it would be surprising if they had so soon after the Pliatzky exercise - they have made a worthwhile further contribution to the list of savings that have been achieved.

Baroness Young

BARONESS YOUNG

22 February 1981

THE 1981 REVIEW OF ADVISORY BODIES

All the advisory bodies in existence were reviewed. Those where the Minister responsible decided upon abolition or modification are listed below (items 1,2). Some reviews are not yet complete (item 3).

1. Advisory bodies to be abolished (49)

Body	Cost Savings pa
Agricultural Construction Industry Liaison Group (MAFF)	£9,000
Race Relations Research Advisory Committee (HO)	-
Advisory Council, European Discussion Centre (FCO)	not significant
Industrial Technology Education and Training Committee (DI)	-
Waste Management Advisory Council (DI)	£30,000
Advisory Committee on the Protection of Birds in Scotland (SO)	£1,400
Committee on National Museums and Galleries in Scotland (SO)	£23,250
Herring Industry Advisory Council (SO)	-
Scottish Advisory Committee to the Central Council for Education and Training in Social work (SO)	-
Scottish Advisory Committee of the Council for Education and Training of Health Visitors (SO)	-
Insolvency Law Review Committee (D Trade)	£104,000
NHS Purchasing Advisory Groups (30) (DHSS)	£12,000
Working Party on Laser Safety (DHSS)	£2,000
Interim Advisory Committee on Safety in Clinical Laboratories (DHSS)	£14,000
Supplementary Benefits Appeal Tribunal - Advisory Group (DHSS)	-
Laboratory Developments Advisory Group - Sub Groups (4) (DHSS)	£10,000
Advisory Committee on Local Government Audit (DOE)	£48,000

2. Advisory bodies to be amalgamated or modified (8)(a) Amalgamations (resulting in a net reduction of 5 bodies)

Nature Reserves Committee (N10 and Departments)	}
Wild Birds Advisory Committee (N10 and Departments)	

Cinematograph Films Council (D Trade))	
Interim Action Committee on the Film Industry (D Trade))	
Northern Ireland Training Council)	(N10 and departments)
Youth Careers Guidance Committee)	To be replaced by the
Youth Opportunities Programme Monitoring)	Manpower Advisory
Committee)	Committee.
Scottish Council for Community Education (SO))	
Scottish Community Education Centre (an executive body))	

(b) Other changes (2)

Consultative Committee on Fresh Water Fisheries in Scotland (SO))	To be reconstituted with minor savings (reduced membership/ revised remit)
National Committee for the In-Service Training of Teachers (SO))	

3. Advisory bodies where reviews are not completed (17)

Civil Service Appeal Board (MPO). Consequent on this review, the Civil Service Medical Appeal Board and Civil Service Medical Review Board (MPO) will be considered.

Ancient Monuments Board (England) (DOE)
 Building Research Establishment Advisory Committee (DOE)
 Historic Building Council for England (DOE)
 NI Medical Manpower Advisory Committee (N10 and departments)
 Property Advisory Group (DOE)
 Scottish Advisory Committee on Top Grade Scientific Posts (SO)
 Scottish Records Advisory Council (SO)
 Royal Fine Art Commission (DOE)
 Transport and Road Research Laboratory Advisory Committee (DTp)
 Science Museum Advisory Council (DES)
 Victoria and Albert Museum Advisory Council (DES)
 Theatres Trust (DES)
 Library Advisory Council for Wales (WO)
 Place Names Advisory Committee (WO)

4. Decisions reached outside the review programme (2)

The Civil Service Pay Research Unit Board was wound up by the then CSD in June 1981.

The Industries Development Advisory Committee (N10) is being wound up in conjunction with abolition of the Northern Ireland Development Agency.

Executive Bodies and Tribunal Systems Reviewed in 1981 and to be wound up

1. National Water Council (DOE)

The functions of the NWC will be transferred to the Regional Water Authorities. This change is dependant on legislation. There will be no net change in costs.

2. South Bank Theatre Board (DES)

This body will be wound up when the final bills are paid. Savings of £29,000 per annum will result.

3. Education Panel of the Independent Schools Tribunal (SO)

The Panel ceased to function in October 1981 upon the enactment of the Education (Scotland) Act 1981. Savings will not be significant.

4. Extra Statutory Compensation Tribunal (N10)

A few cases remain and it is hoped to clear these in time for the scheme to be wound up by April 1982. Savings will not be significant.

5. Industrial Training Boards (16) (DEmp)

By the end of the 1982/83 financial year 16 of the 23 Boards will be wound up. Annual savings of £51m in a full year, at current prices, will accrue from 1983/84

Executive Bodies Reviewed in 1981 and to be amalgamated or modified(a) Amalgamations

1. National Enterprise Board (DI) and
2. National Research Development Corporation (DI)

When the former Secretary of State appointed Sir Frederick Wood as Chairman of the NEB he asked him to explore the possibility of bringing the NEB and the NRDC, of which Sir Frederick was also Chairman, closer together. Sir Frederick proposes a full merger which would require legislation. In the meantime his proposal for integrating the two organisations under their existing statutes was accepted and a decision on the introduction of legislation will be taken in the light of this experience.

3. Scottish Community Education Centre (SO) and
Scottish Council for Community Education (an advisory body)

This change, effective from April 1982, will allow a more effective use of resources and will provide a clearer national focus for the community education service and for voluntary organisations. The present total number of members of both bodies will be reduced by about 50% but savings, mainly on expenses, will be minimal. Significant staff economies will however be achieved within the Department by pruning the equivalent of 3 posts representing a saving of £47,000 pa.

(b) Modifications

4. Community Projects Foundation (HO)

The review concluded that generally CPF was doing a good professional job through its fieldwork, but that much greater emphasis needed to be placed on the dissemination of expertise through the headquarters of the Foundation. An assistant Director has now been appointed by the Foundation to form a more vigorous policy for the latter function; headquarters staff have been re-organised; and the Trustees have undertaken that the Foundation will make a thorough assessment of its management structure and practices.

The sponsoring of community work is regarded by the Department as an important function. The general conditions under which the Foundation operates, particularly the requirement that a substantial part of the funding for each project should be contributed by the local authority, provide for addressing problems in a constructive relationship with the local authority. The review should result in a more efficient and effective deployment of resources.

5. Co-operative Development Agency (DI)

The review concluded that internal changes were necessary to improve effectiveness of CDA and reduce its expenditure. In future the CDA should be more selective in its activities, concentrating on promotional work. This modified role should require a smaller Board and few staff, and thus future funding by Government would be on a considerably reduced scale. The Department has not assumed any

commitment to support the CDA with public funds indefinitely, but the grant of a further £600,000 will give the Agency more time to prove its value and to explore the possibilities of becoming financially independent of Government.

6. Home Grown Cereals Authority (MAFF)

The review concluded that in view of the demonstrable value the Authority has for the cereals industry and for Government, it should be retained and should continue its main work - the market information service. It should also retain its agency work on intervention. However, the number of members could, with some advantage, be reduced below the level of 17 already agreed by Ministers; and the scope for a reduction to 13 or 11 should be explored in consultation with the industry. There should also be a review of the Authority's research programme to include examination of whether the work might be commissioned more efficiently through the Ministry of Agriculture Fisheries and Food on an agency basis.

7. Industrial Training Boards (7)(DEmp)

As well as the planned abolition of 16 of these Boards the Secretary of State for Employment has announced proposals which will change the scope of most of those that remain.

8. Scottish Teachers' Salaries Committee (SO)

This statutory body determined teachers' pay in the (local) education authority sector. There were 4 other (non-statutory) bodies dealing with pay and conditions of service in the other spheres of education. The Education (Scotland) Act passed in October 1981 provided for the five committees to be replaced by 2 new statutory committees, one of which deals with teachers' pay and conditions of service in local authority school education, and the other with pay and conditions of staff in further education employed by local authorities, governing bodies of central institutions and colleges of education. The new negotiating bodies came into being on 1 January 1982, and there should be some staff and financial savings.

9. Trustees of the National Museum of Antiquities (SO) and

10. Trustees of the National Library of Scotland (SO)

The functions of these bodies are carried out well and economically but both Boards of Trustees were considered too large. Their reconstitution will be considered in the light of the Williams Report on National Museums and Galleries in Scotland.

11. Welsh Water Authority (WO)

The Secretary of State for Wales announced in Parliament on 30 November last year (Hansard Vol 14, No 19, Col 31) that the Authority would be reorganised with effect from 1 April 1982. The Secretary of State had issued a consultation document in July proposing a reduction in the membership of the authority from its present 35 members to about 10. He also put forward options for

safeguarding the interests of consumers. Having considered the responses to the consultation document, the Secretary of State decided that the Authority should consist of 13 members. Of these, one will be the chairman, 2 will be appointed for their knowledge of fisheries and land drainage respectively, 4 will be appointed to represent the interests of county and district councils, and the remaining 6 to provide the widest possible expertise, including experience in management, finance and business. It is hoped that a board of 13 members, plus the chief executive who will normally attend their meetings, will be small enough to secure speedier decision making and other improvements in management. In order to safeguard the consumer interest, the Authority will set up 5 local consumer advisory committees covering district council areas approximating to the various WWA divisions, or combinations of them. Savings are expected to be £100,000 pa, resulting from savings in the operation of committee procedures and the reduction in the membership of the Authority.

NON-DEPARTMENTAL PUBLIC BODIES: DEPARTMENTS' REVIEW PROGRAMMES 1981 OF EXECUTIVE BODIES AND TRIBUNAL SYSTEMS (108)

- * = To be wound up (Annex B)
 [Body's name] = Review still to be completed
 R = Subject to amalgamation or modification (Annex C)

Ministry of Agriculture Fisheries and Food (3)

- R Agricultural Land Tribunals
 Home Grown Cereals Authority
 Wine Standards Board

Department of Education and Science (7)

- Agricultural Research Council
 Arts Council
 Council for the Accreditation of Correspondance Colleges
 Further Education Curriculum Review and Development Unit
 (Board of Management)
 [Schools Council]
 * South Bank Theatre Board
 Technician Education Council

Department of Employment (24)

- Community Industry
 * Industrial Training Boards (16)
 R Industrial Training Boards (7)
 (Note: The wages Councils are under continuing separate review)

Department of the Environment (12)

- London Housing Staff Commission
 * National Water Council
 New Towns Staff Commission
 [Regional Water Authorities in England (9)]

Foreign and Commonwealth Office (including ODA) (2)

- Commonwealth Development Corporation
 Intermediate Technology Industrial Services

Department of Health and Social Security (4)

- Medical Practices Committee
 Mental Health Review Tribunals
 Occupational Pensions Board
 Vaccine Damage Tribunals

Home Office (4)

- R Community Projects Foundation
 Gaming Board
 [Immigration Appellate Authorities]
 Police Arbitration Tribunal

Department of Industry (3)

- R Cooperative Development Agency
- R National Enterprise Board
- R National Research Development Corporation

Northern Ireland Office (3)

- Equal Opportunities Commission for NI
- * Extra Statutory Compensation Tribunal
- Fair Employment Agency for NI

Northern Ireland Departments (23)

- [Fisheries Conservation Board]
- [Health and Safety Agency]
- [Industrial Training Boards (9)]
- Lands Tribunal for NI
- Local Enterprise Development Unit
- [Mental Health Review Tribunal]
- NI Local Government Officers' Superannuation Committee
- [NI Training Executive]
- NI Transport Licensing Review Body
- Planning Appeals Commission
- [Transport Users Committee]
- Ulster Folk and Transport Museum
- Ulster Museum
- Ulster Savings Committee
- Water Appeals Commission

(Note: The NI Development Agency is to be wound up under a separate study)

Scottish Office (20)

- Animal Diseases Research Association
- Childrens Panels
- Commission for Local Authority Accounts in Scotland
- * Education Panel of the Independent Schools Tribunal
- Edinburgh New Town Conservation Committee
- Fire Services Examinations Board (Scotland)
- Lay Observer (Law Society of Scotland)
- Macaulay Institute for Soil Research
- Mental Welfare Commission for Scotland
- National Galleries of Scotland, Trustees
- R National Library of Scotland, Trustees
- R National Museum of Antiquities, Trustees
- Police (Scotland) Examinations Board
- R Scottish Community Education Centre
- Scottish Crop Research Institute
- Scottish Hospitals Endowments Research Trust
- [Scottish Medical Practices Committee]
- Scottish National War Memorial, Board of Trustees
- Scottish Special Housing Association
- R Scottish Teacher s' Salaries Committee

Department of Trade (1)

Policy Holders Protection Board

Welsh Office (2)

- R Agricultural Land Tribunal
- R Welsh Water Authority

PERIODIC REVIEWS OF EXECUTIVE BODIES AND TRIBUNAL SYSTEMS (1982-1985)

Annex E

Department:	1982	1983	1984	1985	Notes
MAFF:	Agricultural Training Board National Seed Development Organisation Ltd Plant Varieties and Seeds Tribunal	Agricultural Wages Board for England and Wales Agricultural Wages Committees (England - 25) Meat and Livestock Commission	Central Council for Agricultural and Horticultural Co-operation Eggs Authority Land Settlement Association Ltd	Apple and Pear Development Council Sea Fish Industry Authority Milk and Dairies Tribunals (England - 7)	
MOD:					RAF Museum, National Army Museum, IMS Ltd and Services Kinema Corporation are subject to separate review.
DES:	Advisory Council for Adult and Continuing Education Business Education Council Central Bureau for Educational Visits and Exchanges Genetic Manipulation Advisory Group National Youth Bureau Social Science Research Council British Film Institute National Film School Imperial War Museum Museum of London National Maritime Museum Schools Council	Council for National Academic Awards Medical Research Council National Heritage Memorial Fund British Museum Sir John Soane's Museum Crafts Council	Centre for Information on Language Teaching and Research British Museum (Natural History) Science and Engineering Research Council National Gallery Tate Gallery Wallace Collection	Council for Educational Technology for the UK National Engineering Scholarship Scheme (Action Committee) Natural Environment Research Council British Institute of Recorded Sound British Library National Portrait Gallery	The Victoria and Albert Museum and the Science Museum are subject to Rayner Scrutiny with reports expected in Spring 1982.
DEm:	Industrial Tribunals Employment Appeal Tribunal Manpower Services Commission	ACAS Central Arbitration Committee Certification Office	Health and Safety Commission Health and Safety Executive National Dock Labour Board (or 1985)		Remploy Ltd - to be decided The Wages Councils (27) continue under separate review.
DEnergy:					Independent private sector consultants will carry out efficiency review of UKAEA in 1982/83.
DOE:	Commission for the New Towns Housing Corporation Commons Commissioners London Housing Staff Commission Regional Water Authorities in England (9)	CoSIRA Development Commission Sports Council Agreement Board New Towns Staff Commission	Letchworth Garden City Corporation Skelmersdale Development Corporation Rent Assessment Panels (15) Nature Conservancy Council	Aycliffe and Peterlee Development Corporation Washington Development Corporation Urban Development Corporations - London Docklands - Merseyside	The following bodies are currently under review: Development Corporations; Milton Keynes Peterborough Telford Warrington and Runcorn; Local Valuation Courts (57 panels). The local Government Boundary Commission for England is not to be reviewed

Department:	1982	1983	1984	1985	Notes
FCO (including ODA):	GB - China Centre GB - East European Centre GB - USSR Association	Foreign Compensation Commission Marshall Aid Commemoration Commission Crown Agents* UK Trade Agency for Developing Countries	Commonwealth Institute Commonwealth Scholarship Commission	British Council Institute of Development Studies	*The Crown Agents Holding and Realisation Board is likely to be reviewed in 1982 or 1983.
DHSS:	National Insurance Local Tribunals Supplementary Benefit Appeal Tribunals Family Fund Committee of Management of School for Dental Therapists Ltd. Health Education Council Development Team for the Mentally Handicapped National Radiological Protection Board	National Biological Standards Board NHS Tribunal Council for Postgraduate Medical Education (England and Wales) Medical Boards Medical Appeal Tribunals	Public Health Laboratory Services Board (England and Wales) General Practice Finance Corporation Attendance Allowance Board Intermediate Treatment Fund	Pneumoconiosis Medical Panels British Pharmacopoeia Commission Central Council for Education and Training in Social Work UK Central Council for Nursing Midwifery and Health Visiting, and the English National Board	
HO:	Equal Opportunities Commission Criminal Injuries Compensation Board Chief Constables' Committees for District Police Training Centres (7) Police Promotion Examinations Board Immigration Appellate Authorities	Commission for Racial Equality Broadcasting Complaints Commission Police Complaints Board Police Appeals and Disciplinary (Senior Officers) Tribunals	Horserace Betting Levy Board Horserace Totalisator Board Horserace Betting Levy Appeals Tribunal Wireless Telegraphy Appeals Tribunal	Misuse of Drugs Advisory Body, Professional Panel and Tribunal London Building Acts Tribunal Fire Service Central Examination Board Fire Service Research and Training Trust	
NIO:	Training Schools Management Boards		Police Authority for NI Police Complaints Board for NI		The Boundary Commission for NI will be reviewed at the same time as similar bodies in the rest of the UK
NI Departments:	Fisheries Conservancy Board Pig Production Development Committee NI Tourist Board Schools Examination Council Compensation Tribunal Loss of Employment through Civil Unrest Compensation Appeals Tribunals National Insurance Local Tribunals Supplementary Benefit Appeals Tribunals Mental Health Review Tribunals Health and Safety Agency Industrial Training Boards (9) NI Training Executive Transport Users Committee	Drainage Council Agricultural Wages Board Tribunal under Article 5 of the Health and Personal Social Services Order 1972 Medical Boards NI Council for Postgraduate Medical Education Medical Appeals Tribunal Arts Council NI Council for Education Development	Livestock Marketing Commission Armagh Observatory Attendance Allowance Board for NI Labour Relations Agency	Fishery Harbour Authority Public Service Training Committee Sports Council Ulster Savings Committee Lands Tribunal for NI NI Board for Nursing Midwifery and Health Visiting Ulster Sheltered Employment Limited	

Department:	1982	1983	1984	1985	Notes
LCD:	Lands Tribunal	Pension Appeal Tribunal			
DI:	Cotton Industry War Memorial Trust	English Industrial Estates Corporation		Design Council	
D Trade:	British Hallmarking Council Hearing Aid Council	Civil Aviation Authority	British Tourist Authority English Tourist Board National Metrological Co-ordinating Unit Simplification of International Trade Procedures Board	British Overseas Trade Board Monopolies and Mergers Commission	The following bodies are subject to separate reviews: British Film Fund Agency National Film Finance Corporation National Consumer Council Nationalised Industry Consumer Councils General Lighthouse Authorities The DTI Tribunals are currently being reviewed.
D Transport:		Transport Tribunal Traffic Commissioners (11 areas)			
Scottish Office:	East Kilbride Development Corporation Highlands and Islands Development Board Scottish Business Education Council Scottish Technical Education Council Scottish National Camps Association Central Institutions (11) Scottish Institute of Agricultural Engineering Rowett Research Institute Milk Appeals Tribunal Royal Commission on the Ancient and Historical Monuments of Scotland Scottish Medical Practices Committee	Scottish Council for Educational Technology Scottish Council for Research in Education Scottish Sports Council Scottish Agricultural Wages Board River Purification Boards (7) Glenrothes Development Corporation Orkney Islands Shipping Company Ltd Newbattle Abbey College - Board of Governors Commission for Local Authority Accounts in Scotland (previously scanned in 1981)	Rent Assessment Panel for Scotland West of Scotland Agricultural College East of Scotland College of Agriculture North of Scotland College of Agriculture Hill Farming Research Organisation Hannah Research Institute Scottish Examinations Board General Teaching Council for Scotland Scottish Tourist Board Cumbernauld Development Corporation	Livingston Development Corporation Irvine Development Corporation Scottish Development Agency Countryside Commission for Scotland Red Deer Commission Crofters' Commission Colleges of Education (7)	
Welsh Office:	Cwmbran Development Corporation Development Board for Rural Wales Welsh Development Agency Sports Council for Wales	Agricultural Wages Committees (6) Royal Commission on Ancient and Historical Monuments in Wales	Wales Tourist Board Rent Tribunals and Rent Assessment Committees National Library of Wales National Museum of Wales	Milk and Dairies Tribunal Land Authority for Wales	



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MA

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

NON-DEPARTMENTAL PUBLIC BODIES: FACTS AND FIGURES

Janet Young copied to me her minute to you of 14 January suggesting the amalgamation of three publications giving information about non-departmental public bodies and nationalised industries.

2. The Treasury are responsible for publication of the White Paper "Public Boards of a Commercial Character" which lists Chairmen and members together with their salaries and dates of appointment. Arrangements are currently in hand for publication of the next edition in late February/early March. I think it should go ahead whatever we decide about future editions.

3. Although amalgamation would result in some loss of information hitherto available in one publication, mainly names of appointees and dates of appointment to nationalised industry boards, the essential information will continue to be available in the annual reports of the relevant bodies. I would support Janet's proposal as a sensible rationalisation.

4. A copy of this minute goes to her.

(G.H.)

21 January 1982

21 JAN 1982





CC HMT
CO
PRESS OFFICE
Govt Mach

10 DOWNING STREET

From the Private Secretary

18 January 1982

Non-Departmental Public Bodies: Facts and Figures

The Prime Minister has seen the Chancellor of the Duchy of Lancaster's minute of 14 January. She is content that the two publications referred to in that minute should be amalgamated along the lines proposed by Lady Young.

I am sending copies of this letter to Peter Jenkins (H.M. Treasury) and David Wright (Cabinet Office).

M. A. PATTISON

Jim Buckley, Esq.,
Office of the Chancellor of the Duchy of Lancaster.

JB



Chancellor of the Duchy of Lancaster

Prime Minister

This seems a sensible
amalgamation.
(content?)

Yes mt. ~~NA~~
15/11

PRIME MINISTER

NON-DEPARTMENTAL PUBLIC BODIES: FACTS AND FIGURES

I have been looking at the documents in which we publish material about non-departmental public bodies (NDPBs) and nationalised industries to see if we can simplify and improve them. We now publish "Facts and Figures" which gives details of the staff and expenditure of these bodies for the previous financial year. The Treasury publishes the White Paper on Public Bodies of a Commercial Character listing Chairmen and members, salaries and postholders. Both are issued annually and are due shortly. In 1978, the last government published the Directory of Paid Public Appointments. This is now out-of-date: some of the information it contains is covered by the other two documents but there are still some gaps about appointments made by Ministers to public bodies attracting central government funds. These questions continue to be of Parliamentary, Press and public interest and I think we should produce appropriate material about them in a convenient form.

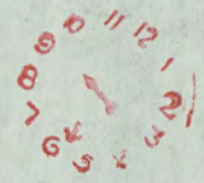
I think the solution lies in amalgamating these publications, so I propose, if you agree, to ask officials to add to next year's edition of "Facts and Figures" details of the number and remuneration of appointments made by Ministers, both to NDPBs and nationalised industries and as a new feature an indication of where the annual report, if any, of these bodies can be obtained. I attach a "mock up" of how a typical page in such a document might appear. As its production is governed by information relating to the financial year, we would aim to produce it towards the end of 1982. I am writing now so that preparations can be made in good time.

I am sending a copy of this minute to the Chancellor of the Exchequer. Sir Robert Armstrong supports the proposal.

Baroness Young

BARONESS YOUNG
14 January 1982

15 JAN 1962



THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

MEMORANDUM FOR THE SECRETARY OF DEFENSE
SUBJECT: [Illegible]

1. [Illegible]

2. [Illegible]

3. [Illegible]

4. [Illegible]

5. [Illegible]

6. [Illegible]

7. [Illegible]

8. [Illegible]

9. [Illegible]

10. [Illegible]

11. [Illegible]

12. [Illegible]

13. [Illegible]

14. [Illegible]

15. [Illegible]

16. [Illegible]

17. [Illegible]

18. [Illegible]

19. [Illegible]

20. [Illegible]

Very truly yours,
[Illegible Signature]

Special Assistant to the Secretary of Defense
[Illegible Name]



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

EXECUTIVE etc BODIES

(figures relate to 1979/80)

Name of body	Number of staff employed by body (1.4.80)	Total gross expenditure of body	Amount in col. 3 funded by Government	Sponsoring Department's expenditure other than shown in col. 4	Appointments made by Ministers			Annual Report
					Chairman	Deputy, etc	Members	
1	2	3	4	5	6	7	8	9
Agricultural Training Board	335	£m 6.279	£m 6.279	£m 0.050 (a)	£3313	-	26; U	B
Agricultural Wages Board for England and Wales	-	-	-	0.110	£38.50 pm	-	4; £23.50 pm + 16; U	-
Agricultural Wages Committees (England) (25)	-	-	-	0.049	(25) £19.50 pd	-	2; £16.50 pd + others; U	-
Apple and Pear Development Council	7	0.344	-	0.011	£3762	-	20; £17.00 pd	B
Central Council for Agricultural and Horticultural Co-operation	57	1.172	1.172	0.032	£6345	£3234	12; £13.50 pd	B
Eggs Authority	35	2.780	0.263	0.020	£6894	£4420	11; £1100	B
Home-Grown Cereals Authority	35	0.597 (b)	0.200	0.048	£5667	£3616	21; £1000	B
Land Settlement Association Ltd	454	12.164	0.680	0.059	-	-	-	-
Meat and Livestock Commission	1,202	11.007 (c)	-	0.070	£11,025	£6070	8; £1100	B
National Seed Development Organisation Ltd	57	3.620 (d)	-	0.006	£2208	£1000	6; £550	-
*White Fish Authority	239 (e)	18.487 (f)	8.312	0.046	-	-	-	S
Wine Standards Board, Vintners Company	12	0.101 (est)	-	0.010	-	-	-	-

- (a) Expenditure also incurred by Department of Agriculture for Scotland (£0.006m) and Welsh Office Agriculture Department (£0.002m) as fellow sponsor departments.
- (b) 1979/80 accounting period year ended 31.7.80.
- (c) Excludes £6.041m on Government agency work reimbursed by the Department and the Intervention Board for Agricultural Produce.
- (d) Financial year 1 July-30 June when income was £5.18m.
- (e) Includes 84 staff who work jointly for the WFA and the Herring Industry Board (see also Scottish Office list).
- (f) Includes recoverable expenditure (worth £6.031m in 1979/80) incurred in connection with an agreement with the Saudi Arabian Government to assist in the development of the Saudi fishing industry.

Ministry of Agriculture, Fisheries and Food
 Management Services I,
 Victory House, 30 Kingsway, London WC2 6TU
 01-405 4310 x 485

The facts and rates of pay are illustrative only. The material at x will be in the preface and is included herefor the sake of clarity.

Remuneration as at 1 October 1978
 Appointments part-time: rates p.a.,
 unless otherwise stated

U Unpaid appointment
 pm per meeting
 pd per day

B Annual Report available from body
 S Annual Report on sale from HMSO
 HC Annual Report is published
 as House of Commons paper
 C Annual Report is published as
 Command Paper
 - Annual Report not published

X

SW

Prime Minister

A much improved

-shortened- version of a

draft I have already
shown you.

Ms 13/11

David Heyhoe Esq
Private Secretary to
Rt Hon Francis Pym MC MP
Lord President of the Council
Privy Council Office
8 Whitehall Place
LONDON SW1

13 November 1981



cc AD
JV
AW

Car Mac

Dear David

ms

FUTURE OF INDUSTRIAL TRAINING BOARDS - DRAFT STATEMENT

^{Tm'd}
... Further to Richard Dykes' letter to you of 11 November I am enclosing a revised draft statement on the future of Industrial Training Boards. This has been reduced in length at the request of the Lord President.

I am copying this letter to the Private Secretaries to the Leader of the House of Lords, the Chief Whips in both Houses, the Chief Press Secretary at Number 10, the Members of E Committee, the Secretaries of State for Scotland and Wales and the Secretary to the Cabinet.

Yours
Marie Fahey

MISS M C FAHEY
Private Secretary

FUTURE OF INDUSTRIAL TRAINING BOARDS

Draft Statement to the House by the Secretary of State for Employment

With permission, Mr Speaker, I should like to make a statement on the future of Industrial Training Boards.

These Boards at present cover just over half the workforce. The system has been under review for some considerable time and it is now important to announce decisions so as to end the uncertainty.

In the light of the extensive consultations which have taken place and the recommendations made to me by the Manpower Services Commission, I have decided to retain statutory Boards in six of the seven cases unanimously recommended by the Manpower Services Commission and in one other case. The six are the Boards for Clothing, Construction, Engineering, Hotel and Catering, Road Transport, and Rubber and Plastics Processing. The additional case is a Board for the offshore sector only of the petroleum industry.

I propose that the other Boards should be abolished. My proposals will therefore reduce the number of Boards from 23 to 7 (excluding the Agricultural Training Board which is responsible to my right hon Friends the Minister of Agriculture, Fisheries and Food, and the Secretaries of State for Scotland and Wales). Where statutory arrangements are to be removed, I am satisfied that the training requirements of the sector concerned can be effectively met on a voluntary basis with less cost and bureaucracy.

I plan to make several changes in the scope of the Boards which are to be retained.

I propose to take the rubber industry out of scope of the Rubber and Plastics Processing Board, and to take road passenger transport, warehouses, agricultural machinery, driving schools and security transport out of scope of the Road Transport Board. I shall be considering further whether the latter Board should be split into two, with one board for road haulage and another for motor vehicle retail and repair. I intend to leave the foundry industry within scope of

the Engineering Board, but to propose to the Board that it should revoke its delegation of functions to the Foundry Industry Training Committee. I do not propose any change at present to the Hotel and Catering Board, though I intend to review the position early in 1983. I also propose, as a result of abolishing the Ceramics Board, to bring the brick and precast concrete industries into the scope of the Construction Board. I am still considering certain possible changes in the scope of the latter Board and shall be asking it to consider giving a greater degree of autonomy to individual sectors in its scope.

I am asking the Manpower Services Commission to take forward the process of abolition or reduction in scope urgently and in parallel with action establish or develop effective voluntary arrangements, so as to bring about an orderly transition. I intend to time the making of Orders accordingly. I wish to ensure that the winding up process is completed as quickly as practicable for each Board in the course of 1982-83.

Where Boards are to be abolished the industries concerned will bear the costs of the alternative voluntary arrangements. The Government will therefore continue to meet the operating costs of these Boards as necessary until the end of the financial year 1982/3, together with any net costs of winding them up.

Where Boards are retained they too in future will be funded by the industry concerned. Exchequer support for operating costs was planned to cease at the end of this year, but I have decided that it would be right to extend this support until the end of March 1982.

In making these decisions the Government has had very much in mind the objectives of the New Training Initiative, to which I am firmly committed and on which I hope to make a further statement before the Recess. We are confident that our decisions on the sectoral arrangements for industrial training are consistent with those objectives and will provide industry with a framework in which it has confidence, and within which it is able to meet its training needs in the 1980s.

113 NOV 1981

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cc AD
JV
AW

(2)

*Munford
Special*

Prime Minister

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000 GTN 213

This looks fine to me.

MES 11/11

David Heyhoe Esq
Private Secretary to
Rt Hon Francis Pym MC MP
Lord President of the Council
Privy Council Office
8 Whitehall Place
LONDON SW1

ms

11 November 1981

Dear David,

FUTURE OF INDUSTRIAL TRAINING BOARDS - DRAFT STATEMENT

At E on 2 November my Secretary of State was invited to announce this month his decisions on the financing and future of the Industrial Training Boards. I enclose a draft of the statement which he proposes to make next Monday. He would be glad to know whether this is acceptable to the Leader of the House.

I am copying this letter to the Private Secretaries to the Leader of the House of Lords, the Chief Whips in both Houses, the Chief Press Secretary at No 10, the Members of E Committee, the Secretaries of State for Scotland and Wales and the Secretary to the Cabinet.

*You ever
Richard Dykes*

R T B DYKES
Principal Private Secretary

FUTURE OF INDUSTRIAL TRAINING BOARDS

Draft Statement to the House by the Secretary of State for Employment

With permission, Mr Speaker, I should like to make a statement on the future of Industrial Training Boards.

These Boards at present cover just over half the workforce. The system has been under review for some considerable time. Last November the Government stated its aim of extending the area of reliance on voluntary arrangements as far as possible and of keeping statutory boards in a few key sectors where they are likely to be essential to secure wider training objectives. We accordingly asked the Manpower Services Commission to review the future training needs of individual sectors and, after very extensive consultations, the Commission published their report last July. Since then there have been further consultations, in particular with organisations proposing voluntary arrangements and with representatives of all the Boards. It is now important to announce decisions so as to end the uncertainty.

The Manpower Services Commission recommended in July the retention of statutory arrangements in a substantial part of the sectors covered by seven Boards - namely, those for Ceramics, Glass and Mineral Products, Clothing, Construction, Engineering, Hotel and Catering, Road Transport, and Rubber and Plastics Processing. After further consideration the Commission reaffirmed these recommendations in October but failed to agree in the other cases. A majority of the Commission recommended that action should not be taken to abolish Boards before an agreed strategy for moving towards the objectives of the New Training Initiative has been established. A substantial minority of the Commission took the contrary view that

/there was sufficient ...

there was sufficient evidence already to reach decisions about those sectors where voluntary arrangements could secure progress towards these objectives.

In the light of all the views expressed in the extensive consultations which have taken place I have decided to retain statutory Boards in six of the seven cases recommended by the Commission with some changes in scope, but not in the case of Ceramics, Glass and Mineral products. The Petroleum Industry Training Board was not amongst those recommended for retention by the Commission, but I propose to keep a statutory board for the offshore sector only.

I propose to make several changes of scope in the case of the retained Boards. Thus, I propose to take the rubber industry out of scope of the Rubber and Plastics Processing Board and road passenger transport, warehouses, agricultural machinery, driving schools and security transport out of scope of the Road Transport Board. I shall be considering further whether the latter Board should be split into two, with one board for road haulage and another for motor vehicle retail and repair. I intend to leave the foundry industry within scope of the Engineering Board, but to propose to the Board that it should revoke its delegation of functions to the Foundry Industry Training Committee. I do not propose any change at present to the Hotel and Catering Board, though I intend to review the position early in 1983. I also propose as a result of abolishing the Ceramics Board, to bring the brick and precast concrete industries into the scope of the Construction Board. I am still considering certain possible small changes in the scope of the latter Board and shall be asking it to consider giving a greater degree of autonomy to individual sectors in its scope.

/ I propose that the

I propose that the other Industrial Training Boards should be abolished. My proposals will therefore reduce the number of boards from 23 to 7 (excluding the Agricultural Training Board which is responsible to my rt hon Friends the Minister of Agriculture, Fisheries and Food, and the Secretaries of State for Scotland and Wales).

These decisions have been made after carefully considering the views, often conflicting, of all the parties concerned. Where statutory arrangements are being retained, this accords in most cases with the views of the main employer organisations concerned. Where they are to be abolished, this reflects in some cases the fact that Boards have lost the confidence of their industries and in others the judgement that the good work they have done can now be carried forward without statutory arrangements. Where I now propose to remove those arrangements, I am satisfied that the training requirements of the sector concerned can be effectively met on a voluntary basis with less cost and bureaucracy.

Where Boards are to be abolished or changed in scope I shall present the necessary Orders to the House in due course. In such cases the industries concerned will bear the costs of establishing and running the alternative voluntary arrangements and the Government will therefore continue to meet the operating costs of these Boards until they are abolished, together with any net costs of winding them up. I shall expect the successor voluntary arrangements to be established in time to take over

/ from each Board

from each Board on its abolition or reduction in scope, and I am asking the Manpower Services Commission to take forward urgently the process of abolition or reduction in scope in parallel with action to establish or develop effective voluntary arrangements, so as to bring about an orderly transition. I intend to time the making of Orders accordingly. I wish to ensure that the winding up process is completed as quickly as practicable for each Board in the course of 1982-83.

Where Boards are retained they too in future will be funded by the industry concerned. Exchequer support for operating costs was planned to cease at the end of this year, but I have decided that it would be right to extend this support until the end of March 1982. I shall shortly make an Order to bring into force the appropriate provisions of the Employment and Training Act 1981.

In making these decisions the Government have had very much in mind the objectives of the New Training Initiative. We are confident that our decisions on the sectoral arrangements for industrial training are consistent with those objectives and will provide industry with a framework in which it has confidence, and within which it is able to meet its training needs in the 1980s.

Later this month I expect to receive the views of the MSC on further action to improve industrial training in the light of the responses to the consultative document on the New Training Initiative. I am firmly committed to achieving the objectives

set out in that document, and I hope to make a further
announcement of that subject before the Recess.

15 JAN 1941

12 NOV 1981





THE ROYAL COMMISSION ON HISTORICAL MANUSCRIPTS
QUALITY HOUSE, QUALITY COURT
CHANCERY LANE, LONDON WC2A 1HP

Car A B
Hand

Telephone 01-242 1198

COMMENTS OF THE COMMISSION ON MR D CAPLAN'S INDEPENDENT REVIEW
OF ITS FUNCTIONS, April 1980

1. The Commissioners would like to congratulate the compiler of the report on the amount of information about the Commission's activities that he has brought together so admirably, in many cases perhaps for the first time.
2. They note with appreciation that he regards the Commission's continued existence as having great national importance at least for the foreseeable future (6.63).
3. It is unfortunate that, despite its detail, the haste with which the report had to be compiled precluded investigation of the Commission's activities at first hand, in particular of its central information and publishing functions, of the extent to which these activities all complement and support each other, and of the importance of its general coordinating role. It is also regretted that for the same reasons the consultations with other bodies and individuals, upon which so many of its conclusions and recommendations are based, could only be summary and selective (1.6-1.7, 1.11).
4. One of the Commission's primary tasks is to attempt to reconcile the interests of the many different categories of private owners of historical records with those of would-be users. This is a delicate area, involving rights of property and personal privacy. The owners in question, who collectively control some two-thirds of all the surviving records of the country's history, include many individuals of note, family trusts and estates, local authorities, religious institutions and bodies, business and industrial undertakings, and a wide range of other organisations and societies. Most are jealous of their rights of ownership and suspicious of outside interference. Their views might for these reasons have been thought especially helpful in attempting to formulate conclusions about the present and future value of the Commission's work. In this context the views of professional custodians of records (which the report has consulted more extensively) are perhaps altogether less relevant, and indeed may introduce false perspectives.
5. Similarly, the collective voices of research historians over the country as a whole, such as the British Academy and the Royal Historical Society, might also have been valuable, since the degree and nature of the contacts of individual research historians with the Commission's work vary greatly according to their particular fields of study.

6. The report suggests that in Scotland it has been found practicable to manage without an intermediate body such as the Commission (4.60-4.69). This, however, does not confirm the Commission's own experience. A more detailed comparison of the situation there with that in Wales (4.70-4.75) and Northern Ireland (4.76-4.81) might have served to illustrate the extent to which existing arrangements in all three are entirely the result of local circumstances. In each they might also be thought to depend on the background presence of the Commission as a central coordinating body for the United Kingdom as a whole.
7. The report's reservations about certain aspects of the Commission's publications policies (5.17-5.37) are noted, and were anticipated by decisions taken by the Commissioners themselves several years ago (4.17-4.25). Since the report accepts that the Commission should in principle continue its publishing activities as part of its general information function, they should perhaps be regarded as lying outside the terms of reference of the present enquiry. It might relevantly be noted, however, that HMSO's actual sales of the volumes dealing with the papers of 19th century British statesmen (the Prime Ministers' Papers Series), which the report condemns, appear substantially to exceed those of the annual little compilation of 'Accessions to Repositories' which it applauds. As the number of publications that the Commission can undertake is necessarily limited by considerations of cost, the Commissioners' choice of these is made very carefully in the light of their collective experience of the needs of historical scholarship.
8. The report's remarks about the Commissioners themselves, their selection and terms of appointment (which are not in their own hands) and their conduct of their affairs are also noted (7.10-7.31). As these too, however, might appear to lie wholly outside the enquiry's terms of reference, no comment on them is thought appropriate in the present context.
9. Given that the report states correctly that the Commission's effectiveness in fulfilling its appointed role rests absolutely on its information function (6.62), the reasons for its tentative conclusion (6.3-6.29) that one important element of this, viz the National Register of Archives, might profitably be amputated and transferred elsewhere at some future date might be thought unclear. If the Commission has seemed cautious about the development of its indexes (6.4), this has been due primarily to its doubts about the cost-benefit to national scholarship of the additional work involved, and the practicability of extending its existing use of computers and other mechanical aids, to which it has ready access on a 'customer' basis through HMSO. The additional cost of such expansion would in any circumstances be great. The Commissioners have always been aware that the public funds that can be assigned to this activity are limited.
10. The report makes this last conclusion in turn dependent upon the implementation of a hypothetical new National Archives Policy (6.27-6.29, 6.63-6.71). As this is apparently seen as involving the conversion within a period of five years of the Commission's present and necessarily informal coordinating functions into formal controls over privately owned records, presumably to be administered by the Public Record Office as an explicit agent of government, it has perhaps to be regarded as beyond the realms of practical possibility. To effect the changes suggested, Draconian legislation would be necessary, involving interference with existing rights of private property as well as substantial additional public expenditure. Even if the latter could be provided, the Commissioners would continue to regard the former as unlikely to command general public support.

If further amplification is required of these or other points the Commissioners will of course be glad to supply it.

30 May 1980

A

EXTRACT FROM HOUSE OF LORDS HANSARD 12 FEBRUARY 1981
WRITTEN ANSWERS, VOLUME 417, COLUMNS 401-402

THE CAPLAN REPORT

Lord Teviot asked Her Majesty's Government:

Whether they intend to publish the report by Mr D Caplan on the work of the Royal Commission on Historical Manuscripts prepared in 1980 and what action they propose to take in pursuance of it.

Lord Soames: The Civil Service Department invited Mr Caplan to conduct a limited enquiry with the following terms of reference:

"To examine the work of the Royal Commission and to report and make recommendations with a view to establishing:-

- a. whether there is a case for its continued existence; and
- b. if so, whether any of its existing functions could more effectively and economically be undertaken by other bodies, eg the British Library."

I have accepted the principal recommendation of the report, namely that the work done by the commission should continue, but that it would be right to reconsider the role of the Royal Commission itself in the light of whatever decisions may be taken on the findings of the Committee on Public Records.

I will wait until I have seen the report of that Committee before taking things further.

THE CAPLAN REPORT ON THE ROYAL COMMISSION ON HISTORICAL
MANUSCRIPTS

(26)

Q 1 Why has it taken so long to publish report?

A 1 The report was commissioned as part of the follow-up to the Pliatzky Report on Non-Departmental Public Bodies. It was not commissioned with publication in mind. That is why it was not published last year. But in view of the interest ~~non~~-members and others have expressed, we decided to make the report available.

Q 2 Why have Government disowned report?

A 2 We have not disowned it. Indeed, we have accepted its main recommendation, which is that the Commission should continue. As to the other recommendations, they are longer-term and are still being considered.

Q 3 What about high average age of Commissioners?

A 3 I am sure ~~non~~-members number old sages among their acquaintances and some young fools. So I do not think age is the only criterion. But we are considering Mr Caplan's remarks on the subject.

Q 4 The Commission should be wound up?

A 4 No. We agree with Mr Caplan that the Commission's work is essential and ^{the} ~~the~~ Commission itself should continue for a further five years.

THE CAPLAN REPORT ON THE ROYAL COMMISSION ON HISTORICAL
MANUSCRIPTS.

Why the Report was commissioned

1. Mr Caplan is a retired DOE Under Secretary. In January 1980, CSD commissioned him to produce a report on the Royal Commission on Historical Manuscripts. His job was to provide the answers to the four standard questions that had been asked about all quangos in Sir Leo Pliatzky's Review. At no stage was it suggested to Mr Caplan, or by him, that his report would be published. He reported in April 1980.

2. The Government and the Royal Commission agree with Mr Caplan's main conclusions: the Commission's work is essential and the Commission itself should remain in business for at least the next few years. But Mr Caplan went beyond his terms of reference to make recommendations about, for example, the need for a national archives policy; and he commented adversely on the age of the Chairman (Lord Denning) and the other Commissioners. The Commission took offence at his remarks about the age structure and consider that some of the other recommendations are ill-conceived and mistaken.

The Campaign for Publication

3. Months after he had finished his work, Mr Caplan began to agitate for his report to be published. We could see no harm in releasing it; indeed, its disclosure was consistent with the Government's policy of making available as much information as possible. But the Commission were much against publication and did all they could to avoid and delay it.

4. Prompted by Mr Caplan, Lords Teviot and Thorneycroft and others pressed the Lord President to release the report. On 12 February, the Lord President answered a PQ from Lord Teviot about the Government's views on the report and about its publication (answer at A).

Publication arrangements

5. Yesterday, copies of the report were placed in the Libraries of both Houses. Copies are available on request from CSD's Library. This was announced in Answer to Written PQs from Mrs Short and Lord Teviot.

Have the Government "Disowned" the Report?

6. Inside the front cover of the report there is a note explaining why the report was commissioned; saying that the views and recommendations in the report are Mr Caplan's; and drawing attention to the Lord President's Answer to Lord Teviot of 12 February and the Royal Commission's comments on the report (copies attached). So the Government have not "disowned" the report - this is clear both from the note inside the front cover and the Lord President's Answer.

7. Mr Caplan recommended that the Commission should continue for a further five years. So there is no urgency to reach conclusions on his recommendations about the Commissioners' age structure, a national archive policy and so on.

8. Mr Patrick Cormack (Staffordshire, SW) has recently been appointed a Commissioner. He is 42.

MG DIVISION
CSD
16 June 1981

ENCLOSURES :

- A) The Lord President's Answer of 12 February to Lord Teviot.
- B) The Royal Commission's comments on the report.
- C) Mr Caplan's report (with the 'note' on the inside front cover).
- D) Mrs Short's PQ of 15 June and Answer.
- E) Lord Teviot's PQ of 15 June and Answer.

CIVIL SERVICE DEPARTMENT

MONDAY 15 JUNE 1981

Lab - Wolverhampton North East

No 51 W MRS RENEE SHORT: To ask the Minister for the Civil Service, why he has not yet published the Caplan Report into the workings of the Royal Commission on Historical Manuscripts; when he intends to do so; and if he will make a statement.

MR BARNEY HAYHOE

Copies of the Report have today been placed in the Libraries of both Houses of Parliament, together with the comments of the Royal Commission. Copies may be obtained, on request, from the Library of the Civil Service Department.

WRITTEN ANSWER
15 JUNE 1981

pa: PQ file

E

Lord TEVIOT to ask Her Majesty's Government:

Whether they will make available the report by Mr D Caplan on the work of the Royal Commission on Historical Manuscripts. [11th June]

The LORD PRESIDENT of the COUNCIL (Lord SOAMES):

Copies of the Report have today been placed in the Libraries of both Houses of Parliament, together with the comments of the Royal Commission. Copies may be obtained, on request, from the Library of the Civil Service Department.



Sar Mac

W

16/7

Treasury Chambers, Parliament Street, SW1P 3AG

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

15 July 1981

Barney

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

You wrote to me on 25 March with a draft guide to departments on non-departmental public bodies.

I saw the subsequent correspondence between the Prime Minister's Office and yours on revisions to the text. I have now seen the latest version of the guide circulated under cover of your minute to the Prime Minister dated 21 June.

My officials have assisted throughout the preparation of the Guide and in the recent revision, and I am satisfied that in almost all matters of Treasury concern it reflects our interests. The only section which may yet require some amendment is paragraphs 85-89 which deal with audit arrangements for non-departmental public bodies. This passage cannot be settled until the White Paper on the C & AG is finalised. I understand that my officials are in touch with yours about this.

I also agree that the latest draft represents an improvement and I support publication.

I am copying this letter to the recipients of yours.

Leon Brittan

LEON BRITTAN

16 JUL 1981





10 DOWNING STREET

*you had
pt 3*

From the Private Secretary

29 June, 1981.

Dear Adrian

Non-Departmental Public Bodies: A Guide for Departments

The Prime Minister was grateful for your Minister of State's minute of 21 June forwarding a revised draft of the guide and for the attention which has been given to the points set out in Mike Pattison's letter to you of 6 April.

The Prime Minister is now content for the revised text to be published, with a few changes as follows. She has in particular considered the specific points to which Mr. Hayhoe drew her attention in his helpful list of "main amendments", and these comments follow the order of your list of new paragraphs.

The Prime Minister attaches importance to a clear definition of the relationship between Departments and NDPBs. She thinks that the phrase "in broad terms" (line 2, of para. 131) weakens the reference to the need for clarity in stating objectives and how they are to be achieved. She thinks that it could be deleted without loss. She also feels that the same paragraph of the guide should require Departments to draw up a "formal statement" of an NDPB's objectives rather than simply suggest such statements are "useful". Similarly, she feels it should be a requirement that departmental Accounting Officers see new chief officers on appointment (para. 83). And she does not consider that the phrase "suitable powers of Ministerial direction" (para. 30) need be qualified by "at least of a general character".

The Prime Minister is generally content with the guidance given on reviewing the NDPBs (paras. 109-115). Her only comment is that the references to the frequency of review (paras. 109-114) should be made more specific. She thinks that a review every 3-5 years would not be unreasonable. She has noted with approval that financial affairs are in any case to be reviewed every 3 years in the case of bodies substantially funded by Government and every 5 years in other cases (para. 41) and thinks that the two types of review are so closely associated as to suggest that their timing should be associated.

The financial management and accountability of NDPBs is another crucial area, and the Prime Minister thinks it is important that the guide should include the point that, in considering the

/ quality

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quality of a NDPB's management, a sponsor Department's Accounting Officer should enquire into its capacity to secure value for money (last sentence of para. 79).

I am copying this letter to the Private Secretaries of Cabinet Members, David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

*yours sincerely
William Rickett*

A.A. Carter, Esq.,
Civil Service Department.

PRIME MINISTER

Back in April, Barney Hayhoe circulated a draft guide for Departments on the management of non-departmental public bodies. You agreed there was a need for such a central guidance. There has been some variation in departmental practice, and Governments have slipped into some damaging situations because of this (eg the Crown Agents).

However, you agreed with Derek Rayner's Office that Mr. Hayhoe's draft needed changing in a number of respects. The most important were that the paper placed too much emphasis on the problems of setting up new bodies rather than those of managing existing ones; that it was too tentative in describing the control exercised by Ministers over these bodies; and that the description of the objectives ~~of~~ accountability of these bodies, especially financial, was not sufficiently specific.


Mr. Hayhoe has now revised the draft (at A). I have consulted Derek Rayner's office. They are content subject to some small but not unimportant amendments. I have set these out in a Private Secretary letter at B. Go

Content to approve the draft subject to these comments?

CW

Yes no

25 June 1981

WR seen

Mr RICKETT

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

1. You asked for advice on the revised draft enclosed with Mr Hayhoe's minute to the Prime Minister of 21 June.
2. I have not worked my way from one end of the new draft to the other but have concentrated on the particular points to which Mr Hayhoe draws attention in his list of "main amendments". These are the response to the points made by Mr Pattison on the Prime Minister's behalf in his letter to Mr Carter (CSD) of 6 April.
3. In general the amendments are satisfactory. So the Prime Minister might now give her blessing to the document. But there are still a few bolt-holes unblocked and I suggest that this might be dealt with by means of the attached draft private secretary letter to Mr Carter.

CP

C PRIESTLEY
24 June 1981

Enc: Draft letter as indicated

A A Carter Esq
Civil Service Department

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

1. The Prime Minister was grateful for your Minister of State's minute of 21 June forwarding a revised draft of the guide and for the attention which has been given to the points ^{set out} ~~made on her behalf~~ in Mike Pattison's letter to you of 6 April.

2. The Prime Minister ^{has} ~~not been able to read the whole of the text,~~ ^{in particular} but she has considered the specific points to which Mr Hayhoe drew her attention in his helpful list of "main amendments", ^{and} ~~and Mrs Thatcher~~ ^{is} now content for the revised text to be published, with a few changes as follows: ~~These~~ ^{These} comments follow the order of your list of new paragraphs.

INTRODUCTION

3. The Prime Minister would prefer para. 4 to say that Ministers would "expect" NDPBs to be effective etc, rather than "look to" them to be so.

Relationship between departments and NDPBs

4. In ^{para.} ~~para.~~ 131, ^{she} ~~the~~ Prime Minister thinks that the phrase "in broad terms" (line 2) weakens the reference to the need for clarity in stating objectives and how they are to be achieved. She thinks that it could be deleted without loss. ~~In the last sentence of the same paragraph,~~ ^{She also feels that the same paragraph of}

The PM attaches importance to a clear definition of the

The guide should require departments to draw up the Prime Minister thinks that the utility of a "formal statement" of objectives etc goes without saying but that ^(an NDPB's) ~~statements are~~ rather than simply suggest such the reference to its being "useful" in fact introduces an element of doubt. She would prefer the paragraph to end on the note that a formal statement would be required in all cases. Similarly ^{she feels} in para. 83, it should be a requirement that departmental Accounting Officers see new chief officers on appointment. ^(And she) ~~not~~ ^{does} ~~she~~ ^{not} consider.

5. In para. 30, the Prime Minister does not think that the phrase, "suitable powers of Ministerial direction" need be qualified by, "at least of a general character" (para 30).

Review

6. The Prime Minister is generally content with ~~paras.~~ ^{Her only comment is} 109 - 115), but thinks that the references to the frequency of review (paras. 109 and 114) ^{should be made more specific} could be ~~tightened~~. She thinks that a review every 3 - 5 years would not be unreasonable. She has noted with approval that financial affairs are in any case to be reviewed every 3 years in the case of bodies substantially funded by Government and every 5 years in other cases (para. 41) and thinks that the two types of review are so closely associated as to suggest that their timing should be associated.

^{The} ~~financial management and accountability of NDPBs is another crucial~~ ^{area} ~~The~~ ^(and) ~~The~~ ^{Thinks it is important that} Prime Minister would ~~like~~ ^{the} last sentence of ~~para. 79~~ ^{should} to include the point that, in considering the

The guidance given on reviewing the NDPBs


quality of a NDPB's management, a sponsor department's Accounting Officer should enquire into its capacity to secure value for money *(last sentence of paragraph 79)*.

8. I am copying this to the private secretaries of Cabinet Members, David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

W F S RICKETT

010

60-20



PRIME MINISTER

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

The Guide has been re-drafted to reflect your comments on the version I sent you on 25 March. The result (attached) is, I believe, a much firmer and crisper statement of our policy and of our control systems.

2. The most important changes are:

- a. the new Introduction, which sets the keynote for the whole Guide by quoting from your statements of 16 January and 3 December last year;
- b. the amalgamation and tightening up of the two previous chapters about proposals for new bodies, and the removal of this material to the end of the Guide;
- c. the re-writing of the chapter on periodic reviews to make it firmer and more positive;
- d. the introduction of statements of principle at the beginning of chapters (eg paragraphs 31, 47 and 117).

3. The other main changes are noted in the attached list. The entire text has been edited to make it more incisive.

4. I was encouraged by the letters from colleagues welcoming the earlier version. I hope that you and they will agree that the latest version is a further step forward and should now be published.

5. I am sending copies of this minute and the revised draft to members of the Cabinet and to Sir Robert Armstrong and Sir Derek Rayner.

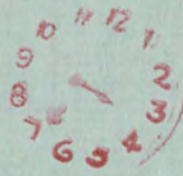
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BARNEY HAYHOE

21st June 1981

22 JUN 1981



MAIN AMENDMENTS TO THE DRAFT GUIDE

<u>Old Paras</u>	<u>New Paras</u>	<u>Amendment</u>
1-17	1-18	Introduction re-written to set out clearly the Government's general policy and the principles underlying the Guide. (item 1)
45, 62 & 149	131, 21 & 83	Modified to reflect the PM's comment about the relationship between departments and bodies (item 5)
60-61	19-20	Revised to describe Ministerial answerability more clearly (item 6)
71	30	Re-ordered to strike a more positive note (item 7)
76-77	32-34	Recast to give greater precision (item 7)
84	41	Frequency of financial reviews adjusted (item 8)
90-91	31	Moved forward to provide a bolder opening to the section on Finance (item 9)
98	47	Strengthened
121 & 126	62 & 67	Revised to avoid any impression that bodies not subject to detailed control are therefore out of control (item 7)
206-212	109-115	Extensively revised to reflect the PM's comments and to avoid any impression that the review process is anything less than rigorous (items 2, 3 and 8)
232-242	Appendix 7	Transferred to form an Appendix
234	-	Deleted (item 3)
App 1 para 2	App 1 para 2	Shortened and sharpened up
App 6	App 3	Revised and widened (item 9)
		Note: bracketed references are to the annotated list of points made in the letter of 6 April from No 10.

NON DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

Paragraph

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SECTION 1: INTRODUCTION

The Government's Policy Towards Non-Departmental Public Bodies

1. The Prime Minister's statements of 16 January and 3 December 1980 set out the principles on which the Government's policy towards non-departmental public bodies is based.
2. Announcing the publication of Sir Leo Pliatzky's Report on Non-Departmental Public Bodies (Cmd 7797) on 16 January, the Prime Minister said that her objective was "to encourage the good management of public bodies which continue to serve the country, while dispensing with those for which there is no further need". She emphasised that the Government would look critically at all fresh proposals for new bodies and would be opposed to a policy of further hiving off of functions to non-departmental public bodies. The Prime Minister also endorsed the suggestions made in the Report about arrangements for control and accountability as regards new and existing bodies.
3. In her statement of 3 December 1980, the Prime Minister told the House of Commons that:

"We shall keep all existing bodies under regular scrutiny. Those which continue to undertake valuable work and remain appropriate will be retained but we shall keep under close control the money which the Government spends on them. Whenever bodies are no longer needed they will be wound up. There are always pressures for the creation of new bodies. We shall be robust in resisting them. But we shall approve proposals for new bodies if we can be convinced that the function is essential and that a non-departmental body is the most appropriate way to do the job...."
4. Ministers will, therefore, look to the bodies they sponsor to be effective, efficient and economical in the conduct of their affairs so that the taxpayer gets good value for money.

Purpose and Approach of the Guide

5. The purpose of this Guide is to help departments to put these principles into practice. Its main concern is with the framework of control and accountability for existing bodies and with arrangements for reviewing their work. It also gives guidance on how departments should deal with proposals for new bodies, in the light of the Government's firm resolve that the creation of such bodies should be minimised. The Guide builds on the recommendations in the Report on Non-Departmental Public Bodies, but also brings together for easy reference relevant material contained elsewhere.

6. For the most part, the Guide provides advice on good practice which should be followed as a general rule. But in some instances the Guide sets out practices and procedures which are binding on departments unless it is specifically agreed with the Central Departments that they are inappropriate in a particular case.

7. Non-departmental public bodies vary widely in size, function and background. So general statements may not apply precisely to every individual body. In applying the Guide, departments will need, therefore, to take the particular circumstances of each body into account and, if necessary, to seek further guidance. Where the existing arrangements work well and accord with the principles of the Government's policy, there is no need to change them merely for the sake of achieving uniformity.

Categories of Non-Departmental Public Bodies

8. The public sector contains a wide range of bodies apart from Government departments and local authorities. The precise degree of Ministerial control and answerability varies considerably, and there are few legal or commonly accepted classifications. Sir Leo Pliatzky's Report adopted the following classification:

- a. Nationalised industries, other public corporations and companies in which the Government has a major shareholding.
- b. Agricultural Marketing Boards.
- c. The National Health Service and associated public bodies.

- d. Other non-departmental public bodies, which are of 3 kinds:
- i. bodies with executive, administrative, regulatory or commercial-type functions;
 - ii. bodies whose role is solely to advise Ministers and their Departments;
 - iii. tribunals and other judicial bodies.

Appendix 1 describes all these groupings in more detail.

9. This Guide is concerned with bodies in Group (d) and mainly with those in Group (d) (i).

Usage in the Guide

10. The language of the Guide does not reflect the special legal or constitutional factors which may apply in Scotland and Northern Ireland. Allowance for these should be made where appropriate.

11. For the sake of brevity, non-departmental public bodies are often referred to as 'public bodies', 'non-departmental bodies', or simply 'bodies'. For the same reason, the Guide refers to action by 'departments' and does not spell out in each case that the action is taken on behalf of the Minister.

12. The Guide does not use the term 'quango'. There is no general agreement about what constitutes a quango, and the term is subject to many different interpretations.

Other Guidance

13. The Guide does not attempt to cover every eventuality and should be used in conjunction with any internal guidance issued by departments (which should itself be consistent with the Guide). Nor does the Guide replace the need for consultation between Departments.

14. 'Government Accounting', issued by the Treasury, contains guidance on a range of financial issues.

15. This Guide replaces the 'Guide to Setting up New Public Bodies', issued by the Treasury in 1968.

Unit

16. The Public Appointments ^{Unit} of CSD advises on the procedures governing appointments made by Ministers to public bodies and (if required) on candidates.

General Enquiries

17. General enquiries about the Guide should be addressed to the Machinery of Government Division, Civil Service Department.

18. The Guide applies to Northern Ireland, where the Department of the Civil Service has overall responsibility for matters concerning non-departmental bodies. All enquiries concerning bodies in Northern Ireland should be addressed initially to the Management Services Division, Department of the Civil Service, Rosepark House, Upper Newtownards Road, Belfast BT4 3NR.

SECTION 2 : OPERATIONAL FRAMEWORK

General

19. The decision that a function should be discharged by a non departmental public body involves the recognition that the body should enjoy a degree of independence from Government in performing those functions. But at the same time the activities of the body form part of the process of Government, for which Ministers are answerable to Parliament. So in each case a balance must be struck between enabling the Minister to fulfil his responsibilities to Parliament and giving the body the degree of independence which is appropriate. This balance will depend largely on the nature of the functions, which vary widely from body to body. In some cases a body may essentially be an instrument of Government policy and may therefore need to operate under close Ministerial supervision. In other cases, the functions may need to be exercised with a greater degree of independence from Ministers.
20. Whatever the precise degree of independence, the Minister is answerable to Parliament for whether the body is doing its work effectively, efficiently and with economy and that it continues to fulfil a useful purpose. The Minister is also responsible for ensuring that the body establishes and maintains proper systems of financial management. The legislation or other founding instrument should therefore give the Minister sufficient powers:
- a. to discharge his overall answerability for the body and its work;
 - and
 - b. to exercise specific controls where necessary.

21. The main Ministerial powers (such as appointment and direction) and external safeguards (eg concerning external audit) should normally be covered in the enabling legislation. It may, however, be preferable either as a short term measure or on a longer term basis to provide for certain controls and safeguards in some other way, for example, through conditions attached to the issue of grant in aid, or in a formal document of agreement between the department and the body. This is the normal course for detailed financial conditions and is also appropriate where it is intended that the detailed control arrangements should change over time; such changes can be made more easily if they are not embodied in legislation.

Powers and Obligations of the Body

22. The detailed powers of the body will depend on its functions and should be defined clearly. Certain general powers are frequently provided, including the following:

- a. power to employ and dismiss staff;
- b. power to pay salaries, allowances and pensions;
- c. power to receive and spend money (including, in certain cases, power to borrow and lend);
- d. power to acquire property to accommodate the body's staff and activities. (In the case of a Crown body this question will not

normally arise; unless there are special reasons to the contrary, Crown bodies should use property vested in the Secretary of State for the Environment);

- e. power to create subsidiary organisations

The legislation may also need to provide certain limitations on how these powers should be exercised, for example through Ministerial approval for capital expenditure.

23. Legal incorporation of a body ensures its separate legal personality and its perpetual succession. It is strongly desirable for a new executive body to be legally incorporated, especially if it is to employ its own staff. This will avoid any personal liability in respect of contracts made by the body, whether with employees, trade suppliers or otherwise. In the absence of incorporation this legal liability might well fall on the persons appointed to manage the body. See also Appendix 5.

Ministerial Powers

24. Ideally Ministerial powers over a body (whether constituted by statute or otherwise) should be placed in the hands of one sponsoring Minister. If two or more Ministers are involved there can be a danger of uncertainty about the precise division of responsibilities and about who should answer in Parliament. In certain cases, however, shared Ministerial responsibility may be appropriate. In the agricultural field, for example, some of the responsibilities of the Minister of Agriculture, Fisheries and Food apply only in England, and legislation applying to the whole of the UK would need to provide for responsibilities to be exercised also by the Secretaries of State for Scotland, Wales and Northern Ireland.

25. Except where the Minister is not a Secretary of State, statutory powers are normally vested in the Secretary of State at large; it will not usually be appropriate to name individual Secretaries of State in statute. The precise allocation of responsibilities should, however, be decided at an early stage and be made clear during the passage of legislation if there is any room for doubt.

26. It is customary for certain arrangements to require the consent of Ministers in Central Departments - eg the Minister for the Civil Service for staff pay and pensions (as described in para 61) and the Treasury for borrowing.

27. Ministers should normally take powers of appointment and dismissal over the Chairman and at least the majority of Board members. It may be appropriate to provide for appointments to be made after consultation with specified organisations or for nominations to be submitted by them; in these cases the sponsoring Minister is responsible for the required consultation and for making the final appointment. Exceptionally the nature of a body or its activities may make it inappropriate for Ministers to appoint some or even any members. But lack of this power weakens the Minister's position and his ability to exercise the degree of supervision which Parliament would normally think appropriate.

28. Appointments should be made for a limited and specified period, not exceeding 5 years. But if it is clear that the body itself will have completed its work within a limited timescale, say after 2-3 years, period appointment would be unnecessary. Guidance on appointments may be obtained from the Public Appointments Unit in the Civil Service Department.

29. Ministers should also normally take formal power to require

production of information. Basic information about a body's affairs can generally be obtained from annual reports and other published material. Additionally, a good deal of information may be available through informal liaison between the Department and the body. But as a rule it is prudent for Ministers to hold in reserve a power to require the production of information which they need in order to discharge their answerability for a body's affairs. Certain categories of information, however, such as personal information or commercial confidences given in trust, may need protection in order not to inhibit the body's activities. Where it is appropriate such protection should be written into legislation.

30 Ministers generally require powers of formal control over a body in addition to their powers of appointment and dismissal. These powers may be needed to ensure compliance by the body with some essential aspect of Government policy or to remedy some aspect of its performance. In some cases, these objectives can be achieved through conditions attached to the issue of funds; but this method is not available where bodies are not in receipt of Government funds and is not appropriate in any event for non-financial conditions. Suitable powers of Ministerial direction, at least of a general character, are therefore desirable as a safeguard. At the same time it should be remembered that use of such Ministerial powers is no substitute for an effective financial regime or a sensible working relationship between bodies and sponsoring Ministers.

SECTION 3 : FINANCE

General Standards

31. Public bodies are required to maintain high standards of financial management in order to control spending, to use resources efficiently, to evaluate what they are achieving, and to provide reliable and timely information to sponsor departments. Sponsor departments should therefore ensure that proper systems of financial management are devised and effectively operated. Those systems should cover financial organisation, financial planning/budgeting, accounting and information and arrangements for internal audit; see Appendix 3.

Control of Expenditure

32. Where a public body is to rely on Government to finance all or part of its expenditure, it is necessary to decide the controls and safeguards to be exercised by the sponsoring Minister over the body's use of Government funds. In broad terms these will depend on the purpose for which the body has been set up, and the degree of independence from Government it is intended to have. The public body must have the freedom necessary to meet its objectives; but in all other respects the presumption is that the body will comply with the procedures and standards in finance and accounting matters which apply to Government departments. Subject to that, the greater the reliance on Government funds, the greater will be the need for controls over the body's expenditure.

33. The following bodies should normally be subjected to detailed financial control:

- (a) bodies which rely on Government funds for 50% or more of their gross expenditure (excluding payments made on a customer/supplier basis);
- (b) bodies which rely on Government funds for 50% or more of their administrative expenditure (pay, pensions, allowances, etc);

Control in these cases includes scrutiny and monitoring of financial performance, checks on staff numbers and gradings, and the approval of rates of pay, pensions and other conditions of service.

34. Where Government funding is below these limits, detailed control is less likely to be required. The limits in para 33 should be used as general indicators, with due regard to the circumstances of each case.

Method of Funding

35. The Treasury have assured the Public Accounts Committee (PAC) that, as a matter of general principle, where it is desired that a continuing function should be exercised by a Government department (particularly where such functions involve financial liabilities extending beyond a given year) it is proper that the powers and duties to be exercised should be defined by specific statute (see Appendix 2). Legislation should therefore be the norm when a new public body is to be set up which will rely in whole or in part on Government funds, or when a department gives financial support to an existing body. However, specific legislation is not normally necessary if the level of Government support is small or of short duration, in which case departmental authority for the issue of a grant may rest on the Appropriation Act.

36. Government finance is provided from Votes, and where it is intended to bestow a degree of financial independence on a body which relies wholly or mainly on Government funding the provision is normally made as a grant in aid*. In other cases, for example where the activities of a body include a service provided to a department more or less on an agency basis, it may be appropriate for finance to be provided by way of a grant. In cases of doubt the Treasury will advise as to the most appropriate description of the form of finance.

37. In some instances it will be appropriate for a body to raise money by borrowing on its own credit, either from a bank or other private sources. In such cases the sponsoring departments should consider in consultation with the Treasury how far the Government should stand behind such borrowing, and whether Government guarantees are needed. Only in exceptional cases should borrowing from the National Loans Fund be contemplated. These are matters that must be settled before the body is set up; and, if agreed, the necessary powers would almost certainly require specific statutory authority.

38. Some bodies may be financed in whole or in part by levy, normally where the services will benefit a particular group of people and the

*See Government Accounting, Section B51, for a definition, but note that the term is not used in legislation.

raising of funds can be concentrated on that group. In other cases it may be appropriate for the body to charge a fee for its services. In these cases enabling legislation should be considered and should normally provide for the amount of the levy or fee to be either determined by, or subject to the consent of, the sponsor department with the agreement of the Treasury.

Interim Financial Arrangements

39. When a new public body is being created, transitional arrangements for finance may be necessary. Costs incurred on planning may normally be borne on Departmental Votes, but if certain staff of the new body are to be engaged or office accommodation hired before the body is legally in operation, there may be a need for specific provision in Departmental Votes. Circumstances will differ from case to case and the advice of the Treasury should be sought before any expenditure is incurred.

Scrutiny of Expenditure

40. The sponsor department must ensure that procedures exist to enable the Minister to discharge his responsibilities to Parliament for the body. To this end the department should ensure that it receives sufficient information for scrutiny and monitoring, that the conditions attaching to the grant in aid are duly observed, that the administrative and financial controls applied by the body are appropriate and sufficient to safeguard public funds, and that the body is efficient, effective, and economical in the conduct of its affairs.

41. The financial support a body receives from Government will, of course, be reviewed each year in the context of the Estimates. In the case of bodies covered by para 33 the department should carry out a detailed examination of the body's financial affairs at least once every three years; in other cases this financial scrutiny should normally take place once every five years. The main focus of the scrutiny should be on the body's financial systems, its internal financial controls, and its arrangements for forecasting and monitoring expenditure. It should have regard not only to immediate commitments to expenditure but also to any contingent liability that may have been entered into by the body which could ultimately have implications for the future level of Government support. The wider relationship between objectives, finance and performance will normally be examined under the procedures for periodic reviews (see paragraphs 112-116),

although particular financial issues of concern can of course be examined whenever necessary.

42. Generally, the controls exercised by a sponsoring department should reflect ^{the} powers of each body and its method of financing. This applies particularly to bodies which hold a monopoly position or are financed by compulsory levy. Thus where a body is financed partly or wholly by levy, fees or charges, there must be an agreed financial target which it is expected to achieve. Where the level of such income is to be settled by the department, or the body is required to be fully self-financing each year, the financial outturn and prospects should be monitored annually.

Disposal of Government-financed Assets

43 Where assets of the body have been acquired or improved with Government funds and are then sold, the proceeds of sale (or the appropriate proportion if Government funds met less than the whole cost of acquisition or improvement) should be surrendered to the Consolidated Fund, unless the conditions of grant specify otherwise or specific Treasury approval to an alternative arrangement has been obtained. There should be similar recovery, based on current asset values, if the property is used for purposes other than those for which Government funds were made available.

44. Arrangements to ensure the objectives in paragraph 43 should be made when it is agreed to provide Government funds; they may not be easy to devise and enforce but they are nevertheless important, particularly when property values are rising. There may be a need for legal advice and a requirement that any disposal or change of use should be deemed to be a sale at a price agreed with the District Valuer. Whatever the legal or other difficulties, the principle is that the recipient of Government funds should not gain an uncovenanted cash benefit from the investment and every effort should be made to ensure and enforce that principle. It applies not only to a body in receipt of Government funds but also to grants paid by such a body to others.

Conditions Attaching to a Grant in Aid

45. Before making a grant in aid, the sponsor department should set out in writing the conditions to be attached to its issue. These should normally include:

- (a) the general purposes for which the grant is issued, and the need to seek the sponsor department's prior consent before embarking on new commitments;
- (b) the headings under which the body is to account to the sponsor department, and the limits within which money may be transferred from one heading to another without departmental approval. (In some cases the grant under these headings will be published as an Appendix to the sponsor department's Estimate);
- (c) where appropriate, any delegated authority that may be agreed, and the degree of control to be exercised by the sponsor department over capital expenditure;
- (d) the arrangements for submitting estimates before each financial year, and for the preparation, audit and publication of accounts after the end of each financial year. These arrangements will include the need to keep proper books and records, the form of accounts, and the nature of the audit, whether public or private;
- (e) conditions governing the treatment of receipts and the level of cash balances and reserves;
- (f) control over borrowing, lending, the giving of guarantees, indemnities, letters of comfort, etc. Normally such powers will require specific legislation, unless the need for them will rarely arise or the powers are to be used only for insignificant amounts;
- (g) powers to write off losses and to make special payments;
- (h) the need to comply with accepted recommendations of the PAC or other Parliamentary authorities, whether in relation to the body concerned or of general application;
- (i) an appropriate financial management system (see Appendix 3);
- (j) an appropriate system of manpower control;
- (k) conditions of ^{an} administrative or accounting nature, relating

for example to contract procedures, banking procedures, property transactions, insurance or non-insurance etc, such as are set out in 'Government Accounting', and other Treasury and CSD instructions;

(1) the principles applicable to the disposal of assets.

4b The points above are not exhaustive but indicate some of the conditions which are normally included in the formal terms and conditions attaching to a grant in aid. Certain cases may justify a more public statement about the relationship between the department and the body, including the framework of policy within which it is to operate.

SECTION 4 : CONTROLLING THE COSTS OF BOARD MEMBERS AND STAFF

The General Approach

47. Staff costs account for much of the spending of non-departmental public bodies. In some cases they account for nearly all of it. Tight control is therefore needed over all components of staff expenditure - notably numbers, grading, pay and superannuation. Internal control should always be rigorous; and in many cases, as explained below, it should be supplemented by external control.

48. The level of detail in which the budget is to be controlled will affect the complementing controls to be exercised. The latter are for the sponsor department to determine, taking account of such factors as the number of staff, the size of administrative costs and the proportion they represent of the body's gross expenditure. It should be a basic requirement that the body has an appropriate manpower control system, and this should be made a condition attached to the issue of grant. Such a system should include staff inspection arrangements within the body (or by the sponsor department if the body is too small), with access by the Staff Inspection and Evaluation Division of the CSD. The approval of the sponsor department should be required for the creation of posts above an agreed level. The approval of the CSD should also be sought for all proposed posts above the level delegated to the sponsor department for its own staff.

49. Where, exceptionally, it has been agreed that a public body should have Crown status and that its staff should be members of the Home Civil Service, staff numbers and costs should be separately identified in Estimates and the expenditure on staff made subject to normal Civil Service complementing control and levels of delegated authority.

Chairman and Board Members: Remuneration.

50. . If the chairman and members of a non-departmental public body (whether executive, advisory or a tribunal) are appointed by a Minister and if it is decided that they should be paid, then the level of their remuneration must be determined by the Minister concerned, with the approval of the Minister for the Civil Service. Provision for this control should be included in any legislation setting up the new body.

51 . In all cases the sponsor department should put proposals to the appropriate CSD Pay Division on the level of salaries for the chairman and members, whether they are to work full-time or part-time. If the work is irregular and intermittent, a daily fee should be paid and CSD need only be consulted if the amount proposed is above the delegated limit. For most bodies, the levels of members' remuneration will be reviewed following reviews of the pay of the Higher Civil Service. CSD will issue guidance to departments at the appropriate time. However, for bodies of a clearly commercial character, salaries may be determined with the agreement of CSD, under arrangements which take greater account of market factors.

52. Where a board member is or will be entitled to draw pension from a former public office or employment during the currency of his appointment, it is necessary to consider whether his overall income from pension and board remuneration should be abated so that it does not exceed the salary of the previous office, or the board salary if higher. Such abatement is regarded as necessary for board members in order to avoid **any danger that Ministerial** appointments are leading to excessive overall remuneration from public funds.

Chairman and Board Members: Superannuation, injury benefits and compensation

53. . It is essential that the Superannuation Division of CSD is consulted at the earliest possible stage on all the issues discussed in this section and before any undertakings are given to prospective Board Members. The Occupational

Pensions Board will also need to be consulted about contracting Board Members on 'by analogy' or continuation terms out of the State Scheme under the Social Security Pensions Act 1975 (c.60).

54. Superannuation: Board Members promoted from the staff of a body are regarded as taking a step in normal career progression and may remain members of the staff pension scheme. This needs to be provided for specifically in the enabling legislation; an example is sections 49(2) and (3) of the Aircraft and Shipbuilding Act 1977 (c.3).

55. Members appointed from outside who are paid for at least 2 days a week and who have executive responsibilities are also eligible for pensionability. They have an option between being pensioned by analogy with the staff scheme or in continuation of the pension arrangements of their preceding employment (in the latter event subject to the cost being acceptable). The option may be changed at any time during membership of the Board unless irrevocable action has been taken. The enabling powers need to provide for the Board to pay or make provision for the payment of pensions, allowances and gratuities for Members and their dependants; an example is paragraph 6 of Schedule 1 to the Employment and Training Act 1973 (c.50).

56. For those pensioned by analogy with the staff scheme, the terms are subject to some modifications to reflect the circumstances of Board appointments, the need for prior Ministerial approval of discretionary enhancements and any other conditions prescribed in the letters of appointment. Benefits are paid from Board revenue, which is credited with the Members' contributions. Transfer values may be brought in from previous pension schemes with credit being given on the basis of actuarial equivalence.

57. In continuation cases the normal approach is for the Board to pay "topping up" benefits from revenue equivalent to the difference between the benefits preserved by the previous employer and what they would have been had the Member remained in that employment. There are arrangements for increasing the pensionable salary of the previous employment but this must not exceed the current Board salary. Boards should not take over premium payments on previous insurance policies because of the extra cost involved.

58. Injury Benefits Board Members who suffer injury or contract a disease which is directly attributable to membership of a Board and leads to an impairment of earning capacity may be eligible for special injury compensation benefits. Such benefits may also be payable to his dependants in cases of death. The benefits are normally by analogy with those for the staff but a Member pensioned on continuation terms may have the benefits which related to such terms (the normal policy is, however, to pay from Board revenue rather than continue previous insurance policies). The normal pension-enabling powers should cover such payments but departments should consult their lawyers if there is any doubt. Where no suitable provision is available on the forgoing basis, the CSD will consider the award of benefits by analogy with Part 2 of Section 11 of the Principal Civil Service Pension Scheme (PCSPS). The latter is, however, a fall-back not an alternative arrangement.

59. Compensation: The enabling powers should include a power to pay compensation in the event of a Member's fixed term appointment coming to a premature end in circumstances where the sponsoring Minister with the consent of the Minister for the Civil Service considers that compensation is justified. An example is paragraphs 7 and 17 of Schedule 1 to the Employment and Training Act 1973 (c.50). The Superannuation Division of CSD should be consulted about the assessment of the compensation.

Staff: General Rules on Remuneration and Pensions

60. Bodies employing civil servants. If it is agreed that the staff of a body are to be members of the Home Civil Service then pay and grading, superannuation and allowances will be subject to full central control in the same way as that of civil servants in Government departments.

61. "Controlled public bodies". Where the staff are not civil servants, the general rule is that central control of pay, superannuation, and allowances, is applied in those cases where Government funds 50% or more of a body's gross expenditure or of its administrative expenditure (see also paragraphs 33-34). The maintenance of central control in these cases buttresses the more general financial controls applied to bodies which depend on Government for the larger proportion of their income. It also ensures equity between different groups of staff within the body, between the staff of bodies in a similar financial relationship with Government, and between them and other parts of the Public Service. Notes on the application of central controls in these cases are given in paragraphs 63 et seq.

62. Public bodies not subject to central controls. In the case of those bodies where Government finance falls short of the limits described in paragraph 33, detailed control by departments is not applied over pay, superannuation etc. Departments should nevertheless ensure that public funds are not used wastefully. Public funds must not, for example, be used to underwrite inequitable or over-generous conditions of service. When determining the level of grant in aid departments should take full account of current factors of public expenditure control. If necessary, departments should stipulate as a general condition to the payment of funds that the body is expected to correct apparent anomalies. General advice on public service practices can be obtained from the appropriate CSD Division.

Staff: Central Controls over Pay etc

63. When the pay and allowances of staff in a body are to be controlled centrally, sponsor and central departments will need to decide whether the power to control should be statutory and therefore included in the founding legislation; generally this will be desirable. Where central control is statutory, staff pay and conditions are usually made subject to the approval of the sponsor department's Secretary of State given with the consent of the Minister for the Civil Service. This means that primary responsibility for control, and accountability for questions concerning staff pay and conditions, rests with the sponsor department. CSD's role arises from its wider responsibilities for public service pay and conditions. Similar considerations arise where power to exercise central control rests on "purse strings" rather than legislation.

64. In the interests of the economical and effective administration of pay, it is desirable for the pay, allowances and grading structure for staff of controlled public bodies to be linked firmly to the Civil Service or some other public service model (whichever may be more appropriate). Variations from the parent model can, however, be agreed with the CSD, either to reflect the particular needs of the body or to take account of differences in conditions of service between the parent model and the public body. It is axiomatic that sponsor and Central Departments cannot purport to be controlling staff pay in public bodies unless they also control and monitor the grading standards in those bodies in relation to those of the parent model. Therefore, sponsor departments should ensure that there are adequate arrangements for inspection of public body grading standards by departmental staff inspectors. Where controlled public bodies are satisfactorily and firmly linked for pay purposes to the Civil

Service or some other public service body it follows that changes in the parent model will be passed on so long as the link itself remains intact. Guidance notes are available from the appropriate CSD

Pay Division on procedures for the review of detailed pay linkages based on a Civil Service model.

65. Where the controlled body cannot be linked to the Civil Service or any other public service model for pay purposes, pay rates in the body must still be based, as far as possible, on rates for functionally comparable work, with appropriate adjustments for differences in conditions of service. Where a controlled public body is not linked to the Civil Service or any other public service model, all changes in pay and conditions will generally require the specific approval of sponsor departments and the CSD.

66. Where the pay and related allowances of the staff of a public body are subject to CSD's approval, central control is normally applied also to allowances not related to pay, such as travelling, subsistence, "home-as-office" allowances, etc. In most cases these allowances follow the rules applying to civil servants. Where it is proposed that a different analogue should be used or that different allowances should be awarded the department should consult the Home and Overseas Allowances Division of the CSD with full justification for different treatment, before any commitment is made.

67. Even in the case of those bodies where such staff allowances are not subject to full central control, departments should still satisfy themselves that the allowances are not unacceptably out of line with the general standards appropriate to a public body for which the Government is answerable.

Staff: Superannuation, Injury Benefits and Compensation

68. Where the superannuation arrangements of the staff of a public body are to be subject to central control, the necessary control powers should be included in any founding legislation or other Instrument or in the terms attaching to the grant in aid. Powers of Ministerial direction (paragraph 30) are not appropriate for such detailed matters. Whatever the extent of prior planning, firm decisions cannot be taken until after a body is set up. The enabling powers therefore need to be drawn widely and should enable the body to:

- a. pay pensions, allowances or gratuities to or in respect of its staff and compensation in excess of the requirements of the Employment Protection (Consolidation) Act 1978;
- b. make payments towards the provision of such benefits; and
- c. maintain pension schemes (whether contributory or not).

The powers should make the arrangements subject to the approval of the sponsoring Minister given with the consent of the Minister for the Civil Service. An example is paragraph 14 of Schedule 1 to the Development of Rural Wales Act 1976 (c.75), but departmental lawyers sometimes judge the circumstances to require additional wording to cover compensation.

69. The Superannuation Division of CSD should be consulted about the powers and the arrangements proposed in this field at the earliest possible stage. The body should also be alerted to the need to obtain the approval of the Superannuation Funds Office, Inland Revenue, of the arrangements and to consult the Occupational Pensions Board about contracting its staff out of the State Scheme under the Social Security Pensions Act 1975; it is the normal policy for such schemes to be contracted out .

70. Superannuation: The need to maintain a consistent pensions policy throughout the field for which Ministers have answerability means that there is relatively little scope to diverge from the normal terms for the major public services. Important factors in determining an appropriate model are the analogue used for other conditions of service, the working affinities of the body and the management's views on the normal retiring age.

71. Where the body is expected to have a close and continuing affinity with the Civil Service it may be possible to simplify the superannuation arrangements by admitting the staff to the PCSPS. It is particularly important that the Superannuation Division of CSD is consulted about any such proposals at the earliest possible stage and before the founding legislation is passed. Admission can be achieved by adding the body to Schedule 1 of the Superannuation Act 1972 by a provision in the founding legislation or by an Order made by the Minister for the Civil Service under the powers contained in sections 1(5)-(8) of the 1972 Act; the second course is only possible where the staff are paid directly from a Vote, the Consolidated Fund or a specified Fund. Benefits will then be paid from the PCSPS and the employer will only have to collect employees' contributions and pay appropriate contributions to the Civil Superannuation Vote; power to pay these will need to be taken in the founding legislation. Adding to Schedule 1 does not make the staff civil servants but they will need to satisfy the Civil Service Commission as to their health (see also paragraph 108).

72. Where the body has an affinity with local government it may again prove possible to relieve it of the need to administer superannuation by negotiating the admission of the staff to a local government scheme. The scheme will then pay the benefits and the body will collect the employees' contributions and pay these plus the contributions required from the employer to the scheme. Another

possibility is to negotiate admission to some other existing controlled scheme run by employers with whom the body has close connections.

73. In cases where Civil Service terms provide the analogue but it is not appropriate to admit the staff to the PCSPS, the body can sometimes avoid drawing up a comprehensive scheme by introducing one which provides simply for the provisions to be by analogy with those of the PCSPS as amended from time to time. Since, however, the scheme will be unfunded with benefits paid out of revenue as they arise, this is not appropriate to partly grant-aided bodies with an uncertain future since there is a risk of public funds being asked to meet the full cost of residual superannuation liabilities if the body is wound up (see also Appendix 7, paragraph 9).

74. Where the above simplifications are not possible, there is no alternative to the body introducing a comprehensive scheme of its own which will need to be contracted-out with the Occupational Pensions Board and approved by Inland Revenue. Large bodies will probably wish to run funded schemes administered by Trustees while small bodies may prefer to insure the arrangements to avoid disproportionate additions to their administrative staff. Others may prefer to pay benefits as they emerge but the point in paragraph 73 about avoiding this method for partly grant-aided bodies with an uncertain future is again relevant.

75. Injury Benefits: It will be necessary to provide injury benefits for staff who suffer injury or contract a disease which is directly attributable to employment by the body and which leads to an impairment of earning capacity or death; in the latter event benefits may be payable to dependants. Where staff are pensioned in or by analogy with an existing controlled scheme they will enjoy the injury cover provided in that scheme or in association with it.

In other cases it will be necessary to devise separate injury benefit arrangements which should be consistent with the normal public service policy as reflected in Section 11 of the PCSPS. The benefits are paid out of revenue as they arise. Insurance-type cover should not be taken for this contingency.

76. Compensation: It is normal for the pension scheme to provide for the immediate payment of pension and lump sum accrued on actual service to those who have attained age 50 who are compulsorily retired with at least 5 years' service. Where it is desired to follow the public service practice of enhancing such benefits by added years and providing special lump sum compensation payments to these and other staff in excess of the requirements of the Employment Protection (Consolidation) Act 1978, such benefits should be provided from a separate compensation scheme.

SECTION 5 : ACCOUNTABILITY, ACCOUNTS, AUDIT AND ANNUAL REPORTS

Accountability

77. Parliament grants supply to the Crown and holds Ministers of the Crown accountable for the use they make of it, including the payment of any moneys to public bodies. Such bodies are accountable in the first instance to their sponsor Minister and through him to Parliament. Parliament will hold the Minister making a grant in aid responsible inter alia, for the amount of Government funds made available to the public body, and the terms and conditions attached to its issue.
78. The Treasury appoints Accounting Officers for some non-departmental public bodies which receive substantial assistance from public funds. Appointments of this kind are made by analogy with appointments of Accounting Officers in departments. The normal practice is to appoint the senior full-time officer of the body. Those so appointed have broadly the same duties as departmental Accounting Officers and exercise them on behalf of the officer holder or holders in charge of the body.
79. Whether or not a public body has its own Accounting Officer, the responsibility of the Accounting Officer in the sponsor department is to ensure that the conditions attached to the grant in aid conform with the terms of the Vote; to monitor compliance with these conditions by the body; and to satisfy himself that the financial and other controls applied by the sponsor department are appropriate and sufficient to safeguard public funds. Among other things he will need to satisfy himself about the quality of the body's management.
80. The Accounting Officer of the body in receipt of the grant in aid has a special responsibility to see that the rules and conditions laid down by the department issuing the grant in aid are observed.

81. An Accounting Officer in a grant-aided body will normally appear before the PAC alongside the departmental Accounting Officer responsible for payment of the grant in aid.

82. The absence of an Accounting Officer appointment in a non-departmental body does not lessen the nature and scope of its accountability to Ministers and through them to Parliament, or the right of the PAC to take evidence direct from the body if it wishes. The approved signatory of the accounts, normally the Chairman or Chief Executive, will, as in the case of a departmental Accounting Officer, automatically assume a primary responsibility to answer for that body in any examination by the PAC and may be summoned to appear before the Committee for that purpose.

83. The precise division of responsibility between the sponsor department, on the one hand, and the public body, on the other, will depend on the circumstances of each case. It is important, however, that the arrangements should be clear and agreed at the outset. The arrangements should reflect the need for dual involvement in the development of policy and in the oversight of performance, but should not involve duplication of effort in detailed management, execution of policy and control. To avoid confusion or misunderstanding, it is good practice for the Accounting Officer of the department to meet a new chief officer on his appointment to a body in order to explain their respective responsibilities.

Accounts

84. The Treasury has an interest in the form of accounts of all non-departmental public bodies, and in certain cases is required by statute to prescribe or approve their form, in consultation with the sponsor department. The Treasury will consult the Exchequer and Audit Department (E&AD) when audit by the Comptroller and Auditor General (C&AG) is involved or preferred. The Treasury must, therefore, be consulted at a formative stage

in the setting up of a new body, or where it is proposed to alter the form of accounts of an existing body. Generally, the body's annual estimating and accounting system should be geared to produce estimates and accounts in the form and by the dates required, to provide the detailed information required by the sponsor department so that it may exercise its scrutiny and monitoring responsibilities, and to provide the information which the body itself requires to meet its internal financial management needs.

Audit

85. The Treasury must be consulted at the earliest opportunity, and certainly before legislation is drafted, so that careful consideration can be given to the arrangements for audit of the accounts of a public body.

86. The broad principle applied in considering audit arrangements for a non-departmental public body is that where the body's major source of income is Government money, the C&AG should be appointed its formal auditor or be granted a right of access to inspect its books and records. In this connection, no distinction should be made between bodies directly financed from Government funds and bodies which, while not of a commercial character or subject to the pressures of competition, are able to use their Government-backed status to raise money, for example by levy or loan. Where a body is to receive only a minor part of its income from Government sources, the Treasury should be consulted about whether special arrangements are required for purposes of Parliamentary accountability and hence whether provision should be made for the C&AG to have rights of access to inspect the books and records of the body.

87. In relation to bodies for which Ministers are not directly responsible, an important objective of the C&AG's examination is to review the effectiveness of the arrangements under which Ministers monitor and control

the payment of Government funds; examination is therefore not restricted to the financial transactions of the bodies in isolation.

88. Giving the C&AG the right of access to books and records, rather than formal audit responsibility, does not imply any relaxation in Parliamentary accountability. Representatives of bodies in this category may still be summoned to attend meetings of the PAC; the scope of enquiry there would not be limited to the way in which the body itself had conducted its financial activities but would also extend to the sponsoring department's scrutiny of the body's expenditure and ^{of} the body's systems of financial control.

89. Legislation should normally provide for a public body's accounts to be submitted for audit by a specified date, and for the audited accounts to be laid annually before Parliament and published within a specified time after the end of the body's financial year. Even in the absence of such a provision in legislation, public bodies should publish audited accounts with their annual reports unless there are good reasons for not doing so.

Annual Reports

90. Annual reports and accounts are the main vehicles by which a body regularly informs Parliament and the public at large about its activities and its expenditure. They should therefore be as informative as possible, without being lavish, and should provide sufficient material for the reader to form a judgment on the cost-effectiveness of the organisation's activities and on the costs and benefits involved. If necessary the sponsor department should advise the body on the content of the report and accounts in order to achieve this.

Information about Remuneration and Expenses of Members and Staff

91. The following paragraphs set out requirements concerning the disclosure of information about the remuneration and expenses paid to members and staff of non-departmental public bodies. They apply to all such bodies which spend money and publish accounts.

92. For this purpose 'remuneration' includes all salaries, fees and taxable benefits in **kind**, and is synonymous with 'emoluments' as conventionally interpreted. 'Expenses' covers payments of a compensatory nature made to individuals, including payments for travelling, subsistence and entertainment.

93. Remuneration of Chairmen and Board Members. Information should be published in annual accounts in at least as much detail as required by the Companies Acts. Thus the total remuneration should be disclosed together with the remuneration of the Chairman (and that of the highest paid member if paid more than the Chairman). Particulars of Members' remuneration should show the number (if any) who receive nothing or whose payments amount to not more than £5000 per person, and then the numbers whose remuneration falls in bands of succeeding multiples of £5000. See also paragraph 95

94. Remuneration of Staff. Accounts should show the number of staff (if any) who received £20-25,000 and then upwards in succeeding bands of £5000. If the average number of employees exceeds 100 the accounts should show the average number employed during a typical week and the aggregate remuneration of staff during the year.

95. Expenses. Accounts should preferably show the total figure of expenses paid to a. the Chairman and Board Members and b. staff. If expenses are not recorded separately for these categories, a total figure may be shown for Chairman, Members and staff.

96. Where, exceptionally, the staff of the body are civil servants, standard rules will apply for remuneration and expenses. In these cases sponsoring departments should use their discretion in publishing additional information, unavailable from other sources, which will allay any reasonable grounds for concern on this score.

SECTION 6 : RECRUITMENT OF STAFF AND PERSONNEL MANAGEMENT

General

97. Effective recruitment and personnel management are important for the administrative efficiency of any organisation. Formal control in this area by the sponsor department would, however, be incompatible with the degree of managerial independence appropriate for a public body set up to operate at arm's length from Government. Equally, formal control in certain areas such as the application of employment legislation would be inappropriate for bodies which have a separate legal status as employers. Sponsoring Ministers nevertheless need to satisfy themselves that the practices of bodies in recruitment and personnel management meet certain minimum standards expected of employers in the public service. Once the body has been set up, the department should maintain contact with it on these matters and respond to requests for advice but without interfering in personnel matters unless there is evidence - eg from its annual report, or an audit query - that a serious staffing problem may have arisen.

Staffing Arrangements

98. The sponsoring department has a general responsibility for ensuring that a body it has set up gets off on the right foot. The sponsor department should, therefore, give the new body general guidance on its recruitment and personnel management practices. In particular it should offer advice and assistance on the appointment of its Personnel Officer, on the development of the main features of an appropriate personnel management system, on the scope for co-operation with other organisations (for example by sharing staff and establishing common management of staff), and on the arrangements for industrial or staff relations. The new body should be encouraged to establish a satisfactory industrial relations system at the

outset - taking into account the Industrial Relations Codes of Practice issued by the Department of Employment and by the Advisory, Conciliation and Arbitration Service.

99. National agreements (eg Civil Service, National Whitley Council Agreements) will not apply unless separate agreements to this effect are concluded within the particular body.

100. Exceptionally, it may be appropriate that a non-Crown body with executive functions should be supported permanently by civil servants (see paragraph 138). The agreement of CSD should be obtained and the staff should be assigned on secondment, whether from the sponsoring department or other departments (see paragraph 139). Such secondments should not normally exceed three years.

101. Where the functions of a new body are to be transferred from a Government department and it is proposed to invite civil servants to transfer with the work, the department concerned should consult CSD (Personnel Management, Home and Overseas Allowances, and Superannuation Divisions) about the necessary arrangements.

102. The sponsor department may staff the new body for a limited specified period by existing civil servants on secondment. Officers on secondment do not cease to be civil servants. They remain on their parent department's books and are still part of its staff. At the expiry of the period, it may be possible for seconded staff to transfer permanently to the new body.

103. At the end of a period of secondment an officer will normally return to his department, or to another department. Where there are no suitable posts available in the Civil Service, he may be invited to transfer permanently to the new body. If he is unwilling to do so, the department may apply redundancy terms. No hard and fast rule can, however be laid down and each case would need to be decided on its individual merits. Once a civil servant has been transferred to a new body as an employee, he has no right of return although it may be open to him to seek reinstatement within the terms of the normal reinstatement rules; no general undertaking to find Civil Service posts (eg in the event of redundancy in the new body) may be given without consulting CSD's Personnel Management and Home and Overseas Allowances Divisions .

104. If, by virtue of a statutory provision, civil servants are to be transferred with their work to a non-Crown non-departmental public body, and are not to be eligible for redundancy payments , then the legislation should require that their new terms, taken as a whole, are not less favourable than the old. These conditions of service will be subject to negotiation between the sponsoring department and the Departmental Staff Side. The CSD's Personnel Management and Superannuation Divisions should be consulted when staffing arrangements are being worked out.

105. Employment protection legislation provides that if an employee is transferred from his employment with one employer to an associated employer the continuity of employment will be preserved for the purposes of unfair dismissal, period of notice and redundancy payments. If an officer transfers from one Crown employment to another the continuity of employment will be preserved. This does not normally apply, however, to transfers between Government departments and non-Crown bodies, and in such circumstances continuity can be

maintained by allowing the "hived-off" staff to go out on secondment terms, thus remaining civil servants, until the new body can offer them permanent appointments. Where appropriate, departments should seek the advice of their legal advisers on these matters.

Recruitment of Staff by the Civil Service Commission

106. Where, exceptionally, the staff of a non-departmental body are civil servants, the Civil Service Commission (CSC) will be responsible for approving and certificating all appointments of more than 12 months' duration. In practice, the recruitment arrangements for staff below Executive Officer level would be delegated by CSC to the body.

107. The CSC is not responsible for recruitment of staff who are not civil servants and will not normally undertake such recruitment. Advice on suitable arrangements for the recruitment of staff for any type of public body may, however, be sought from the CSC Secretariat .

108. If a non-Crown body is added to the schedule of bodies covered by the PCSPS (see paragraph 71), CSC is prepared, on a repayment basis, to conduct health checks on staff of that body on initial appointment, so that they would be covered for ill health enhancement in the event of retirement on medical grounds. The CSC Secretariat should be consulted about the administrative arrangements as early as possible.

SECTION 7 : REVIEW OF NON-DEPARTMENTAL PUBLIC BODIES

General

109. All non-departmental bodies are expected to do their work effectively, efficiently and economically. Departments are responsible for helping their bodies to achieve these standards, ^{for} monitoring their performance and ^{for} exercising control as appropriate. In addition to these day-to-day responsibilities (described earlier in the Guide), departments are required to conduct overall reviews of the bodies they sponsor from time to time. The objectives of these reviews are as follows.

Reviews of Advisory Bodies

110. The objectives of reviews of all advisory bodies are to enable the sponsoring Minister to reach decisions on the following questions:

- a. is there a continuing need for outside advice in the field covered by the body?
- b. if so, is it necessary to maintain a special and formal body for this purpose, or could the need be met equally well by informal, ad hoc methods?
- c. is the body doing a good job, judged by its terms of reference and the practical usefulness of its advice?
- d. should changes be made in the composition and operation of the body (eg frequency of meetings) which would streamline its work and/or reduce departmental support costs?
- e. is there scope for amalgamating the body with another one or, in the case of a network of bodies, for reducing the size of the network?

In addition, the Minister will wish to satisfy himself on other questions relating to the particular circumstances or work of the body under review.

111. It is for the sponsoring Minister to decide the method by which each body should be reviewed and the depth of the review. In all cases, the review should be kept as simple and unelaborate as possible.

Reviews of Executive Bodies and Tribunals

112. The general objectives of the reviews of executive bodies and tribunals are:

- a. to ensure that the continued need for the body is questioned on a regular and systematic basis;
- b. to identify areas for savings in the expenditure of both the department and the body;
- c. to identify areas for savings in public service manpower;
- d. to examine and, if necessary, clarify and adjust the relationship between a body and its sponsoring Minister.

The pursuit of these objectives will involve an assessment of each body's effectiveness together with a view on its form or organisation, internal structure and method of operation.

113. Departments will need, therefore, to address inter alia the following questions:

- a. is the function essential? Does it fully justify the cost of carrying it out?
- b. if the answer is that the function is essential and sufficiently valuable, is it best carried out by the body in question rather than by another means?
- c. is it being carried out well and economically?

d. conversely, would there be any substantial loss or disadvantage if the body were wound up?

114. Sponsoring Ministers will decide which bodies should be reviewed, and at which time. In drawing up proposals, departments should:

a. take account of any special factors or commitments relating to particular bodies;

b. keep the procedure cost-effective and economical in the use of departmental manpower;

c. consult CSD and the Treasury, who may want a specific aspect of a body's work to be covered in the review (eg systems for the control of manpower);

115. The sponsoring Minister will also decide how the review is to be conducted - for example, by means of:

a. a desk study;

b. a specially appointed project officer;

c. an inter-departmental group;

d. a review by one or more people from outside the department.

116. In some cases, CSD and the Treasury may wish to contribute to reviews. They should also be given an opportunity to comment on the proposals arising from reviews before final decisions are taken.

SECTION 8: GUIDANCE CONCERNING NEW BODIES

General

117. New bodies should only be set up if there is a copper-bottomed case for doing so. Accordingly, the approach to proposals for new bodies should reflect the principles of the Government's policy, set out in paras 1 - 4.

118. The use of public bodies operating at arm's length from Ministers has a long history, but their number has grown rapidly since 1945. In many cases the arrangements have worked well. But experience has been mixed. For example, the 'arm's length' approach can involve problems of control and accountability because it is not always easy for departments to strike the right balance between disengaging from detailed administration while exercising proper supervision. More generally, the scale, range and cost of the functions now carried out by non-departmental bodies means that they are the subject of close attention by Ministers, Parliament and the public. This attention is directed not only to accountability but also to arrangements for control over the overall number of non-departmental bodies and over their expenditure.

Scrutiny of proposals for New Bodies

119 Proposals to create new public bodies require rigorous scrutiny. Before it is decided to create a new public body - or to place in or transfer functions to an existing body - the department should already have:

- a. established clear and explicit policy objectives;
- b. satisfied itself that the tasks to be undertaken are essential and that the expenditure and other resource costs are justified;
- c. satisfied itself that the tasks cannot be undertaken equally or more satisfactorily by the department and are not of a kind which are appropriate to local government or to the private sector, with or without Government initiative or funding;
- d. considered the wider implications for the machinery of government and for resources; and
- e. in the case of an advisory body, established that the need for advice cannot be satisfactorily met through ad hoc consultation with appropriate experts or external interests.

120 Particular questions to which the department should address itself are as follows:

- a. are the tasks involved essential and will they fully justify the cost of carrying them out?
- b. why is it inappropriate for the department itself (or some other department) to undertake (or continue to undertake) the tasks involved?
- c. what will be the relationship between the body and the Minister? Would it be appropriate for Ministers to distance themselves from the day to day execution of the tasks proposed for the non-departmental body?
- d. could the tasks be undertaken by an existing non-departmental body, either in its present form or adapted for the purpose, rather than by a new body?
- e. (in the case of executive bodies) would the rights of those affected by the body's decision need to be safeguarded, eg by provision for appeal, and if so could satisfactory procedures can be devised?
- f. are the tasks involved of a finite kind which could be completed within a limited timescale?

g. what are the estimated total costs (including accommodation, superannuation etc) and what are the manpower requirements, both short and long-term? What would be the comparable costs if the tasks were undertaken by the Government itself? Would there be any offsetting savings in the department, in other departments or in other public bodies, if a new body were set up?

h. even if the answers to the above questions support the idea of setting up a new body, does the purpose justify the immediate and long-term expense involved in the creation of a non-department body? (In most circumstances, a department, covering a wider range of functions, can adapt itself more easily to accommodate changes in organisation and policy than can a single-purpose body).

111 Detailed analysis of this kind will help to establish the strength of the case. But even where the case has been established in principle there may be practical objections. These might, for example, concern the status of staff or the method of funding. These difficulties should be identified and considered at an early stage.

112 The department should also consider the question of appeals from the decisions of the body. No fundamental problems arise if recourse to the courts or to some existing tribunal would be appropriate. But proposals to set up any new tribunal would need to be scrutinised just as closely as the proposal to set up the body itself. And if appeal could lie only to Ministers this might call into question the reasons for setting up a non-departmental body in the first place.

Inter-departmental consultations

113 There is an important and binding requirement on departments to consult the Central Departments about proposals concerning certain types of non-departmental body. The requirement applies to:

- a. proposals to establish new bodies whose functions are executive, administrative, regulatory, commercial or judicial (ie in groups (d) i. and (d) iii. in para 2);
- b. proposals to reconstitute or to transfer functions to bodies of the sort described in (a) (other than through a change of membership);

c. proposals to establish, reconstitute or transfer functions to advisory bodies, but only where there are implications for the machinery of government or for public expenditure.

Within the above categories, the requirement applies to proposed new bodies within an existing network or family of bodies.

124 The requirement does not apply to:

a. proposals for advisory bodies where there are no implications for the machinery of government or for public expenditure;

b. departmental or inter-departmental committees consisting mainly of civil servants, which are essential to the internal management or co-ordination of Government business and which would still be needed for this purpose even if no non-civil servant were appointed to the body; and

c. groups within the wider public service which have no independent role, which comprise officials representing Government departments and representatives of local government, the National Health Service, the Police or the Fire Service, and where there is an essential working relationship between the participants.

125 In addition the Treasury need not be consulted about a proposal for a new body which is expected to spend less than £5000 per year. The Treasury should, however, be consulted where there are indirect expenditure implications or where it is proposed that the body should be financed other than by direct Government spending.

126 Even where prior consultation with the Central Departments is not required, CSD should nevertheless be notified of decisions to set up a new non-departmental public body. This is necessary in view of CSD's responsibility to monitor the implementation of Government policies on non-departmental public bodies and to maintain a record of bodies which it is decided should be established.

127. Where consultation is required, departments should write to the Machinery of Government Division in CSD at the earliest possible stage and before any commitment to set up a body, or reconstitute an existing body, is made.

The letter should be copied to the Head of the Treasury Division concerned with the control of the related public expenditure programme.

128. The precise terms in which proposals should be put to the Central Departments will vary from case to case but should cover the relevant points in paras 121-124. In particular, when departmental functions are being hived off it will be necessary to demonstrate that the change would be commensurate with sound management and good value for money for the taxpayer.

129. Once it has been decided to set up a new body the Central Departments may also need to be consulted about the arrangements for its creation and the general framework within which it should operate. This further consultation will almost always be required in the case of bodies with executive etc or judicial functions. Central Departments will be glad to advise on such matters as the relationships between the body and its sponsoring departments and arrangements for external controls, eg over pay and conditions of staff.

Guidance to committees of enquiry

130. Proposals for new Government functions or for new public bodies frequently occur in the recommendations of committees of enquiry. In giving general guidance to these committees, departments should draw attention to the considerations which should be borne in mind before such proposals are made. It should not be suggested that committees should in no circumstances recommend new bodies. But committees should be made aware of the general lines of Government policy and advised that departments will normally seek to use existing machinery. Appendix 4 consists of a short note of a kind which departments may wish to use for this purpose.

Objectives and structure

131. In setting up a new body it is essential to draw up a clear statement of its objectives and how - in broad terms - they are to be achieved. This will provide the basis for formal terms of reference and will also serve as an enduring guideline both for the department and the body. Identifying roles and responsibilities at this stage will help to avoid later misunderstanding about where particular responsibilities have been placed. Before the first Chairman of the body is appointed, it will therefore be useful to draw up and agree with him a formal statement covering these matters.

132. Articulating objectives and how they are to be achieved will also help to define the kind of organisation required. This should in turn help clarify the most appropriate method of establishing the body, the powers and safeguards which are required, and the kind of members and staff most suitable for the job.

133. The appropriate structure for a new body will depend essentially on its functions. Among existing bodies there is considerable variation in legal status, method of establishment and internal organisation. Some of these arrangements have worked better than others and in setting up new bodies departments should draw wherever possible on existing models which have been found to work well and should avoid devising new variants.

Methods of establishing new bodies.

134. Advisory bodies normally require no separate administrative machinery, and no special consultation is required before they are set up (subject to para 125 c). Where appropriate, they should be set up either:

- a. with a finite remit, which will automatically lead to the dissolution of the committee when the remit is discharged; or
- b. with a finite lease of life, after which the committee would be disbanded unless a positive decision were taken to give it a new lease of life.

See also Appendix 5, paras 14-15

135. Most public bodies with executive etc functions are statutory bodies. Although other methods of establishment are not ruled out where appropriate, new bodies in this category should as a general rule be set up by Act of Parliament. The other methods available include incorporation under the Companies Acts, Royal Charter, administrative action and Royal Commission. Appendix 5 contains further information on these other methods.

Constitutional status of the body and its staff

136. It should be settled whether a body is to be Crown or non-Crown in status and the founding legislation should normally contain a declaration one way or the other. The lack of such a declaration has sometimes caused legal uncertainty in the absence of a court ruling.

137. Generally speaking, the Crown acts in its executive capacity through the Government of the day, which is bound together by the conventions of collective Ministerial responsibility and Ministerial accountability to Parliament. When a body is given Crown status, its staff will normally be civil servants.

138. By their nature, non-departmental bodies discharge their functions at arm's length from Ministers and fall outside the central core of Government. If the staff are civil servants, this may obscure the fact that their loyalty lies to the Board of the body rather than to the Government. Furthermore, the application of certain civil service rules of conduct, eg on political activities, may be inappropriate for the staff of non-departmental bodies. As a general rule, therefore, new non-departmental bodies should be non-Crown in status and their staff should not be civil servants of the Crown. Only in very exceptional circumstances is Crown status appropriate, and where this is proposed CSD should be consulted at an early stage.

139. This does not mean that a non-Crown body cannot be given staff support by the sponsor department. Where small bodies are unable to attract their own staff of the right quality, or where bodies are not empowered to employ their own staff or could not do so economically, it may be appropriate for the bodies to be supported by civil servants on secondment. Alternatively, it may be appropriate for the body to be supported by civil servants who are not on secondment but who remain in the sponsor department. But this sort of arrangement can cause a conflict of loyalties and should be avoided unless it is clearly confined to secretariat-type functions or other functions where there is no such risk.

140. This does not preclude a sponsor department from providing on a repayment basis certain services which a non-departmental body is unable to provide itself. In such cases the staff of the department remain answerable only to their Minister.

Other points for consideration

141. Whatever the method of establishment, the sponsor department should also define clearly the following characteristics of the proposed body, many of which will have already been considered in reaching the decision to set it

up: constitutional status, operational framework and legal powers, Ministerial powers over the body, and financial arrangements. The last point includes the method of funding, the financial relationship with Government, the control of administrative expenditure, arrangements for the presentation and audit of accounts, and the publication of accounts and annual reports. Other points to be considered include accommodation, services and the recruitment of staff, in which the department may need to be involved. Appendix 6 contains a checklist of items to be considered.

SECTION 9 : MISCELLANEOUS GUIDANCE

Provision of Common Services

142. When a new body is set up, it may be appropriate for the sponsor department to provide the body with temporary accommodation in buildings it occupies itself and to provide other services, such as furniture, stationery etc, temporarily from its own resources. But arrangements for longer term accommodation and supply of services should be introduced as quickly as possible. Departments should consult the common services departments, including the Property Services Agency (PSA), the Stationery Office and the Central Computer and Telecommunication Agency of CSD as to whether longer term supplies may be obtained through the common service agencies. If possible this should be settled before the body is set up.

143. Bodies funded by grant in aid (even if 100% funded) are normally expected to pay the full cost (including overheads and VAT) of any common services provided by Government departments (including the sponsor department). This should also be the case for other support services, eg calculation and payment of the salaries of the body's staff, all of which should be provided on a repayment basis. This arrangement ensures that the total cost of the body is evident and is not spread over the Votes of the common service departments as well as the parent department.

144. Where the PSA agrees to provide accommodation and/or services in advance of the body being set up, it will require an undertaking from the sponsor department, on behalf of the body, that its costs will be repaid.

Disqualification from House of Commons

145. Where all members, or particular members, of a body are to be appointed, nominated or approved by Ministers, and there is provision for paying them any form of remuneration (including pensions, though not including expenses), there will be a prima facie case for disqualifying them from membership of the House of Commons. Under present legislation the disqualification would also apply to the European Assembly unless a special order were made. In the case of bodies set up by statute, disqualification should normally be effected in the primary legislation. In all cases where disqualification is or may be appropriate, the Machinery of Government Division of CSD should be consulted.

Location of Offices

146. Bodies wholly or partly financed by Government funds are expected to reflect, whenever possible, considerations of regional policy so far as the location of their work is concerned. When a new body is being set up, or when existing work is being relocated, it is therefore essential that the location policy aspects should be considered at the earliest opportunity. In the case of new bodies, this should be done before the body is formally set up and before any senior appointments (eg Chairman, Board Members, Directors) are made.

147. The CSD's Personnel Management Division is responsible for providing central guidance to departments and for initiating discussions between those departments (PSA, , Employment, Environment, Industry, Scottish and Welsh Offices, and Treasury) directly concerned with the implementation of location policy as it affects both Government work and that of non-departmental public bodies.

Public Records

148. When a new non-departmental body is being established and will be financed wholly or mainly by the Government (other than one predominantly concerned with Scottish or Northern Irish affairs, for which see paragraphs 154-155), it is necessary to decide whether it should be subject to the provisions of the Public Records Acts 1958 and 1967. Wherever necessary, the issue should be placed beyond doubt by statute.
149. Such bodies should usually be made subject to the Acts, which have no effect on their independence in any other respect. The Acts require that, under the guidance and superintendence of the Keeper of Public Records, arrangements must be made for the selection and preservation of records of permanent value and for the early disposal of the remainder; that records selected for preservation shall be transferred to the Public Record Office than 30 years after their creation and that they shall be made available there for public inspection, normally when they are 30 years old. The intention is to forestall criticism of mishandling of the records and of undue secrecy, while ensuring that worthless papers are not retained in expensive accommodation. In addition, making a body subject to the Acts facilitates the temporary or permanent transfer to the new body of those government department records which it may require for administrative purposes, and also their subsequent recovery.

150. Departments responsible for setting up a new body should determine whether or not the proposed constitution will bring it within the provisions of the Public Records Acts without separate statutory provision, normally a consequential amendment to the First Schedule to the Public Records Acts 1958. Any cases of doubt should be referred to the Lord Chancellor's Department. If the sponsoring department considers that the new body should be exempt from the Acts, it should also consult the Lord Chancellor's Department.
151. When a non-departmental body whose records are not to be regarded as public records takes over the functions previously assigned to a Government department, it is usual for the new body to be loaned for a finite period the current files and papers relevant to those functions. The Departmental Records Officer should be notified of such loans.
152. When a non-departmental body is set up to replace an existing body, it is sometimes necessary to make specific provision for the disposal of certain of the records of the superseded body. If the body is being established by statute, the necessary provisions can be embodied in the Act. Where a body is to be superseded or disbanded, the Departmental Records Officer of the sponsor department should be consulted about records.

153. When a non-~~departmental~~ body is abolished without its functions being transferred elsewhere, arrangements should be made for the disposal of those of its records worthy of permanent preservation. Those of bodies subject to the Acts should be transferred to the PRO in the normal way; those of other bodies can, with the agreement of the Keeper of Public Records, be accepted by the PRO as a deposit or a gift.
154. The records of any Government department or body which is wholly or mainly concerned with Scottish affairs, or which carries on its activities wholly or mainly in Scotland, are excluded from the Public Records Act, 1958 (sch. 4, para 2(2) (a)). The records of public bodies in Scotland are normally treated as records belonging to Her Majesty for the purposes of the Public Records (Scotland) Act, 1937. Advice concerning such records should be sought from the Keeper of the Records of Scotland.
155. Similarly, it is desirable that the records of public bodies sponsored by the UK Government and having functions which relate wholly or mainly to Northern Ireland, should be treated as 'Imperial' public records under the Public Records Act (N.I.), 1923. Advice concerning such records should be sought from the Deputy Keeper of the Records of Northern Ireland.
156. General advice on record matters is available from

The Keeper of Public Records, Public Record Office,
Chancery Lane
London WC2A 1LR
01-405-0741

The Keeper of the Records of Scotland, Scottish Records
Office,
HM General Register House
Edinburgh, EH1 3YY
031-556-6585

The Deputy Keeper, Public Record Office of Northern
Ireland,
66 Balmoral Avenue
Belfast BT9 6NY
0232-661621

Security

157. Advice on security matters should be sought from the sponsoring department's Security Officer who may, in turn, wish to consult CSD.

158. Where a body is to deal with or have access to classified information, adequate personnel and physical security measures should be taken. If the access is such that it is desirable that the body be covered by Government Security Regulations, this may be effected either by explicit provision in the enabling legislation or, where that legislation provides for Ministerial directions, by such a direction.

Dissolution of Public Bodies

159. Appendix 7 provides guidance on action at the dissolution of public bodies. Paras 43-4 deal with the disposal of Government-financed assets.

NOTE ON CLASSIFICATION OF PUBLIC BODIES

1. There are no legal or commonly accepted classifications of non-departmental public bodies which have a part in the processes of government but which are neither part of the core of central Government nor of local government. They are often referred to as 'Quangos', but this is not a definitive term and it is given widely different meanings by different commentators. The main difficulty in arriving at classifications suitable for all purposes is the heterogeneous nature of the bodies in this area; they embrace a wide range of public functions, constitutions and relationships with Government.

2. CSD classifies non-departmental public bodies into a number of groups, each of which presents sets of characteristics slightly different from the others. These groups are as follows:

a. Nationalised Industries, other Public Corporations and companies in which the Government has a part shareholding.

This important group is a focus of continuing attention in Government and Parliament. The special relationships between these enterprises and Government reflect their commercial nature, and they are kept under constant review;

b. Agricultural Marketing Boards

These are essentially 'producer' organisations which, although statutory, operate with a large degree of independence of Government; their relationships with Government are kept under continuing review in order to take account of EC agricultural policies;

c. National Health Service Bodies

This group includes Health authorities, special health authorities and certain other public bodies which are integral to the National Health Service, whose functions wholly relate to the management and operation of the NHS and the position of which needs to be considered in the context of the NHS as a whole. In each case there are statutory and other arrangements for regular scrutiny and monitoring;

d. Other non-Departmental Public Bodies, which are of 3 kinds;

i. Bodies with executive, etc functions

This group consists of public bodies which carry out inter alia administrative, executive, regulatory and commercial-type functions. They operate typically within broad policy guidelines set by departmental Ministers but are in varying degrees independent of Government in carrying out their day-to-day responsibilities;

ii. Departmental Advisory Committees and Commissions

This group consists of bodies which are set up by Ministers solely to give advice to them and their departments on matters of interest to them. Generally, they do not employ staff or incur expenditure on their own account.

iii. Tribunals and other Judicial Bodies

This is a specialised group of judicial bodies which are akin to courts of law. The functions, constitutions and the procedures of most tribunals are kept under review by the Council on Tribunals.

3. The placing of a particular body in a particular group depends on the characteristics of the body. This needs to be agreed with CSD since the classification will have implications for the general framework of the body's operations, for the arrangements to be determined for keeping the body and its performance under review and for the degree of Central Department involvement. In the case of existing bodies classifications have already been agreed. CSD should be consulted about the classification of new bodies.

4. The following questions are critical in considering whether a group or body should be described as a non-departmental public body:

a. Is what is being considered a 'body' rather than an ad hoc informal group? Does it have the characteristics normally associated with a body, such as terms of reference, defined membership, a Chairman, records of its proceedings, and so on?

b. Does a Minister appoint some or all of its members? The higher the proportion of Ministerial appointments, the more likely it is that the body is a non-departmental public body.

c. Does the Minister carry a significant degree of answerability for the performance of the body and its continued existence? Does he have the power to wind it up?

EXTRACTS FROM P.A.C. REPORTS AND TREASURY MINUTES ON THE
NEED FOR SPECIFIC LEGISLATION TO COVER NEW AND CONTINUING FUNCTIONS
INVOLVING THE EXPENDITURE OF PUBLIC FUNDS

1. The general principle that new and continuing functions involving the expenditure of public funds should not be left to rest on the Annual Appropriation Account, but that they should, as far as possible, be covered by specific legislation derives from the exchanges between the P.A.C. and the Treasury quoted below:

2. The PAC, in their Second Report 1932, commented as follows:-

 'Your Committee consider also, as a matter of general principle, that, where it is desired that continuing functions should be exercised by a Government department, particularly where such functions may involve financial liabilities extending beyond a given financial year, it is proper, subject to certain recognised exceptions, that the powers and duties to be exercised should be defined by specific statute'.

3. The Treasury Minute of 31st December 1932, in reply, referred to long standing services and emergencies in which the Treasury doubted the need for specific legislative authority, but continued:

'Nevertheless while They think that the Executive Government must continue to be allowed a certain measure of discretion in asking Parliament to exercise a power which undoubtedly belongs to it, They agreed that practice should normally accord with the view expressed by the Committee, that where it is desired that continuing functions should be exercised by a Government Department (particularly where such functions involve financial liabilities extending beyond a given year) it is proper that powers and duties to be exercised should be defined by specific statute. Their Lordships will, for their part, continue to aim at the observance of this principle'.

4. This view, which was subsequently confirmed in the Public Accounts Committee Third Report 1948-1949 and Treasury Minute of 27th February 1950, has been taken to mean that specific legislation should be taken in all cases involving significant annual expenditure, either when the body is set up or, if an experimental period is thought necessary, when the working of the experimental arrangement shows that it is likely to be continued on definable lines.

Introduction

1. This Appendix provides general guidance on some basic principles of financial management. Inevitably, it is far from exhaustive. It aims to assist management in ensuring that no major aspect of the finance function is overlooked in considering the requirements of financial management. It is concerned mainly with practice in medium-sized and larger organisations. More detailed guidance is available in other publications, eg in 'Government Accounting'.
2. The principles of control set out below are of general validity. But their application varies according to circumstances, and it is for each body to develop an accounting and financial information system to meet its own needs and obligations. The Treasury will be glad to provide further advice on the application of these principles to particular cases.

Financial Management - Main Features

3. The essentials of sound financial management may be set out under the following main headings:
 - (a) good financial organisation;
 - (b) effective financial planning/budgeting;
 - (c) properly designed and operated accounting and information systems to facilitate a high standard of financial control, and the use of management accounting techniques;
 - (d) appropriate arrangements for internal audit.
4. These topics are briefly considered below.

Financial Organisation

5. In smaller bodies, finance may be merged with administration and establishment work; in larger bodies, however, there should normally be a separate finance function under the direction of a Principal Finance Officer or Finance Director (referred to below as the PFO).
6. The Finance Division reporting to the PFO will have some or all of the following responsibilities:
 - (a) the design, development and operation of financial management and information systems; the interpretation of financial data for planning, control and decision making;
 - (b) the formulation of forecasts, budgets, estimates, PES projections and their justification to the sponsor department/Treasury/CSD;
 - (c) the provision of advice, guidance and assistance on all financial matters;

(d) the preparation and maintenance of Finance Manuals of Procedure and Desk Instructions;

(e) the determination of the scope and content of the training required by finance staff; the implementation of financial training programmes.

7. The Accounts Division, which may be an integral part of the Finance Division, normally has some or all of the following responsibilities;

(a) the maintenance of an adequate system of books and accounts;

(b) the preparation of annual accounts, and of any monthly or other interim statements and accounts required (eg for management, audit, estimates purposes etc);

(c) the calculation and payment of salaries and wages, the making of day-to-day payments authorised by other branches and the bringing to account of receipts;

(d) the operation of controls, financial security arrangements and internal checks related to payments, receipts and balances (whether of cash, securities or stores) in order to prevent fraudulent transactions or physical losses.

Financial Planning and Budgeting

8. Planning involves preparing a programme of action. Where the plan relates to the use of resources over a given period and takes into account the cost of such resources, it is termed a budget.

9. Each functional arm should prepare its own budgets in line with the overall policy and objectives of the body and within the total of available resources. Top management should then assess these budgets in summary form for their general suitability and should approve them. It is usual for an organisation to prepare both a long-term forecast and an operating budget for the next 12 months.

10. Bodies with commercial interests should set their budgets and assess their pricing strategy in accordance with financial objectives agreed with their sponsor department. They will normally be required to earn at a specific rate. The Treasury will advise on required rates of return.

11. Budgeted cash flow statements prepared for internal management requirements will enable the body to compile PES and Estimate figures, profiles for the Treasury Financial Information System (FIS), and expenditure returns as required by the sponsor department. FIS profiles and expenditure returns should be based on expected and actual dates that funds are required by the body or paid to it. The sponsor department should issue detailed FIS monitoring forms for completion by the body.

Management Control - Techniques and Systems

12. In formulating new policies it is essential to assess their financial consequences and to decide which method of implementation would be most cost-effective. When a project is under consideration it will normally be necessary to evaluate the capital and running costs of various options, using discounted cash flow techniques where the project extends over a period of years. Where existing procedures or facilities can be used to produce additional output, marginal costing techniques should be employed.

13. Once a policy has been implemented it is essential that performance is monitored to maintain financial control. This is achieved through:

- (a) the existence of a budget;
- (b) monitoring of performance and prompt feedback of information on actual results;
- (c) comparison of actual results with the plan and analysis of variances; and
- (d) taking action to rectify divergencies or to revise plans.

Standard costing techniques may be applied to analyse and explain variances from the plan. The use of performance indicators (eg cost per output) can highlight areas worthy of investigation.

14. Managers at all levels should receive reports on matters for which they are specifically responsible and which they can control. The most helpful approach is to practice management by exception and for reports to concentrate on those areas that are diverging significantly from plan. The reports should be produced at a frequency and in a format required by the various levels of management in the light of the decisions to be taken by them.

15. As a general rule, financial accounts record the receipt and payment of moneys, the custody of physical assets, the holding of monetary assets and the obligation of monetary liabilities. They allow the preparation of a profit and loss account (or accounts for trading, manufacturing, production, operating, income and expenditure) and a balance sheet. A system of cost accounting permits the cost and results of areas, departments, functions, services and products to be determined and facilitates the preparation of cost estimates. The term 'management accounting' covers all the services which the finance function can render to management at all levels to assist the operation and control of the undertaking, both in day-to-day control and in making long-term decisions. The different types of accounting system are not mutually exclusive; ideally they should operate as an integrated whole.

16. The Treasury is responsible for deciding the form of audited accounts to be submitted to Parliament and should be consulted at the formative stage of any proposal to set up a new body or to amend the form of accounts of an existing body. The accounting systems of a body should therefore be geared to produce the information appropriate to the form of account laid down by Treasury, the information required by the sponsor department (eg FIS returns, specific expenditure plans) and the information required to meet its own internal management needs.

Information for Management

17. A management accounting and information system consists of financial and cost accounting data which, when suitably presented with statistical and physical data, meets the information needs of management at all levels. The system employed should be tailored to the specific requirements of each undertaking.

18. To assist the manager in carrying out his duties effectively, efficiently and economically the information provided for this purpose must be:

- (a) significant - dealing with the vital aspects of the undertaking;
- (b) reliable - obtained from an effective and accurate system based on sound principles;
- (c) clear - readily understood, concise and readable - drawing particular attention to points requiring management action;
- (d) prompt - at the expense, where necessary, of total accuracy. Information received today which is 95% correct is often more useful than 100% correct information provided next week or next month;
- (e) capable of comparison - to be of value, information must be reported against appropriate comparative data eg budgets, standards, historical figures; and
- (f) economical to produce - the cost of the system must not exceed the benefits.

19. The booklet 'Management Accounting in the Civil Service' describes management accounting and outlines its use in Central Government.

Guidance on management accounting techniques are detailed in:

- (a) "The use of discounted cash flow and the test discount rate in the public sector". Published by HM Treasury;
- (b) "Marginal costing" published by the Institute of Cost and Management Accountants; and
- (c) "Standard Costing" by J Batty.

Role of the Internal Audit

20. Internal audit is part of the total system of internal control operating in an organisation and may be defined as an independent appraisal activity for the review of accounting, financial and other operations as a basis for service to management. Additional information can be found in the booklet 'Internal Audit in the Civil Service', Section 'C' of Government Accounting and the handbook 'The Audit of Computer Systems in Central Government'.

CREATION OF NEW PUBLIC BODIES: MODEL NOTE OF GUIDANCE TO COMMITTEES OF ENQUIRY

In considering their recommendations, Committees are asked to take account of the Government's broad approach to the creation of new non-departmental public bodies. Ministers believe that such bodies can play a valuable role in the right circumstances. But, as the Prime Minister told the House of Commons on 3 December 1980:

"There are always pressures for the creation of new bodies. We shall be robust in resisting them. But we shall approve proposals for new bodies if we can be convinced that the function is essential and that a non-departmental body is the most appropriate way to do the job - as in the case of the Urban Development Corporations and other bodies we have set up."

It is not the intention that Committees of Enquiry should feel inhibited from recommending the creation of a new public body where they are convinced that this is the best solution. Committees are nevertheless asked, in the light of the Government's general policy on this issue, to give full consideration to alternatives - such as the performance of the task by a Government department or an existing non-departmental body - before putting forward recommendations of this kind.

General

1. This Appendix gives further guidance on methods of establishing public bodies. Departments should, however, consult their legal advisers in all cases other than proposals for straightforward advisory bodies. Sponsoring departments may also need to consult with the MG Division of CSD (see paragraph 29 in the main text) or with other departments who can provide specialist advice.

Acts of Parliament

2. There are various reasons why legislation may be necessary or desirable in establishing new executive bodies and tribunals, eg

- a. if the body is to be financed by loans from the National Loans Fund;
- b. if the body is given powers to raise funds by levy;
- c. more generally, if the body involves continuing functions requiring the expenditure of public funds beyond one year (see para 35 and Appendix 2);
- d. if statutory functions are to be transferred from the Department or from another statutory body, or if the new body is to exercise authority over other statutory bodies; or
- e. if it is to be legally incorporated; incorporation as a statutory body confers a clear and defined legal authority.

Incorporation under the Companies Acts

3. A body corporate may be established under the Companies Acts as well as by or under an Act of Parliament. The registration of a body as a company does not necessarily remove the body from Government control; nor does it follow that such a company is not a non-departmental public body.

4. The Public Accounts Committee has expressed its view on the question of creating a company under the Companies Acts to undertake public functions. In broad terms this is that Ministers should establish a company only where it can be demonstrated that there is no better way of arranging for the task to be done, but that even so Parliament should be given an opportunity to approve the Government's proposal (see Third Report from the PAC Session 1967-68, paras 76-83, National Seed Development Organisation; also Third Report from the PAC, Session 1974, paras 165-169, British Museum Publications Department).

5. The Department of Trade can provide general advice about incorporation under the Companies Acts.

6. Companies limited by shares. When a non-departmental organisation is to carry out trading functions it may be appropriate for it to be set up on the same basis as a company in the private sector. In such cases the body may be established under the Companies Acts as a Company limited by shares. It will then be subject to statutory controls by the Department of Trade just like any company in the private sector. In some instances, the trading activities and financial arrangements of a company set up by the Government under the Companies Acts may be further controlled by specific legislation. Each case should be considered on its merits in consultation with the appropriate Treasury Division. A company limited by shares may be either a private company or a public company with a Stock Exchange quotation whose shares may be purchased in the market. The Memorandum and Articles of Association defining the objects of the company and the regulations for the management and conduct of its affairs must be registered by the Registrar of Companies in conformity with the Companies Act. It may be appropriate for these Articles to contain special provision, eg for Government directors.

7. The Government may also acquire all or part of the share capital of a company originally established in the private sector under the Companies Act; or it may take a debenture on the assets of such a company, sometimes as part of a scheme of financial assistance. In these cases a reconstruction of the company is not always needed, so that no new body is created in a legal sense.

8. Companies limited by guarantee and unlimited companies. Companies need not be limited by shares but may be limited by guarantee or may be unlimited. Companies limited by guarantee are normally formed for charitable or for other non-trading purposes, but may also be used for trading activities. Establishment as a company limited by guarantee does not dictate a particular relationship between the body and a Minister. This will depend inter alia on arrangements for appointing the Chairmen and Directors and on other controls which may or may not be given to the Minister. Whether a body is to be classified as a non-departmental public body will depend on the precise arrangements that are made.

Royal Charter

9. Bodies incorporated under Royal Charter have their independence from the Government recognised and preserved by the Charter, which defines the objects of the body, its constitution and its powers to govern its own affairs.

10. Incorporation by Royal Charter is not often used and has usually been confined to certain universities, professional regulatory bodies, and bodies like the BBC, the British Council, and the Research and Sports Councils. Departments considering establishing a public body by this means should consult the Privy Council Office for advice on policy and procedure.

Treasury Minutes

11. A body can be set up by Treasury Minute when there is no need for specific legislative authority for expenditure and when the body to be established does not require a legal personality. A minute, which records a resolution of the Lords Commissioners of the Treasury, is a formal document and may authorise the submission of an Estimate on which Parliament can vote the necessary funds for the body so created. In these cases, legislative approval of the expenditure rests on the Appropriation Act. In view of the understanding between the Treasury and the Public Accounts Committee described in Appendix 2, the use of Treasury Minutes for this purpose is now rare.

Shadow Organisations

12. By definition statutory bodies cannot have a corporate legal existence until Royal Assent to the enabling Bill has been obtained. From time to time, however, Ministers may decide to designate prospective members of the proposed board and to bring them together on an informal basis, for example as an organising committee, in advance of legislation. Past practice has been that the decision to set up a "shadow" organisation has been announced during or after the Second Reading of the relevant Bill.

13. It is a question of judgement for Ministers whether to establish a shadow organisation in this way. However, it should be noted that shadow arrangements have been subject to some criticism in Parliament, especially where the proposal to set up the new body is controversial, on the grounds that such action can be interpreted as prejudging Parliament's intention. It will be for Ministers, therefore, to balance considerations of Parliamentary propriety and public controversy against the benefits from creating a shadow organisation or appointing members designate before legislation has been passed.

Ministerial Advisory Bodies

14. A Minister is entitled to take advice from whomever he wishes. Consequently, no special machinery is required to bring advisory bodies into being; they are normally set up by administrative action by Ministers. The costs, if any, of advisory bodies, are borne on Votes for which the department itself is accountable.

15. Unless there are special reasons to the contrary, advisory bodies should not be entrenched in statute. Among other considerations, this tends to make the process of establishment and dissolution more cumbersome than is usually necessary. It is nevertheless common for the Minister concerned to inform Parliament of his action in establishing an advisory body, even though the approval of Parliament may not be required.

Royal Commission

16. A Royal Commission set up under the Royal Prerogative is a more formal and prestigious type of advisory body than one set up by Ministerial administrative action. This normally involves the issue to the Commissioners of a Royal Warrant by the Sovereign on the advice of a Secretary of State, frequently the Home Secretary. Royal Commissions are generally established to consider a specific matter which has become the subject of public concern but on which the Government is not committed to a particular policy. The Commissioners report to the Sovereign through the relevant Secretary of State and their report is published as a Command Paper and laid before Parliament.

17. In preparing their report the Commissioners are not carrying out functions on behalf of the Crown and are not themselves Crown servants. They may be assisted by civil servants seconded from departments. The Commission may itself appoint staff but they will not be civil servants.

18. Royal Commissions are generally financed by monies voted by Parliament.

SETTING UP A PUBLIC BODY: CHECKLIST

1. When a decision is taken to set up a new executive body, the department itself usually has the task of taking the necessary steps to bring the body into being. The practical matters to be resolved will vary with the type of body and the way it is intended to operate. The following checklist is essentially a list of headings and sub-headings for the various steps to be considered and does not attempt to establish orders **either of timing or priority**. The list may be found helpful at the stage of drafting legislation since many of the matters covered will need to be covered in the Bill; there are also many items not covered which will require provision in legislation. The sequence of events will also vary and in some cases those appointed to take charge of the body may take up their positions sufficiently early to handle much of the preparatory work themselves.

2. Where Ministers decide that a shadow organisation (Appendix 5, paragraphs 12-13) will precede the permanent body, departments will find it necessary to consider the procedures for shadow organisations. There may be difficulties in determining remuneration and allowances since if these are fixed at levels appropriate to the shadow organisation, they may be inappropriate to the permanent body which is to follow it: and it may be necessary to employ staff as temporary Civil Servants for the life of the shadow organisation. In these circumstances, departments may also find it is necessary to consult their Staff Side.

3. Departments may find it helpful to prepare their own more detailed checklist and those involved will need clear guidance on **where to turn within the department** for expertise on such subjects as financial provision, pay allowances and conditions of service. It will also be important to establish clearly at the outset where responsibility will lie within the department for monitoring the activities of the body (including its use of resources) after it has been established.

4. Against the items in this checklist there are references to the relevant parts of the Guide where it gives general guidance on them. Not all the items are covered specifically in the body of the Guide.

<u>Structure and Operational Framework</u>	<u>Paragraph</u>
Statement of aims and objectives	131
Method of establishment	134-135
Constitutional status	136-140
Powers and responsibilities	19-22
Incorporation	23

Ministerial Appointments

Terms of appointment, including pay, pensions, etc	50-59
Preparation of profiles	
Public Advertisement/use of head hunters	
Consultation with other Ministers and Departments	
Letters of appointment, date of appointment	
H/C Disqualification	145

Note: General advice on Ministerial appointments is available from the Public Appointments Unit, CSD.

Recruitment of Staff

Initial manpower complement	48
Approval of superannuation, pay and allowance arrangements	60-76
Secondment of civil servants	102
Preparation of profiles	
Public advertisement; selection arrangements	
Approval of senior staff appointments	
Contract of employment	
Redundancy payments	Appendix 7

Accommodation and Services

Location of offices	146-147
Leasing of private accommodation (consultation with property developer local authorities electricity and water authorities)	
Office services; private or public supply	142-144
Telephones and telecommunications	
Office furniture etc	
Stationery and office requisites	
Official vehicles	
Postal services	
Computer and office machines	142
Security and insurance	157-158

Finance and Accounts (Consultation with Treasury)

Provision in Estimates	35-38
Form of accounts	84
Arrangements for external audit	85-89
Accounting Officer responsibilities	78-82
Conditions to be attached to issue of funds	45-46

Annual Reports

Preparation and publication	90
Disclosure of information about salaries and expenses	93-96

Official Records

Public Records	148-156
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Security Requirements

157-158

DISSOLUTION OF NON DEPARTMENTAL PUBLIC BODIES

Legislative Action

1. A public body continues to exist so long as the founding instrument remains in force. But when a decision has been taken to dissolve a body Ministers may also decide to wind down its affairs in anticipation of its dissolution in law. It is customary to inform Parliament of such proposed action and this should always be done where the body has been set up by or under an Act of Parliament.

2. The abolition of a body established by or under statute will generally require primary or secondary legislation.

Surrender of Royal Charters

3. If a superseded body was incorporated by Royal Charter, arrangements must be made for the Charter to be surrendered. This is done by the body concerned petitioning the Queen in Council to accept the surrender of their Charter. The Petition is accompanied by an appropriate Deed of Surrender together with the original Charter bearing the Great Seal (and any Supplemental Charters). All these documents should be sent to the Privy Council Office. Acceptance of the surrender is signified by an Order in Council which usually recites the terms of the Deed of Surrender. The chartered body ceases to exist from the date on which such Order in Council is made.

4. The procedure, and the form of the Petition and Deed of Surrender, may vary according to the body's constitution and the circumstances of its dissolution, and the Privy Council Office should be consulted in every case.

Termination of Royal Commissions

5. Royal Commissions normally cease to have any existence once they have completed their task. But in some instances a Commission may be superseded by a new Commission. In such cases the superseded Commission needs to be formally wound up, by the issue of a further Royal Warrant.

6. Where a Royal Commission is not superseded by another body but where no appointments are made to fill vacancies which arise in the course of extended researches, the Commission may be considered defunct if no report is made after a lapse of months.

Removal of Commons Disqualification

7. Where a body whose members were disqualified from membership of the House of Commons is to be dissolved by statute, the legislation should provide for the removal of the relevant entry from Schedule 1 of the House of Commons Disqualification Act 1975. Where such a body is to be dissolved by other means, the CSD's Machinery of Government Division should be informed so that the entry can be removed from the Schedule in due course by Order in Council.

Compensation for redundancy

8. When a body is wound up, Board Members who are not found alternative appointments may be due for the compensation referred to in paragraph 59. Staff who are made redundant will normally be entitled to the benefits referred to in paragraph 76. It is important to check that the statutory powers are adequate to pay compensation; if not, provision should be included in the

winding-up legislation. If, by virtue of a statutory provision, the staff of a body which is to be abolished are to be transferred compulsorily to another body with their work then it is essential (in order to help to avoid claims for redundancy payments) that the legislation should require that their new terms, taken as a whole, are not less favourable than the old. Where staff are given the opportunity to transfer voluntarily to other work in the public sector as the alternative to being declared redundant, there is also a need to ensure that the new terms are no less favourable.

Residual Superannuation Liabilities

9. When a non-departmental public body is abolished, it is important to establish that adequate powers exist to meet the residual superannuation liabilities for Board Members and staff. Inadequacies in statutory powers should be remedied in any new legislation which is needed to abolish the body. The source of finance to meet the residual liabilities should also be carefully determined, particularly when the body was only partly grant-aided (see also the comments in paragraphs 73-74 about setting up superannuation arrangements for such bodies). For wholly grant-aided bodies the financial source may well be the Vote from which the grant was paid, but each case needs to be considered with the Treasury and CSD Divisions concerned. In some cases, a major part of the residual liabilities may be covered in alienated Funds which will fall to be dealt with in accordance with the provisions in the Trust Deeds; and some other schemes may be insured. But extra costs are still likely to arise, eg for future pensions increases which formed part of contractual commitments. In all cases, it will be necessary to clarify who will have the responsibility for paying the benefits in the future. Some of these problems will be avoided where there is a successor body to take over the residual liabilities or where it is possible for the staff to transfer their accrued superannuation rights to another scheme. But the question of powers will still be important, and when reliance is placed upon adequate existing powers it is important that these are not repealed too soon.

Other

11. Paragraphs 43-44 deal with the disposal of Government financed assets.



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

See Macer

13 May 1981

*12/5
WM*

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

Dear Barney

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

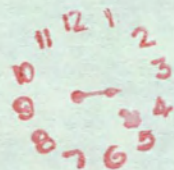
I have seen your letter of 25 March to Leon Brittan in which you ask for comments on the draft Guide and on the question of publication. I have also seen your minute to the Prime Minister of 22 April. I understand that you will be circulating a revised draft shortly.

I have no comments on the substance of the present draft. I welcome the suggestion that the Guide should be published. Non-Departmental bodies are a sensitive subject and it is as well that the Government should publicise what we are seeking to achieve. The Guide should prove to be a valued working document.

Ken

Ken

113 MAY 1981





Minister of State

M Pattison Esq
10 Downing Street
LONDON SW1

see letter of

22/4.

M.A.P. has seen
(N.B.P.M.).

Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 3000

Soro March

24 April 1981

Dear Mike,

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR
DEPARTMENTS

The attached annex was inadvertently omitted from Mr Hayhoe's minute of 22 April to the Prime Minister. I should be grateful if you would marry the two.

I am copying this letter to Private Secretaries to members of the Cabinet, Sir Robert Armstrong and Sir Derek Rayner.

Yours sincerely,

Adrian Carter

A A CARTER
Private Secretary

MAP(O/R) MS
23/4

NBPM

MAP 27/4
Guthrie



PRIME MINISTER

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

Work has already begun on the revision of the draft Guide in the light of your comments set out in Mr Pattison's letter of 6 April. The annex to this minute describes in detail the way the job is being done.

2. A new introductory section will place the emphasis firmly on the control of existing bodies. The section on handling proposals for new bodies will be moved to the end of the Guide and the text as a whole will reinforce the Government's firm commitment to minimise the number of new quangos.

3. In revising the Guide, we must avoid any implication that firmer Ministerial control will restrict the proper independence of action of bodies like tribunals and the Boundaries Commission. In such cases this independence is the main or only justification for the body's continued existence. But the way the body discharges its functions - its effectiveness, efficiency and value for money - are of course legitimate areas for firm Ministerial scrutiny and supervision. The Guide was drafted with this in mind and I am checking that the message comes through clearly.

4. The Guide marks a major advance on the position we discovered on taking office. Control was weak and there was a wide diversity of practice unjustified by the differences between bodies. The main thrust now must be to ensure that all departments and bodies reach the standards of control and administration set out in the Guide.

5. Finally, I shall be considering how the Guide can be made crisper and more specific about methods of control. But there is limited scope for significant change here because - as Sir Leo Pliatzky recognised in his lessons for the future - there are such wide differences in the functions, size, finance and

organisation of the existing executive bodies, of which there are over 470. As Sir Leo found, qualifying words such as "normally", and general principles rather than specific prescriptions are often unavoidable if the guidance is to cover the whole field.

6. I will circulate a revised draft of the Guide as soon as possible. Meantime, if any colleagues who have not yet replied to my letter of 25 March have improvements to suggest, it would be very helpful if they would let me know quickly.

7. I am sending copies of this to Cabinet Ministers, Sir Robert Armstrong and Sir Derek Rayner.

BH.

BARNEY HAYHOE
22 April 1981

25 APR 1981

1234567890

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PROPOSED ACTION ON THE PRIME MINISTER'S COMMENTS

PRIME MINISTER'S COMMENTS	PROPOSED ACTION
<p>1. The Guide should be seen primarily as a means of getting existing practices right in respect of existing bodies. The introduction should make clear the Government's commitment to minimise the creation of new bodies. Too much emphasis on setting up new bodies (para 2 of No 10's letter).</p>	<p>A completely new introduction is required based on the PM's statements of 16 January and 3 December. The chapters on "handling of proposals to establish new bodies" and "miscellaneous guidance on setting up new bodies" should be moved to the end of the Guide and amalgamated. The tone of these chapters, and the Guide generally (eg para 98), will be reviewed in the light of the PM's comment.</p>
<p>2. There is "a certain diffidence about the treatment of the management regime appropriate to existing non-departmental public bodies, especially but not only in the chapter dealing with the Review of NDPBs (paras 206-226)" - see para 3 of No 10's letter).</p>	<p>The section on periodic reviews will be revised.</p> <p>More generally, the Guide has to tread a tightrope between prescription and recognition of the wide variety of bodies we are dealing with. So, for example, paras 61, 75, 88, 90, 91, 99 and 123 clearly state the duty of departments and bodies to establish and operate effective financial and management controls systems. But the Guide has to draw back from specifying rigid and uniform systems (as Sir Leo Pliatzky recognised in paras 71-73 of his report) because we are dealing with over 470 widely differing executive quangos.</p>
<p>3. "It is important to avoid giving the impression that NDPBs are virtually untouchable once established (see, for example, paras 126 and 234) and that control exercised by and on behalf of Ministers is a matter of form rather than substance (see for example paras 207 and 215) - see para 3 of No 10's letter.</p>	<p>We will vet the Guide carefully with this in mind.</p> <p><u>Para 126</u> deals with staff allowances in bodies which are not controlled. Some of these bodies receive no Government finance at all - such as the Scottish Certificate of Education Board or Trinity House. In cases such as these, it is necessary only to ensure that allowances (eg subsistence) are not unacceptably out of line with general standards in the public service.</p> <p><u>Para 234</u>: this para deals with provision for winding up bodies automatically after a specified period or after specified tasks are completed. It is based on one of Sir Leo Pliatzky's lessons for the future (para 77 of his report). A reference to the programme of periodic reviews (paras 206 et seq) might usefully be added.</p>

PRIME MINISTER'S COMMENTS	PROPOSED ACTION
<p>3. (continued)</p>	<p><u>Para 207</u> - merely makes the point that the way that, say, the Social Services Secretary monitors the Medical Practices Committee is bound to be different from the approach the Employment Secretary adopts to the MSC. Total deletion of the para is proposed because it gives a false impression, as the PM's letter indicates, and it adds nothing of substance.</p> <p><u>Para 215</u> - redraft required to avoid false impression.</p>
<p>4. "The text should acknowledge more clearly than it does now that NDPBs exist to carry out functions on behalf of Ministers, and therefore on behalf of the taxpayers. Public bodies are funded by the public and Ministers are entitled to insist that the management regime they adopt works efficiently as well as looking good on paper". (para 4(a))</p>	<p>The substance of this comment could be incorporated in the proposed new introductory section.</p> <p>As the comment at item 2 above says, the Guide clearly states the need for departments to ensure that bodies operate effective and efficient management systems.</p> <p>But we must be careful to maintain the balance. For example, tribunals and the Boundary Commission must be independent in <u>what</u> they do - in that sense, they do not act on behalf of Ministers - but the Government must ensure that the <u>way</u> they do the work is effective and is not wasteful.</p>
<p>5. "An important part of this is to be reasonably specific about methods as well as policy objectives. In general, "broad" specifications are to be avoided, as is the implication that the Minister's requirements may be mitigated in discussing with NDPB Chairmen (paras 45, 62 and 149)" - see para 4(b) of No 10's letter.</p>	<p>The Guide gives specific guidance on such matters as control of expenditure, manpower, audit and so on. Examples are quoted under item 2 above. But there are over 470 executive bodies, ranging from the HSE to the Arts Council, from the CAA to the Police Complaints Board, and there are strict limits, therefore, on the extent to which the Guide can prescribe specific methods which would be generally applicable.</p> <p><u>Para 45</u> is expressly designed to ensure that clear objectives are established. It is important that these should be discussed with Chairmen and agreed with them so that there can be no subsequent uncertainty or dispute about what the body is required to do.</p>

PRIME MINISTER'S COMMENTS	PROPOSED ACTION
<p>5. (continued)</p>	<p><u>Para 62:</u> this paragraph says that it may sometimes be preferable to provide for controls and safeguards by means other than legislation (eg as conditions of grant). Unforeseen circumstances can arise or requirements change over time. The legislative programme is heavily congested and it would often be quite wrong to delay the introduction of a new or different control until an opportunity arose to include it in a Bill.</p> <p><u>Para 149:</u> is based on one of Sir Leo Pliatzky's "lessons for the future" and quotes in part (without attribution) from para 71 of his report. Minor amendments to the last sentence of para 149 may be desirable to avoid any implication that there is a negotiation between the Accounting Officer and the Chief Officer about their respective responsibilities.</p>
<p>6. "Such phrases as "general answerability to Parliament" (para 61) have produced much confusion about the respective responsibilities of Ministers and NDPBs in the past. The tendency of the draft should be towards firmer Ministerial supervision in relation to both new and existing NDPBs. In defining responsibilities, notably in the chapter on the Operational Framework (paras 60-71), the draft might argue that an effective financial regime and a sensible working relationship (para 71) depend upon a satisfactory expression of the Minister's power to approve the policies and operational methods to be adopted by the NDPB; to stipulate the respective responsibilities of himself, his Department and the NDPB in specific as well as general matters; and to assess its performance". (para 4(c)).</p>	<p>Ministers are answerable in detail for the work of their departments. They do not have the same degree of responsibility for the day to day actions of NDPBs. Indeed, often the functions are statutorily vested in the body, not the Minister. To distinguish between Ministers' answerability for their departments from that for the NDPBs, the Guide uses the expression "general answerability". As para 81 of the Pliatzky Report says, within the framework of the lessons he suggests, "the function of securing efficiency and economy must rest with the organisation's own management, while the main responsibility for oversight of its performance lies with its sponsoring Minister and Department".</p> <p>The Guide, basing itself on Sir Leo's lessons for the future, sets out a framework for firmer Ministerial supervision of NDPBs. Item 2 above gives examples.</p>

PRIME MINISTER'S COMMENTS	PROPOSED ACTION
6. (continued)	<p>Paragraphs 60 and 61 of the Guide will be looked at again in the light of Mr Pattison's letter. Powers of direction are important (as para 71 of the Guide says) but powers of specific direction are inappropriate where the body must be seen to be truly independent (eg the Boundary Commission, tribunals). And as para 74 of the Pliatzky Report says, "suitable powers of direction are an appropriate safeguard, though they are no substitute for an effective financial regime and a sensible working relationship".</p>
7. "The definition of circumstances in which financial control should be more or less detailed (paras 71, 77 and 121) should be clearer. The "50 per cent rule", as drafted, does not seem fine enough". (para 4(d)(i)).	<p>This part of the Guide is derived expressly from Sir Leo Pliatzky's recommendation (para 71 of his Report) and "Government Accounting". But as paragraph 77 of the Guide recognises, the circumstances of bodies vary so much that rigid dividing lines cannot be drawn. Departments must use their judgement, therefore, to decide whether detailed control is required where the body relies on Government funds for less than 50% of its finance.</p>
8. "Whereas the annual scrutiny of a NDPB's financial systems seems almost oppressively frequent (para 84) - if this means analysis rather than the collection of impressions - the reference to "periodic reviews" of objectives, finance and performance (paras 84 and 212-217) is too tentative. ...the suggestion that most reviews will be cursory (para 215) does not seem appropriate. A more detailed review seems more likely to be suited to the case (para 216). But it would be helpful if more guidance were given about review methods which should be adopted than is now offered. (para 216)" - see para 4(d)(ii) of No 10's letter.	<p>We will reconsider <u>para 84</u> with the Treasury.</p> <p><u>Para 215</u> obviously gives the wrong impression and needs re-drafting.</p> <p>The chapter on periodic reviews is built upon para 78 of the Pliatzky Report. Fuller guidance on the subject was circulated to Ministers in Mr Channon's letter of 17 December (copied to the PM). The Guide does not, however, repeat in full the note circulated by Mr Channon because to do so would invite demands for the publication of the programme of reviews, the reports and the annual submission to the Prime Minister.</p>

PRIME MINISTER'S COMMENTS	PROPOSED ACTION
<p>9. "The system of financial management operated by NDPBs should provide for the evaluation of new policies and of the implementation of existing policies. This may be intended to be covered by references to "an appropriate system of financial control" but should be foreshadowed in the text and dealt with more fully in Appendix 6. In this context, the reference to the responsibility of the Accounting Officer in the sponsor department to satisfy himself that his own controls are "sufficient to safeguard public funds" (para 146) seems inadequate in comparison with a possible reference to ensuring value for money" (para 4(e)).</p>	<p>We will consider with the Treasury - whose primary concern this is - how best these points should be reflected.</p> <p>Paras 90 and 91 of the Guide are relevant. Para 146 might be expanded to incorporate the substance of points from those earlier paragraphs.</p> <p>Paragraph 146, itself, quotes the revised Accounting Officer Memorandum recently circulated to Ministers.</p>

24 APR 1981





DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1

TELEPHONE: 01-407 5522

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

MAP (0/2)
MAD to see
21 April 1981
ms
22/4

Dear Barney,

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

Thank you for sending me a copy of your letter of 25 March to Leon Brittan about the publication and distribution of this guide. I have also seen the comments from the Prime Minister's Office.

When revising the guide in the light of the Prime Minister's comments it would be helpful if those responsible would bear in mind that while the guide should reflect that it is Government policy to control effectively both existing bodies and the setting-up of new bodies it remains a working document for the staff in departments who are responsible for the control and management of bodies on behalf of Ministers. I would hope, therefore, that the useful, practical information on the setting up of new bodies would not be lost. It would also be helpful if more information could be provided in the guide to assist departments in determining whether or not a body should be regarded as an NDPB.

I have no objection to anything in the guide being published.

I am copying this letter to recipients of yours.

Your ever
Patel



Govt Murch

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

Prime Minister
You may be interested
in Mr Carlisle's comment
at X. I believe he has
it in mind to
7 April 1981
"Live off" administration
of teacher's pensions.

mt
Dear Barney,

MA
8/4

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

You copied to me your letter of 25 March to Leon Brittan about publication and distribution of this guide.

X / Education, Science and the Arts are fields in which it is generally recognised that fringe bodies are an appropriate instrument for administration; I have responsibility for quite a number and I have some changes and possible additions under consideration. Earlier drafts of the guide, which your Department has circulated over the last few months, have proved very useful to my staff. I support your view that it would be consistent with Government policy if the document were published and thus available to the bodies themselves and to other interested parties.

I cannot see anything in the latest draft that I would not wish to see included in the published text and I am content for you to proceed on the lines you propose.

I am copying this letter to the recipients of yours.

Yours ever
Mark.

MARK CARLISLE



10 DOWNING STREET

From the Private Secretary

6 April 1981

Govt
Meads

cc HO	LPO	WO
LEO	D/M	NIO
FCO	LPSO	DHSS
HMT	MAFF	CDLO
D/I	DOE	D/T
MOD	SO	D/N

DES
CST
D/TP
CO
D. Rayner

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

The Prime Minister has seen Mr. Hayhoe's letter of 25 March to the Chief Secretary. She thinks that the draft Guide enclosed with it contains much useful material, but she would like to see some further work undertaken before she gives approval for publication.

The Prime Minister wishes to ensure that the Guide is seen primarily as a means of getting existing practice right in respect of existing bodies. The introductory section should also make it clear that the Government are committed to minimising the creation of new ones. (I have already had a word with the Department on this point, and the revised paragraph 1 suggested by Edward Osmotherly helps to set off on the right foot. But the emphasis on the creation of new bodies still runs through other parts of the text. The Prime Minister thinks that this would lay the Government open to the criticism that, despite her statement to the House on the publication of the Pliatzky report, it was more interested in the establishment of new bodies than in the good management of existing ones.)

Secondly, the Prime Minister thinks that there is a certain diffidence about the treatment of the management regime appropriate to existing NDPBs, especially but not only in the chapter dealing with the Review of NDPBs (paras. 206-226). As the Pliatzky report suggested (para. 17), one of the main reasons why NDPBs cause disquiet is that "they may represent not only a spread of patronage but a concealed growth of government which does not show up in, say, the size of the Civil Service". Because of this, it is important to avoid giving the impression that NDPBs are virtually untouchable once established (see, for example, paras. 126 and 234) and that the control exercised by and on behalf of Ministers is a matter of form rather than substance (see for example paras. 207 and 215).

/The Prime Minister

VLR

The Prime Minister agrees that there must be a balance between control by and accountability to the sponsoring Minister on the one hand and a necessary (or rather appropriate) degree of independence for the NDPBs on the other (para. 8), but would like to see the treatment of where the balance lies amended in these respects:

(a) The text should acknowledge more clearly than it does now that NDPBs exist to carry out functions on behalf of Ministers, and therefore on behalf of taxpayers. Public bodies are funded by the public and Ministers are entitled to insist that the management regime they adopt works effectively as well as looking good on paper.

(b) An important part of this is to be reasonably specific about methods as well as policy objectives. In general, "broad" specifications are to be avoided, as is the implication that the Ministers' requirements may be mitigated in discussing with NDPB chairmen (paras. 45, 62 and 149).

(c) Such phrases as "general answerability to Parliament" (para. 61) have produced much confusion about the respective responsibilities of Ministers and NDPBs in the past. The tendency of the draft should be towards firmer Ministerial supervision, in relation to both new and existing NDPBs. In defining responsibilities, notably in the chapter on the Operational Framework (paras. 60-71), the draft might argue that an effective financial regime and a sensible working relationship (para 71) depend upon a satisfactory expression of the Minister's power to approve the policies and operational methods to be adopted by the NDPB; to stipulate the respective responsibilities of himself, his Department and the NDPB; to direct the NDPB in specific as well as general matters; and to assess its performance.

(d) The draft should be more specific about certain aspects of financial supervision:

(i) The definition of circumstances in which financial control should be more or less detailed (paras. 76, 77 and 121) should be clearer. The "50 per cent rule", as drafted, does not seem fine enough. (This raises the general question whether a document presented as a "guide" should include some model practices based on good experience.)

(ii) Whereas the annual scrutiny of a NDPB's financial systems seems almost oppressively frequent (para. 84) - if this means analysis rather than the collection of impressions - the reference to

"periodic review"

"periodic review" of objectives, finance and performance (paras. 84 and 212-217) is too tentative. It is, of course, axiomatic that review "should be kept as simple and unelaborate as possible" (para. 209d), but the suggestion that most reviews will be cursory (para. 215) does not seem appropriate. A "more detailed review" seems more likely to be suited to the case (para. 216). But it would be helpful if more guidance were given about review methods which should be adopted than is now offered (para. 216).

(e) The system of financial management operated by NDPBs should provide for the evaluation of new policies and of the implementation of existing policies. This may be intended to be covered by references to "an appropriate financial control system", but should be foreshadowed in the text and dealt with more fully in Appendix 6. In this connection, the reference to the responsibility of the Accounting Officer in the sponsor department to satisfy himself that his own controls are "sufficient to safeguard public funds" (para. 146) seems inadequate in comparison with a possible reference to ensuring value for money.

I am copying this to the Private Secretaries of Cabinet members, David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

A.A. Carter, Esq.,
Civil Service Department.

PRIME MINISTER

Barney Hayhoe has circulated a draft guide for Departments on the management of non-Departmental public bodies (flag A).

There is a need for up-dated central guidance. There is enormous variation in Departmental practice, and Governments have slipped into some damaging situations because of this - e.g., over the Crown Agents; but the timing and presentation of such a guide seems to me to need a much more careful political assessment than CSD have given to this. Mr. Hayhoe rightly proposes that any guide should be made publicly available.

There is a danger that this paper will give a wrong overall impression to people looking quickly through it. It starts off on the wrong foot, with the first paragraph apparently placing more emphasis on setting up new bodies than managing existing ones. CSD acknowledge this, and suggest the following improved first paragraph: "This Guide gives advice on the framework of control and accountability for non-departmental public bodies. It also gives guidance on the way in which departments should deal with proposals for new bodies." This helps, but Ministers will want to ensure that they are not ridiculed over the publication of this paper in the wake of the Pliatzky exercise. Derek Rayner's office have taken a look at the draft, and have suggested the comments in the letter at flag B. Content that I should write on your behalf as proposed (subject to the new start that CSD have now themselves suggested)?

MPD Yes
out.

2 April 1981

We must get existing practice right with regard to existing bodies. We are trying to stop new ones.



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01 273 5145

Switchboard 01 273 3000

M A Pattison Esq
10 Downing Street
London SW1

1 April 1981

Dear Mike

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

We had a word on the telephone this morning about the first paragraph of the Guide. We agreed that it got the guidance off on the wrong foot. I should be grateful, therefore, if you would insert the following new first paragraph:

"This Guide gives advice on the framework of control and accountability for non-departmental public bodies. It also gives guidance on the way in which departments should deal with proposals for new bodies."

Once again, many thanks for picking up the point.

Yours
Edward

E B C OSMOTHERLY

7 APR 1981



CONFIDENTIAL

A A Carter Esq
Civil Service Department

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

1. The Prime Minister has seen your Minister of State's letter of 25 March to the Chief Secretary. She thinks that the draft Guide enclosed with it contains much very useful material, but would like the following points to be considered before she gives her approval for publication.

2. The Prime Minister agrees that, if a Guide were published, it should be presented as an instrument of the Government's policy to ensure proper control over surviving NDPBs and over the establishment of new ones. But the draft appears to place very much more emphasis on the creation of new than on the control of existing bodies. This emphasis appears in the very first paragraph of the draft and is renewed extensively throughout the text. The Prime Minister thinks that this emphasis would lay the Government open to the criticism that, despite the statement she made to the House of Commons on the publication of the Pliatzky report, it was more interested in the establishment of new bodies than in the good management of existing ones. She would therefore prefer the first paragraph of the text (and its subsequent structure) to be revised as follows:

"The purpose of this guide is to assist Ministers in monitoring and reviewing the work of non-departmental

public bodies over which they have significant controls and for whose conduct they are answerable to Parliament. It also describes the regime which should be adopted on the establishment of any new non-departmental public body."

3. Secondly, the Prime Minister thinks that there is a certain diffidence about the treatment of the management regime appropriate to existing NDPBs, especially but not only in the chapter dealing with the Review of NDPBs (paras. 206 - 226). As the Pliatzky report suggested (para. 17), one of the main reasons why NDPBs cause disquiet is that "they may represent not only a spread of patronage but a concealed growth of government which does not show up in, say, the size of the Civil Service". Because of this, it is important to avoid giving the impression that NDPBs are virtually untouchable once established (see for example paras. 126 and 234) and that the control exercised by and on behalf of Ministers is a matter of form rather than substance (see for example paras. 207 and 215).

4. The Prime Minister agrees that there must be a balance between control by and accountability to the sponsoring Minister on the one hand and a necessary (or rather appropriate) degree of independence for the NDPBs on the other (para. 8), but would like to see the treatment of where the balance lies amended in these respects:
 - a. The text should acknowledge more clearly than it does now that NDPBs exist to carry out functions

on behalf of Ministers, and therefore on behalf of taxpayers. Public bodies are funded by the public and Ministers are entitled to insist that the management regime they adopt works effectively as well as looking good on paper.

b. An important part of this is a reasonable specificity about methods as well as policy objectives. In general, "broad" specifications are to be avoided, as is the implication that the Ministers' requirements may be mitigated in discussion with NDPB chairmen (paras. 45, 62 and 149).

c. Such phrases as "general answerability to Parliament" (para. 61) have produced much confusion about the respective responsibilities of Ministers and NDPBs in the past. The tendency of the draft should be towards firmer Ministerial supervision, in relation to both new and existing NDPBs. In defining responsibilities, notably in the chapter on the Operational Framework (paras. 60 - 71), the draft might argue that an effective financial regime and a sensible working relationship (para. 71) depend upon a satisfactory expression of the Minister's power to approve the policies and operational methods to be adopted by the NDPB; to stipulate the respective responsibilities of himself, his Department and the NDPB; to direct the NDPB in specific as well as general matters; and to assess its performance.

d. The draft should be more specific about certain aspects of financial supervision:

i. The definition of circumstances in which financial control should be more or less detailed (paras. 76, 77 and 121) should be clearer. The "50% rule", as drafted, does not seem fine enough. (This raises the general question whether a document presented as a "guide" should include some model practices based on good experience.)

ii. Whereas the annual scrutiny of a NDPB's financial systems seems almost oppressively frequent (para. 84) - if this means analysis rather than the collection of impressions - the reference to "periodic review" of objectives, finance and performance (paras. 84 and 212 - 217) is too tentative. It is of course axiomatic that review "should be kept as simple and unelaborate as possible" (para. 209d), but the suggestion that most reviews will be cursory (para. 215) does not seem appropriate. A "more detailed review" seems more likely to be suited to the case (para. 216). But it would be helpful if more guidance were given about review methods which should be adopted than is now offered (para. 216).

e. The system of financial management operated by NDPBs should provide for the evaluation of new policies and of the implementation of existing policies. This may be intended to be covered by references to "an appropriate financial control system", but should be foreshadowed in the text and dealt with more fully in Appendix 6. In this connection, the reference to the responsibility of the Accounting Officer in the sponsor department to satisfy himself that his own controls are "sufficient to safeguard public funds" (para. 146) seems inadequate in comparison with a possible reference to ensuring value for money.

5. I am copying this to the private secretaries of Cabinet members, David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

M A PATTISON

Mr PATTISON



NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

1. We spoke on Friday about the draft enclosed with Mr Hayhoe's letter of 25 March to Mr Brittan.

2. I attach a draft private secretary letter which might be sent to CSD on the Prime Minister's behalf.

3. The draft letter makes two main points:

a. As you surmise, the draft Guide appears to be much more about setting up new rather than managing existing NDPBs. This creates an unfortunate impression.

b. When it deals with the management regime, the draft Guide is reasonably firm and helpful in prescribing arrangements for new bodies, but too tentative in discussing arrangements for Ministerial control over existing ones.

4. The draft letter suggests how these points should be dealt with and in effect requires that the Prime Minister should be consulted on a revised draft Guide before giving her imprimatur. The draft letter has to go into reasonable detail but I hope not excessively so.

5. The Prime Minister may ask why it is necessary to have a Guide at all and why it is necessary to publish it. I think that those questions are best answered by reference to the awful muddles Government has got itself into over the years (of which the Crown Agents is probably the worst example) by

- not properly defining the respective responsibilities of the sponsoring department and its NDPBs;
- leaving too much to be moderated by the interplay of the personalities of succeeding Permanent Secretaries and NDPB chairmen or chief executives; and



- the cosiness produced by combining the general privacy of Whitehall working relationships with a generally (not universally) poor standard of resource management.

6. A guide of the right type, and on the record, should be a solid contribution to better NDPB management if (yet again) good words are translated into good deeds. In that respect you should be aware of the ominous signal which appears in para. 209a of the text:

"particular reviews are only one aspect of the wider relationship between Departments and [NDPBs], and form part of the constant supervision and scrutiny that should take place".

7. That formula can mean anything or nothing. Ministers can only look to their officials to guide them and to exercise a lot of control on their behalf: defining a good management regime is not enough, it is the regular application of sensible tests which counts.

Other points

8. You may like to check out the following on the Prime Minister's behalf:

- a. Encouraging NDPB staff to join a trades union, para. 166.
- b. The quotation from the Prime Minister's statement in the HOC on 3 December 1980. This seems alright, but Mrs Thatcher might prefer something from her statement on the Pliatzky report on 16 January 1980 (copy attached).

CP

Encs: PM's statement, 16 January 1980

Draft private secretary letter

C PRIESTLEY
30 March 1981

TEXT OF WRITTEN PARLIAMENTARY ANSWER GIVEN BY PRIME MINISTER
ON WEDNESDAY 16 JANUARY 1980

Philip Holland MP:

To ask the Prime Minister, what further progress has been made in her review of various public bodies.

PRIME MINISTER:

At the end of August 1979 Sir Leo Pliatzky was retained in the public service for the time being to help me in carrying this review forward. I received his report on Non-Departmental Public Bodies last month and I am presenting it to Parliament today as a White Paper (Cmd. 7797).

A substantial part of the report consists of a factual survey of executive, advisory and judicial bodies. I believe that this information will be of considerable value to Parliament and the public.

The report also brings together the Ministerial decisions which have so far been taken about the future of individual bodies. The effect of these decisions, including measures taken or announced at earlier stages in the review, will be to reduce the number of executive bodies by 30 and the number of advisory bodies by 211, with a consequent reduction of around 3,700 in the number of public appointments. Five judicial bodies are also to be wound up.

The administrative economies from these measures, when fully implemented, will be roughly £11 million in a full year. These will be additional to the financial savings of about £350 million in 1980-81 from reductions made in the previously planned programmes of the largest executive-type bodies as a result of the general public expenditure exercise.

The report also suggests some lessons for the future, based on a study of past experience. A general conclusion indicated is that a more cautious and selective approach should be adopted in the future towards the creation of non-Departmental bodies, and in particular towards the "hiving off" of Departmental functions to such bodies. The Government endorse this view. I can assure the House that we will look critically at all fresh proposals for new bodies and that we should be opposed to a policy of further hiving off of functions to non-Departmental public bodies.

Other suggestions relate to control and accountability as regards new and existing non-Departmental bodies. The Government endorse these suggestions also, including the suggestion for taking a fresh look at each of the executive-type fringe bodies from time to time in the future. A stocktaking will be carried out later this year of a number of cases where decisions about individual bodies have still to be taken in the current review, and the Government will also carry out further reviews from time to time in later years.

It will remain my objective to encourage the good management of public bodies which continue to serve the country, with dispensing with those for which there is no further need.

LWH/6



Minister of State

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

g
Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

25 March 1981

Dear Leon,

NON-DEPARTMENTAL PUBLIC BODIES: *See 162.* A GUIDE FOR DEPARTMENTS

... Paul Channon wrote to you on 21 April 1980 about the follow-up to Sir Leo Pliatzky's Report (Cmnd 7797). He mentioned that CSD officials would be preparing a general guide for departments on non-departmental public bodies. A copy of their draft is attached. They have received much help from the Treasury and other departments.

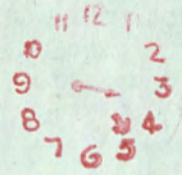
The Guide amplifies the lessons for the future which were set out by Sir Leo Pliatzky in paragraphs 63-80 of his Report and accepted by the Government. Its objectives are:

- a. to communicate the Government's policies to those who need to know them in Whitehall and beyond;
- b. to help departments by providing them with a set of key questions to address when they are considering establishing new bodies, contributing to a more defensible consistency of practice in creating and controlling "quangos";
- c. to bring together for ease of reference material which is at present widely scattered.

I see the Guide as a second and essential prong of our policy towards quangos. The first is to abolish those that are no longer essential. The second is to ensure proper control over those that survive and the setting-up of new ones. I think we should present it in this light.

The Guide has been drafted with publication in view. Its value would be diminished if it were not made available to non-departmental bodies as well as to departments. If we give copies to these bodies, it should also be available to MPs, academics and journalists. I suggest, therefore, that we should

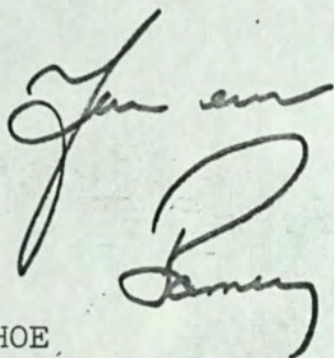
26 MAR 1981



publish the Guide. This would, of course, be consistent with our policy on open government as well as helping to demonstrate our policy on quangos. I hope that you and our colleagues will agree.

I should be glad to consider any comments on its drafting, particularly if there is anything which you or others would not wish to see included in a published text. It would be helpful if I could receive any such comments by Friday, 10 April.

I am sending copies of this letter and the draft to the Prime Minister and members of the Cabinet, to Sir Robert Armstrong and to Sir Derek Rayner.

A handwritten signature in cursive script, appearing to read "John G. Hayhoe". The signature is written in dark ink and is positioned above the typed name.

BARNEY HAYHOE

NON-DEPARTMENTAL PUBLIC BODIES: A GUIDE FOR DEPARTMENTS

*Revised version
at initial cover of file
in CSO 404 21/6/81
refer*

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INTRODUCTION

Purpose of the Guide

1. The purpose of this Guide is to assist Departments in setting up, monitoring and reviewing the work of non-departmental public bodies over which Ministers have significant controls and for whose conduct they are generally answerable to Parliament.

Categories of Non-Departmental Public Bodies

2. The public sector contains a very wide range of bodies apart from Government Departments and local authorities. The degree of Ministerial control and answerability varies considerably, and there are few legal or commonly accepted classifications. Following the Report on Non-Departmental Public Bodies (Cmnd 7797) the approach adopted within Central Government towards classification is to group bodies according to functional similarities and according to the different relationships between the bodies, Ministers and Parliament. Thus the bodies are grouped as follows:

- a. Nationalised industries, other public corporations and companies in which the Government has a major shareholding.
- b. Agricultural Marketing Boards.
- c. The National Health Service and associated public bodies.
- d. Other non-departmental public bodies, which are of 3 kinds:
 - i. bodies with executive, administrative, regulatory or commercial-type functions;
 - ii. bodies whose role is solely to advise Ministers and their Departments;
 - iii. tribunals and other judicial bodies.

Appendix 1 describes all these groupings in more detail.

Scope and Coverage of this Guide

3. This Guide is concerned with bodies in Group (d), although some of its provisions also apply to other bodies. Within this group the main concern is with bodies in Group (d) (i); the type of body being discussed should, however, be clear from the context or from description. The Machinery of Government Division of the Civil Service Department (CSD) should be consulted in the event of uncertainty.

4. The Guide is primarily concerned with

- a. the handling of proposals for new non-departmental public bodies;
- b. arrangements for establishing and dissolving such bodies;
- c. the general framework of control and accountability for new and existing bodies;
- d. keeping the activities and performance of existing bodies under review.

5. For the most part the Guide provides advice on good practice which should be followed as a general rule. But in some instances the Guide sets out practices and procedures which arise from Government policy and which are binding on Departments unless it is separately agreed with the Central Departments that they are inappropriate in a particular case. The context and wording makes clear what is guidance and what is instruction.

6. Non-departmental public bodies are numerous and vary widely in size, function and background. Inevitably, general statements about these bodies may not apply precisely to every individual body. In applying the Guide it will therefore be necessary to take the circumstances of each body into account and to seek further guidance when necessary.

7. Although the Guide may in practice be used mainly in relation to new and proposed bodies, it also applies to existing bodies. Some existing arrangements may, however, differ from those which would now be made for new bodies. It is not intended to disturb existing arrangements solely for the sake of uniformity - provided that they work well and are consistent with the principles set out in the Guide.

8. The emphasis in the Guide is on arrangements for control and accountability. By comparison the Guide says little directly about the creative side of bodies' work or about the qualities and conditions they need in order to achieve the results expected of them. It would be very difficult to provide central guidance on this critical aspect of bodies' work. Nevertheless the arrangements set out in the Guide have been drawn up with an eye to the balance between control and accountability on the one hand and a necessary degree of independence on the other.

Usage in the Guide

9. The language of the Guide does not reflect the special legal or constitutional factors which may apply in Scotland and Northern Ireland. Allowance for these should be made where appropriate.

10. For the sake of brevity, non-departmental public bodies are often referred to as 'public bodies', 'non-departmental bodies' or simply 'bodies'. Equally, the Guide refers to action by Departments and does not spell out in each case that the action is taken on behalf of the Minister.

11. The Guide does not use the term 'quango'. There is no general agreement about what constitutes a quango, and the term is subject to many different interpretations.

Other Guidance

12. The Guide does not attempt to cover every eventuality and should be used in conjunction with any internal guidance issued by Departments (which should itself be consistent with the Guide). Nor does the Guide replace the need for consultation between Departments.

13. 'Government Accounting', issued by the Treasury, contains guidance on a range of financial issues.

14. This Guide replaces the 'Guide to Setting Up New Public Bodies', issued by the Treasury in 1968.

15. The Public Appointments Unit of CSD advises on the procedures governing appointments made by Ministers to public bodies and (if required) on candidates.

General Enquiries

16. General enquiries about the Guide should be addressed to the Machinery of Government Division, Civil Service Department.

17. The Guide applies to Northern Ireland, where the Department of the Civil Service has overall responsibility for matters concerning non-departmental bodies. All enquiries concerning bodies in Northern Ireland should be addressed initially to the Management Services Division, Department of the Civil Service, Rosepark House, Upper Newtownards Road, Belfast BT4 3NR.

18-20 [Unallocated]

HANDLING PROPOSALS TO ESTABLISH NEW BODIES OR RECONSTITUTE EXISTING BODIES

The Case for Non-Departmental Bodies

21. Most of the functions of central government are carried out by Ministers acting through their departments. In some cases, however, it is preferable to discharge these functions by means of a non-departmental public body operating at arm's length from a Minister. Reasons for this can include the following.

22. In the case of bodies with executive and similar functions, the work may be mainly administrative and may involve little or no political content requiring Ministerial involvement on a day-to-day basis. Or it may be judged that the work is carried out more effectively by a single-purpose organisation than by a Government Department with a range of functions. Or it may be desirable to involve people other than Ministers and civil servants directly in the management of the work.

23. The case in principle for an advisory non-Departmental body is usually that the Department's own staff are unable to provide the necessary advice themselves (eg because it would not be cost-effective to provide the expertise in-house) or that it is desirable to enlist the participation of outside interests and individuals.

24. Most judicial bodies can be justified as providing independent arbitration, whether between Government and the individual citizen, or between parties outside Government.

25. The use of public bodies operating at arm's length from Ministers has a long history, but the number of such bodies has grown rapidly since 1945. In many cases the arrangements have worked well. But experience has been mixed. For example, the "arm's length" approach can involve problems of control and accountability because it is not always easy for departments to strike the right balance between disengaging from detailed administration while exercising proper supervision. More generally, the scale, range and cost of the functions now carried out by non-Departmental bodies means that they are the subject of close attention by Ministers, Parliament and the public. This attention is directed not only to accountability but also to arrangements for control over the overall number of non-departmental bodies and over their expenditure.

Scrutiny of Proposals for New Bodies

26. Proposals to create new public bodies require careful scrutiny. Before it is decided to create a new public body - or to place in or transfer functions to an existing body - the Department should already have:

- a. established clear and explicit policy objectives;
- b. satisfied itself that the tasks to be undertaken are essential and that the expenditure and other resource costs are justified;
- c. satisfied itself that the tasks cannot be undertaken equally or more satisfactorily by the Department and are not of a kind which are appropriate to local government or to the private sector, with or without Government initiative or funding;
- d. considered the wider implications for the machinery of government and for resources;
- e. in the case of an advisory body, established that the need for **advice** cannot be satisfactorily met through ad hoc consultation with appropriate experts or external interests.

27. Particular questions to which the Department should address itself are as follows:

- a. are the tasks involved essential and will they fully justify the cost of carrying them out?
- b. why is it inappropriate for the Department itself (or some other Department) to undertake (or continue to undertake) the tasks involved?
- c. what will be the relationship between the body and the Minister? Would it be appropriate for Ministers to distance themselves from the day to day execution of the tasks proposed for the non-departmental body?
- d. could the tasks be undertaken by an existing non-Departmental body, either in its present form or adapted for the purpose, as opposed to a new body being created?
- e. (in the case of bodies with executive powers) do the rights of those affected by the body's decisions need to be safeguarded, eg by provision for appeal, and if so is it certain that satisfactory procedures can be devised?
- f. are the tasks involved of a finite kind which could be completed within a limited timescale?
- g. what are the estimated total costs (including accommodation, superannuation etc) and what is the manpower requirement, both short and long-term? What would be the comparable costs if the tasks were undertaken by the Government itself? Would there be any offsetting savings in the Department, in other Departments or in other public bodies, if a new body were set up?
- h. even if the answers to the above questions support the idea of setting up a new body, does the purpose justify the immediate and long-term expense involved in the creation of a non-Departmental body? (In most circumstances, a Department, covering a wider range of functions, can adapt itself more easily to accommodate changes in organisation and policy than can a single-purpose body).

28. Detailed analysis of this kind will help to establish the strength of the case. But even where the case has been established in principle there may be practical objections. These might, for example, concern the status of staff or the method of funding. These difficulties should be identified and considered at an early stage.

[29.]

30. The Department should also consider the question of appeals from the decisions of the body. No fundamental problems arise if recourse to the courts or to some existing tribunal would be appropriate. But proposals to set up any new tribunal would need to be scrutinised just as closely as the proposal to set up the body itself. And if appeal could lie only to Ministers this might call into question the reasons for setting up a non-departmental body in the first place.

Inter-Departmental Consultations

31. There is an important and binding requirement on Departments to consult the Civil Service Department and the Treasury about proposals concerning certain types of non-departmental body. The requirement applies to:

- a. Proposals to establish new bodies whose functions are executive, administrative, regulatory, commercial or judicial (ie in groups (d)i. and (d)iii. in para 2);
- b. Proposals to reconstitute or to transfer functions to bodies of the sort described in (a) (other than through a change of membership);
- c. Proposals to establish, reconstitute or transfer functions to advisory bodies, but only where there are implications for the machinery of government or for public expenditure

Within the above categories, the requirement applies to ~~bodies~~ bodies within a network or family of bodies.

32. The requirement does not apply to:

- a. Proposals for advisory bodies where there are no implications for the machinery of government or for public expenditure.

b. departmental or inter-departmental committees consisting mainly of civil servants, which are essential to the internal management or co-ordination of Government business and which would still be needed for this purpose even if no non-civil servant were appointed to the body.

c. Groups within the wider public service which have no independent role, which comprise officials representing Government Departments and representatives of local government, the National Health Service, the Police or the Fire Service, and where there is an essential working relationship between the participants.

In addition the Treasury need not be consulted about a proposal for a new body which is expected ~~at the outset~~ to spend less than £5000 per year. The Treasury should, however, be consulted where there are indirect expenditure implications or where it is proposed that the body should be financed other than by direct Government spending.

33. Even where prior consultation with the central departments is not required, the Civil Service Department should nevertheless be notified of decisions to set up a new non-departmental public body. This is necessary in view of the Civil Service Department's responsibility to monitor the implementation of Government policies on non-departmental public bodies and to maintain a record of bodies which it is decided should be established.

34. Where consultation is required, departments should write to the Machinery of Government Division in CSD at the earliest possible stage and before any commitment to set up a body, or reconstitute an existing body, is made. The letter should be copied to the Head of the Treasury Division concerned with the control of the related public expenditure programme.

35. The precise terms in which proposals should be put to the Central Departments will vary from case to case but should cover the relevant points in paras 26-27; and, in particular, when departmental functions are being hived off it will be necessary to demonstrate that the change would be commensurate with sound management and good value for money for the taxpayer.

Guidance to Committees of Enquiry

37. Proposals for new Government functions or for new public bodies frequently occur in the recommendations of committees of enquiry. In giving general guidance to these committees, Departments should draw attention to the considerations which should be borne in mind before such proposals are made. It should not be suggested that Committees should in no circumstances recommend new bodies. But committees should be made aware of the general lines of Government policy and advised that Departments will normally seek to use existing machinery. Appendix 2 consists of a short note of a kind which Departments may wish to use for this purpose.

38-43 [Unallocated]

NEW BODIES: OBJECTIVES, STRUCTURE, METHOD OF ESTABLISHMENT AND CONSTITUTIONAL STATUS

Further Consultation

44. When it has been decided to set up a new body, CSD and the Treasury may also need to be consulted about the arrangements for its creation and the general framework within which it should operate. This further consultation will almost always be required in the case of bodies with executive etc or judicial functions. Central Departments will be glad to advise on such matters as the relationships between the body and its sponsoring Departments and arrangements for external controls, eg over pay and conditions of staff.

Objectives

45. In setting up a new body it is essential to draw up a clear statement of its objectives and how - in broad terms - they are to be achieved. This will provide the basis for formal terms of reference and will also serve as an enduring guideline both for the Department and the body. Identifying roles and responsibilities at this stage will help to avoid later misunderstanding about where particular responsibilities have been placed. Before the first Chairman of the body is appointed, it will therefore be useful to agree with him a formal statement covering these matters.

46. Articulating objectives and how they are to be achieved will also help to define the kind of organisation required. This should in turn help clarify the most appropriate method of establishing the body, the powers and safeguards which are required, and the kind of members and staff most suitable for the job.

Structure

47. The appropriate structure for a new body will depend essentially on its functions. Among existing bodies there is considerable variation in legal status, method of establishment and internal organisation. Some of these arrangements have worked better than others and in setting up new bodies Departments should draw wherever possible on existing models which have been found to work well and should avoid devising new variants.

Establishment of Advisory Bodies

48. Advisory bodies normally require no separate administrative machinery, and no special consultation is required before they are set up (subject to para 31c) Where appropriate, they should be set up either:

- a. with a finite remit, which will automatically lead to the dissolution of the committee when the remit is discharged; or
- b. with a finite lease of life, after which the committee would be disbanded unless a positive decision were taken to give it a new lease of life.

See also Appendix 3, paras 14-15

Methods of Establishing New Bodies with Executive etc functions

49. Most public bodies with executive etc functions are statutory bodies. Although other methods of establishment are not ruled out where appropriate, new bodies in this category should as a general rule be set up by Act of Parliament. The other methods available include incorporation under the Companies Acts, Royal Charter, administrative action and Royal Commission. Appendix 3 contains further information on these other methods.

50. Whatever the method of establishment, the sponsor Department should also define clearly the following characteristics of the proposed body, many of which will have already been considered in reaching the decision to set it up: constitutional status, operational framework and legal powers, Ministerial powers over the body, and financial arrangements. The last point includes the method of funding, the financial relationship with Government, the control of administrative expenditure, arrangements for the presentation and audit of accounts, and the publication of accounts and annual reports. Other points to be considered include accommodation, services and the recruitment of staff, in which the Department may need to be involved. Appendix 5 contains a checklist of items to be considered.

51. The following paragraphs give general guidance on the approach which Departments should adopt. In particular cases the sponsor Department may need to consult the Department(s) responsible for general policy on the point at issue.

Constitutional Status: Crown or non-Crown

52. It should be settled whether a body is to be Crown or non-Crown in status and the founding legislation should normally contain a declaration one way or the other. The lack of such a declaration has sometimes caused legal uncertainty in the absence of a court ruling.

53. Generally speaking, the Crown acts in its executive capacity through the Government of the day, which is bound together by the conventions of collective Ministerial responsibility and Ministerial accountability to Parliament. When a body is given Crown status, its staff will normally be civil servants.

54. By their nature, non-departmental bodies discharge their functions at arm's length from Ministers and fall outside the central core of Government. If the staff are civil servants, this may obscure the fact that their loyalty lies to the Board of the body rather than to the Government. Furthermore, the application of certain civil service rules of conduct, eg on political activities, may be inappropriate for the staff of non-departmental bodies. As a general rule, therefore, new non-departmental bodies should be non-Crown in status and their staff should not be civil servants of the Crown. Only in very exceptional circumstances is Crown status appropriate, and where this is proposed the Civil Service Department should be consulted at an early stage.

55. This does not mean that a non-Crown body cannot be given staff support by the sponsor Department. Where small bodies are unable to attract their own staff of the right quality, or where bodies are not empowered to employ their own staff or could not do so economically, it may be appropriate for the bodies to be supported by civil servants on secondment. Alternatively, it may be appropriate for the body to be supported by civil servants who are not on secondment but who remain in the sponsor Department. But this sort of arrangement can cause a conflict of loyalties and should be avoided unless it is clearly confined to secretariat-type functions or other functions where there is no such risk.

56. This does not preclude a sponsor Department from providing on a repayment basis certain services which a non-departmental body is unable to provide itself. In such cases the staff of the Department remain answerable only to their Minister.

OPERATIONAL FRAMEWORK

General

60. The decision to locate functions at arm's length from Government involves a recognition that the body should enjoy a degree of independence from Government in performing those functions. But at the same time the activities of the body form part of the process of Government, for which Ministers carry a general answerability to Parliament. This they must be in a position to discharge. So in each case a balance must be struck between enabling the Minister to fulfil his responsibilities to Parliament and giving the body the degree of independence which it requires. This balance will depend largely on the nature of the functions, which vary widely from body to body. In some cases a body may essentially be an instrument of Government policy and may therefore need to operate under close Ministerial supervision. In other cases the functions may need to be exercised with a clearer degree of independence from Ministers. There are no fixed rules for judging where a particular body lies on this spectrum.

61. Whatever the precise degree of independence, the Minister carries a general answerability to Parliament for whether the institutional arrangements achieve their objectives effectively, efficiently and with economy. The Minister is also responsible for ensuring that the body establishes and maintains proper systems of financial management. The legislation or other founding instrument should therefore give the Minister sufficient powers:

- a. to discharge his overall answerability for the body and its work;
and
- b. to exercise responsibility for those matters which will be subject to specific Ministerial control.

Precise Ministerial powers will vary from body to body. but Ministers will normally need to take powers of appointment and appropriate powers of direction. Arrangements should also be made for Ministers to scrutinise, approve and monitor the body's use of resources in whatever detail may be appropriate.

62. The main Ministerial powers (such as appointment and direction) and external safeguards (eg concerning external audit) should normally be covered in the enabling legislation. It may, however, be preferable to provide for certain controls and safeguards in some other way, for example, through conditions attached to the issue of grant in aid, or in a formal document of agreement between the Department and the body. This is the normal course for detailed financial conditions and is also appropriate where it is intended that the detailed control arrangements should change over time; such changes can be made more easily if they are not embodied in legislation.

Powers and Obligations of the Body

63. The detailed powers of the body will depend on its functions and should be defined clearly. Certain general powers are frequently provided, including the following:

- power to employ and dismiss staff;
- power to pay salaries, allowances and pensions;
- power to receive and spend money (including, in certain cases, power to borrow and lend);
- power to acquire property to accommodate the body's staff and activities. (In the case of a Crown body this question will not

normally arise; unless there are special reasons to the contrary, Crown bodies should use property vested in the Secretary of State for the Environment);

- power to create subsidiary organisations

The legislation may also need to provide certain limitations on how these powers should be exercised, for example through Ministerial approval for capital expenditure.

64. Legal incorporation of a body ensures its separate legal personality and its perpetual succession. It is strongly desirable for a new executive body to be legally incorporated, especially if it is to employ its own staff. This will avoid any personal liability in respect of contracts made by the body, whether with employees, trade suppliers or otherwise. In the absence of incorporation this legal liability might well fall on the persons appointed to manage the body. See also Appendix 3.

Ministerial Powers

65. Ideally Ministerial powers over a body (whether constituted by statute or otherwise) should be placed in the hands of one sponsoring Minister. If two or more Ministers are involved there can be a danger of uncertainty about the precise division of responsibilities and about who should answer in Parliament. In certain cases, however, shared Ministerial responsibility may be appropriate. In the agricultural field, for example, some of the responsibilities of the Minister of Agriculture, Fisheries and Food apply only in England, and legislation applying to the whole of the UK would need to provide for responsibilities to be exercised also by the Secretaries of State for Scotland, Wales and Northern Ireland.

66. Except where the Minister is not a Secretary of State, statutory powers are normally vested in the Secretary of State at large; it will not usually be appropriate to name individual Secretaries of State in statute. The precise allocation of responsibilities should, however, be decided at an early stage and be made clear during the passage of legislation if there is any room for doubt.

67. It is customary for certain arrangements to require the consent of Ministers in Central Departments - eg the Minister for the Civil Service for staff pay and pensions (in Government-funded bodies) and the Treasury for borrowing.

68. Ministers should normally take powers of appointment and dismissal over the Chairman and at least the majority of Board members. It may be appropriate to provide for appointments to be made after consultation with specified organisations or for nominations to be submitted by them; in these cases the sponsoring Minister is responsible for the required consultation and for making the final appointment. Exceptionally the nature of a body or its activities may make it inappropriate for Ministers to appoint some or even any members. But lack of this power weakens the Minister's position and his ability to exercise the degree of supervision which Parliament would think appropriate.

69. Appointments should be made for a limited and specified period, not exceeding 5 years. But if it is clear that the body itself will have completed its work within a limited timescale, say after 2-3 years, period appointment would be unnecessary. Guidance on appointments may be obtained from the Public Appointments Unit in the Civil Service Department.

70. Ministers should also normally be provided with formal power to require production of information. Basic information about a body's affairs can generally be obtained from annual reports and other published material. Additionally, a good deal of information may be available through informal liaison between the Department and the body. But as a rule it is prudent for Ministers to hold in reserve a power to require the production of information which they need in order to discharge their answerability for a body's affairs. Certain categories of information, however, such as personal information or commercial confidences given in trust, may need protection in order not to inhibit the body's activities. Where it is appropriate such protection should be written into legislation.

71. Consideration should also be given to suitable powers of Ministerial direction, at least of a general character, as an appropriate safeguard; at the same time it should be remembered that they are no substitute for an effective financial regime or a sensible working relationship. If a Minister is dissatisfied with the performance of a body, a power which makes it possible to take action short of replacing appointed members may be desirable. It may also be needed to ensure compliance by the body with some essential aspect of government policy. In some situations these objectives can be achieved through conditions attached to the issue of funds but this method is not, of course, available where bodies are not in receipt of government funds and it is not appropriate for non-financial conditions.

72-74 [Unallocated]

FINANCE

Control of Expenditure

75. Where a public body is to rely on Government to finance all or part of its expenditure it is necessary to decide the controls and safeguards to be exercised by the sponsoring Minister over the body's use of Government funds. In broad terms these will depend on the purpose for which the body has been set up, and the degree of independence from Government it is intended to have. The public body must have the freedom necessary to meet its objectives: but in all other respects the presumption is that the body will comply with the procedures and standards in finance and accounting matters which apply to Government Departments. Subject to that, the greater the reliance on Government funds, the greater will be the need for controls over the body's expenditure.

76. Usually a dividing line is drawn between those bodies which rely on Government funds for 50% or more of their gross expenditure (excluding payments made on a customer/supplier basis) and those requiring less. Where Government funds 50% or more, the body should be subject to detailed financial control, together with an appropriate degree of scrutiny and monitoring of its financial performance, checks on manpower numbers and gradings, and the approval of rates of pay, pensions and other conditions of service. Where Government funds less than 50% of gross expenditure such detailed control is less likely to be required.

77. The dividing line is not, however, drawn rigidly. It may be appropriate for a body which relies on Government to finance less than 50% of its gross expenditure to be subject to a more detailed control - for example, where support from Government is substantial or where Government provides 50% or more of the body's administrative expenditure (pay, pensions, allowances and other administrative expenditure).

Method of Funding

78. The Treasury have assured the Public Accounts Committee (PAC) that, as a matter of general principle, where it is desired that a continuing function should be exercised by a Government Department (particularly where such functions involve financial liabilities extending beyond a given year) it is proper that the powers and duties to be exercised should be defined by specific statute (See Appendix 4). Therefore legislation should be the norm when a new public body is to be set up which will rely in whole or in part on Government funds, or when a Department gives financial support to an existing body. However, specific legislation is not normally necessary if the level of Government support is small or of short duration, in which case Departmental authority for the issue of a grant may rest on the Appropriation Act.

79. Government finance is provided from Votes, and where it is intended to bestow a degree of financial independence on a body which relies wholly or mainly on Government funding the provision is normally made as a grant in aid*. In other cases, for example where the activities of a body include a service provided to a department more or less on an agency basis, it may be appropriate for finance to be provided by way of a grant. In cases of doubt the Treasury will advise as to the most appropriate description of the form of finance.

80. In some instances it will be appropriate for a body to raise money by borrowing on its own credit, either from a bank or other private sources. In such cases the sponsoring departments should consider in consultation with the Treasury how far the Government should stand behind such borrowing, and whether Government guarantees are needed. Only in exceptional cases should borrowing from the National Loans Fund be contemplated. These are matters that must

*See Government Accounting, Section B51, for a definition, but note that the term is not used in legislation.

be settled before the body is set up and, if agreed, the necessary powers would almost certainly require specific statutory authority. Loans from the National Loans Fund are matched to the average lives of the assets which they are financing. The provision of loan finance presupposes that payment will be made and that interest will be paid at not less than the appropriate Government lending rate.

81. Some bodies may be financed in whole or in part by levy, normally where the services will benefit a particular group of people and the raising of funds can be concentrated on that group. In other cases it may be appropriate for the body to charge a fee for its services. In these cases enabling legislation should be considered and should normally provide for the amount of the levy or fee to be either determined by, or subject to the consent of, the sponsor Department with the agreement of the Treasury.

Interim Financial Arrangements

82. When a new public body is being created, transitional arrangements for finance may be necessary. Costs incurred on planning may normally be borne on Departmental Votes, but if certain staff of the new body are to be engaged or office accommodation hired before the body is legally in operation, there may be a need for specific provision in Departmental Votes. Circumstances will differ from case to case and the advice of the Treasury should be sought before any expenditure is incurred.

Scrutiny of Expenditure

83. The sponsor Department must ensure that procedures exist to enable the Minister to discharge his responsibilities to Parliament for the body. To this end the Department should ensure that it receives sufficient information for scrutiny and monitoring, that the conditions attaching to the grant-in-aid are duly observed, that the administrative and financial controls

applied by the body are appropriate and sufficient to safeguard public funds, and that the body is efficient, effective, and economical in the conduct of its affairs.

84. A body's financial affairs should be examined in detail annually if it relies on Government to finance 50% or more of its gross expenditure, or if the overall level of Government financial support justifies annual scrutiny; in all other cases this scrutiny should ^{normally} take place at least once every 3 years. The main focus of the scrutiny should be on the body's financial systems, its internal financial controls, and its arrangements for forecasting and monitoring expenditure. It should have regard not only to immediate commitments to expenditure but also to any contingent liability that may have been entered into by the body which could ultimately have implications for the future level of Government support. The wider relationship between objectives, finance and performance will normally be examined under the procedures for periodic reviews (see Paragraphs 212-217), although particular financial issues of concern can of course be examined whenever necessary.

85. Generally, the controls exercised by a sponsoring department should reflect powers of each body and its method of financing. This applies particularly to bodies which hold a monopoly position or are financed by compulsory levy. Thus where a body is financed partly or wholly by levy, fees or charges, there must be an agreed financial target which it is expected to achieve. Where the level of such income is to be settled by the Department, or the body is required to be fully self-financing each year, the financial outturn and prospects should be monitored annually.

Disposal of Government-financed Assets

86. Where assets of the body have been acquired or improved with Government funds and are then sold, the proceeds of sale (or the appropriate proportion if Government funds met less than the whole cost of acquisition or improvement) should be surrendered to the Consolidated Fund, unless the conditions of grant specify otherwise or specific Treasury approval to an alternative

arrangement has been obtained. There should be similar recovery, based on current asset values, if the property is used for purposes other than those for which Government funds were made available.

87. Arrangements to ensure the objectives in paragraph 86 should be made when it is agreed to provide Government funds; they may not be easy to devise and enforce but they are nevertheless important, particularly when property values are rising. There may be a need for legal advice and a requirement that any disposal or change of use should be deemed to be a sale at a price agreed with the District Valuer. Whatever the legal or other difficulties, the principle is that the recipient of Government funds should not gain an uncovenanted cash benefit from the investment and every effort should be made to ensure and enforce that principle. It applies not only to a body in receipt of Government funds but also to grants paid by such a body to others.

Conditions Attaching to a Grant in Aid

88. Before making a grant in aid, the sponsor Department should set out in writing the conditions to be attached to its issue. These should normally include:

- a. the general purposes for which the grant is issued, and the need to seek the sponsor Department's prior consent before embarking on new commitments;
- b. the headings under which the body is to account to the sponsor Department, and the limits within which money may be transferred from one heading to another without Departmental approval. (In some cases the grant under these headings will be published as an Appendix to the sponsor Department's Estimate);

- c. where appropriate, any delegated authority that may be agreed, and the degree of control to be exercised by the sponsor Department over capital expenditure;
- d. the arrangements for submitting estimates before each financial year, and for the preparation, audit and publication of accounts after the end of each financial year. These arrangements will include the need to keep proper books and records, the form of accounts, and the nature of the audit, whether public or private;
- e. conditions governing the treatment of receipts and the level of cash balances and reserves;
- f. control over borrowing, lending, the giving of guarantees, indemnities, letters of comfort, etc. Normally such power will require specific legislation, unless they are a rare occurrence or are only used for insignificant amounts;
- g. powers to write off losses and to make special payments;
- h. the need to comply with accepted recommendations of the PAC or other Parliamentary authorities, whether in relation to the body concerned or of general application;
- i. an appropriate financial control system, stores control system and the provision of financial management information;
- j. an appropriate system of manpower control;

k. conditions of an administrative or accounting nature, relating for example to contract procedures, banking procedures, property transactions, insurance or non-insurance etc, such as are set out in "Government Accounting", and other Treasury and CSD instructions;

l. the principles applicable to the disposal of assets.

89. The points above are not exhaustive but indicate some of the conditions which are normally included in the formal terms and conditions attaching to a grant in aid. Certain cases may justify a more public statement about the relationship between the Department and the body, including the framework of policy within which it is to operate.

Financial Management

90. Public bodies are required to maintain high standards of financial management in order to control spending, to use resources efficiently, and to provide reliable and timely information to the sponsor Departments.

91. Sponsor Departments should therefore ensure that proper systems of financial management are devised and effectively operated. Those systems should cover financial organisation, financial planning/budgeting, accounting and information and arrangements for internal audit. Appendix 6 provides general guidance on the basic principles of sound financial management.

92-97 (unallocated)

CONTROL OF ADMINISTRATIVE EXPENDITURE

Manpower

98. Manpower costs represent a significant part of the total administrative costs of non-Departmental public bodies. In setting up a new public body, Departments should therefore consult the Civil Service Department (the appropriate Manpower Division) on the initial complement of the new body and in addition there should normally be a "settling down" inspection by the sponsoring Department when the body has been in operation for a year or so.

99. The level of detail in which the budget is to be controlled will affect the complementing controls to be exercised. The latter are for the sponsor department to determine, taking account of such factors as the number of staff, the size of administrative costs and the proportion they represent of the body's gross expenditure. It should be a basic requirement that the body has an appropriate manpower control system, and this should be made a condition attached to the issue of grant. Such a system should include staff inspection arrangements within the body (or by the sponsor department if the body is too small), with access by the Staff Inspection and Evaluation Division of the Civil Service Department. The approval of the sponsor department should be required for the creation of posts above an agreed grading level. The approval of the CSD should also be sought for all proposed posts above the level delegated to the sponsor department for its own staff.

100. Where, exceptionally, it has been agreed that a new public body should have Crown status and that its staff should be members of the Home Civil Service, staff numbers and costs should be separately identified in Estimates and the expenditure on staff made subject to normal Civil Service complementing control and levels of delegated authority.

101-103 [unallocated]

Remuneration of Chairmen and Members

104. If the chairman and members of a non-departmental public body (whether executive, advisory or a tribunal) are appointed by a Minister and if it is decided that they should be paid, then the level of their remuneration must be determined by the Minister concerned, with the approval of the Minister for the Civil Service. Provision for this control should be included in any legislation setting up the new body.

105. Before the creation of the new non-departmental body, the sponsor department should put proposals to CSD's Pay 2 Division on the level of salaries for the chairman and members, whether they are to work full-time or part-time. If the work is irregular and intermittent, a daily fee should be paid and CSD need only be consulted if the amount proposed is above the delegated limit. For most bodies, the levels of members' remuneration will be reviewed following reviews of the pay of the higher Civil Service. CSD will issue guidance to departments at the appropriate time. However, for bodies of a clearly commercial character, salaries may be determined, with the agreement of CSD, under arrangements which take greater account of market factors.

106. Where a board member is or will be entitled to draw pension from a former public office or employment during the currency of his appointment, it is necessary to consider whether his overall income from pension and board remuneration should be abated so that it does not exceed the salary of the previous office, or the board salary if higher. Such abatement is regarded as necessary for board members in order to avoid **any danger that Ministerial** appointments are leading to excessive overall remuneration from public funds.

107-111 [unallocated]

Superannuation, injury benefits and compensation: Chairmen and Board Members

112. It is essential that the Superannuation Division of CSD is consulted at the earliest possible stage on all the issues discussed in this section and before any undertakings are given to prospective Board Members. The Occupational

Pensions Board will also need to be consulted about contracting Board Members on 'by analogy' or continuation terms out of the State Scheme under the Social Security Pensions Act 1975 (c.60).

113. Superannuation: Board Members promoted from the staff of a body are regarded as taking a step in normal career progression and may remain members of the staff pension scheme. This needs to be provided for specifically in the enabling legislation; an example is sections 49(2) and (3) of the Aircraft and Shipbuilding Act 1977 (c.3).

114. Members appointed from outside who are paid for at least 2 days a week and who have executive responsibilities are also eligible for pensionability. They have an option between being pensioned by analogy with the staff scheme or in continuation of the pension arrangements of their preceding employment (in the latter event subject to the cost being acceptable). The option may be changed at any time during membership of the Board unless irrevocable action has been taken. The enabling powers need to provide for the Board to pay or make provision for the payment of pensions, allowances and gratuities for Members and their dependants; an example is paragraph 6 of Schedule 1 to the Employment and Training Act 1973 (c.50).

115. For those pensioned by analogy with the staff scheme, the terms are subject to some modifications to reflect the circumstances of Board appointments, the need for prior Ministerial approval of discretionary enhancements and any other conditions prescribed in the letters of appointment. Benefits are paid from Board revenue, which is credited with the Members' contributions. Transfer values may be brought in from previous pension schemes with credit being given on the basis of actuarial equivalence.

116. In continuation cases the normal approach is for the Board to pay "topping up" benefits from revenue equivalent to the difference between the benefits preserved by the previous employer and what they would have been had the Member remained in that employment. There are arrangements for increasing the pensionable salary of the previous employment but this must not exceed the current Board salary. Boards should not take over premium payments on previous insurance policies because of the extra cost involved.

117. Injury Cover: Board Members who suffer injury or contract a disease which is directly attributable to membership of a Board and leads to an impairment of earning capacity may be eligible for special injury compensation benefits. Such benefits may also be payable to his dependants if this leads to his death. The benefits are normally by analogy with those for the staff but a Member pensioned on continuation terms may have the benefits which related to such terms (the normal policy is, however, to pay from Board revenue rather than continue previous insurance policies). The normal pension-enabling powers should cover such payments but Departments should consult their lawyers if there is any doubt. Where no suitable provision is available on the forgoing basis, the CSD will consider the award of benefits by analogy with Part 2 of Section 11 of the Principal Civil Service Pension Scheme. The latter is, however, a fall-back not an alternative arrangement.

118. Compensation: The enabling powers should include a power to pay compensation in the event of a Member's fixed term appointment coming to a premature end in circumstances where the sponsoring Minister with the consent of the Minister for the Civil Service considers that compensation is justified. An example is paragraphs 7 and 17 of Schedule 1 to the Employment and Training Act 1973 (c.50). The Superannuation Division of CSD should be consulted about the assessment of the compensation.

Remuneration and pensions of Staff: General

119. Bodies employing civil servants: If it is agreed that the staff of a new body are to be members of the Home Civil Service ^{then} the pay and grading, superannuation and allowances will be subject to full central control in the same way as that of civil servants in Government Departments.

120. "Controlled public bodies" Where the staff are not civil servants, the general rule is that central control of pay, superannuation, and allowances, is applied in those cases where Government funds 50% or more of a body's gross expenditure or of its administrative expenditure (see also paragraphs 76-77). The maintenance of central control in these cases buttresses the more general financial controls applied to bodies which depend on Government for the larger proportion of their income. ~~It also ensures equity between different groups of staff within the body, between the staff of bodies in a similar financial relationship with Government, and between them and other parts of the Public Service.~~ Notes on the application of central controls in these cases are given in paragraphs 122 et seq.

121. Public bodies not subject to central controls In the case of those bodies which fall outside the 50% rule as described in paragraphs 76-77, central control is not applied and Departments themselves need not exercise direct control over pay, superannuation etc. But clearly Departments should be concerned that public funds are not used to underwrite inequitable or over-generous conditions of service in "uncontrolled" public bodies and should therefore take an interest in these matters in determining the grants-in-aid; if necessary Departments should stipulate as a general condition to the payment of funds that the body is expected to correct apparent anomalies. General

advice on public service practices can be obtained from the appropriate Divisions in the Civil Service Department.

Central Controls over Staff Pay etc

122. When the pay and allowances of staff in a new body are to be controlled centrally, sponsor and central departments will need to decide whether the power to control should be statutory and therefore included in the founding legislation; generally this will be desirable. Where central control is statutory, the usual form is for staff pay and conditions to be subject to the approval of the sponsor department's Secretary of State given with the consent of the Minister for the Civil Service. This means that primary responsibility for control, and accountability for questions concerning staff pay and conditions, rests with the sponsor department. CSD's consenting role arises from its wider responsibilities for public service pay and conditions. Similar considerations arise where power to exercise central control rests on "purse strings" rather than legislation.

123. In the interests of the economical and effective administration of pay, it is desirable for the pay, allowances and grading structure for staff of controlled public bodies to be linked firmly to the Civil Service or some other public service model whichever may be more appropriate. Variations from the parent model can, however, be agreed with the CSD, either to reflect the particular needs of the body or to take account of differences in conditions of service between the parent model and the public body. It is axiomatic that sponsor and central departments cannot purport to be controlling staff pay in public bodies unless they also control and monitor the grading standards in those bodies in relation to those of the parent model. Therefore, sponsor departments should ensure that there are adequate arrangements for inspection of public body grading standards by departmental staff inspectors. Where controlled public bodies are satisfactorily and firmly linked to the Civil

Service or some other public service body it follows that changes in the parent model will be passed on so long as the link itself remains intact. Guidance notes are available from the Civil Service Department (Pay 5) on procedures for the review of detailed pay linkages based on a Civil Service model.

124. Where the controlled body cannot be linked to the Civil Service or any other public service model for pay purposes, pay rates in the body must still be based, as far as possible, on rates for functionally comparable work, with appropriate adjustments for differences in conditions of service. Where a controlled public body is not linked to the Civil Service or any other public service model, all changes in pay and conditions will generally require the specific approval of sponsor departments and the CSD.

125. Where the pay and related allowances of the staff of a public body are subject to central control by the Civil Service Department, central control is normally applied also to allowances not related to pay, such as travelling, subsistence, "home-as-office" allowances, etc. In most cases these allowances follow the rules applying to civil servants. Where it is proposed that a different analogue should be used or that different allowances should be awarded the Department should consult the Civil Service Department (Home and Overseas Allowances Division) with full justification for different treatment, before any commitment is made.

126. Where such staff allowances are not subject to the above controls Departments should nonetheless satisfy themselves that the allowances are not unacceptably out of line with the general standards appropriate to a public body for which the Government is answerable.

Superannuation, Injury Benefits and Compensation: Staff

127. Where the superannuation arrangements of the staff of a new public body are to be subject to central control, the necessary control powers should be included in any founding legislation or other Instrument or in the terms attaching to the grant-in-aid. Powers of Ministerial direction (paragraph 71) are not appropriate for such detailed matters. Whatever the extent of prior planning, firm decisions cannot be taken until after a body is set up. The enabling powers therefore need to be drawn widely and should enable the body to:

- a. pay pensions, allowances or gratuities to or in respect of its staff and compensation in excess of the requirements of the Employment Protection (Consolidation) Act 1978.
- b. Make payments towards the provision of such benefits.
- c. Maintain pension schemes (whether contributory or not).

The powers should make the arrangements subject to the approval of the sponsoring Minister given with the consent of the Minister for the Civil Service. An example is paragraph 14 of Schedule 1 to the Development of Rural Wales Act 1976 (c.75), but Departmental lawyers sometimes judge the circumstances to require additional wording to cover compensation.

128. The Superannuation Division of CSD should be consulted about the powers and the arrangements proposed in this field at the earliest possible stage. The body should also be alerted to the need to obtain the approval of the Superannuation Funds Office, Inland Revenue, to the arrangements and to consult the Occupational Pensions Board about contracting its staff out of the State Scheme under the Social Security Pensions Act 1975; it is the normal policy for such schemes to be contracted out .

129. Superannuation: The need to maintain a consistent pensions policy throughout the field for which Ministers have answerability means that there is relatively little scope to diverge from the normal terms for the major public services. Important factors in determining an appropriate model are the analogue used for other conditions of service, the working affinities of the body and the management's views on the normal retiring age.

130. Where the body is expected to have a close and continuing affinity with the Civil Service it may be possible to simplify the superannuation arrangements by admitting the staff to the Principal Civil Service Pension Scheme. It is particularly important that the Superannuation Division of CSD is consulted about any such proposals at the earliest possible stage and before the founding legislation is taken. Admission can be achieved by adding the body to Schedule 1 of the Superannuation Act 1972 by a provision in the founding legislation or by an Order made by the Minister for the Civil Service under the powers contained in sections 1(5)-(8) of the 1972 Act; the second course is only possible where the staff are paid directly from a Vote, the Consolidated Fund or a specified Fund. Benefits will then be paid from the PCSPS and the employer will only have to collect employees' contributions and pay appropriate contributions to the Civil Superannuation Vote; power to pay these will need to be taken in the founding legislation. Adding to Schedule 1 does not make the staff civil servants but they will need to satisfy the Civil Service Commission as to their health (see also paragraph 176).

131. Where the body has an affinity with local government it may again prove possible to relieve it of the need to administer superannuation by negotiating the admission of the staff to a local government scheme. The scheme will then pay the benefits and the body will collect the employees' contributions and pay these plus the contributions required from the employer to the scheme. Another

possibility is to negotiate admission to some other existing controlled scheme run by employers with whom the body has close connections.

132. In cases where Civil Service terms provide the analogue but it is not appropriate to admit the staff to the Principal Civil Service Pension Scheme, the body can sometimes avoid drawing up a comprehensive scheme by introducing one which provides simply for the provisions to be by analogy with those of the Principal Civil Service Pension Scheme as amended from time to time. Since, however, the scheme will be unfunded with benefits paid out of revenue as they arise, this is not appropriate to partly grant-aided bodies with an uncertain future since there is a risk of public funds being asked to meet the full cost of residual superannuation liabilities if the body is wound up (see also paragraph 24¹).

133. Where the above simplifications are not possible, there is no alternative to the body introducing a comprehensive scheme of its own which will need to be contracted-out with the Occupational Pensions Board and approved by Inland Revenue. Large bodies will probably wish to run funded schemes administered by Trustees while small bodies may prefer to insure the arrangements to avoid disproportionate additions to their administrative staff. Others may prefer to pay benefits as they emerge but the point in paragraph 132 about avoiding this method for partly grant-aided bodies with an uncertain future is again relevant.

134. Injury Benefits: It will be necessary to provide injury benefits for staff who suffer injury or contract a disease which is directly attributable to employment by the body and which leads to an impairment of earning capacity or death; in the latter event benefits may be payable to dependants. Where staff are pensioned in or by analogy with an existing controlled scheme they will enjoy the injury cover provided in that scheme or in association with it.

In other cases it will be necessary to devise separate injury benefit arrangements which should be consistent with the normal public service policy as reflected in Section 11 of the Principal Civil Service Pension Scheme. The benefits are paid out of revenue as they arise. Insurance-type cover should not be taken for this contingency.

135. Compensation: It is normal for the pension scheme to provide for the immediate payment of pension and lump sum accrued on actual service to those who have attained age 50 who are compulsorily retired with at least 5 years' service. Where it is desired to follow the public service practice of enhancing such benefits by added years and providing special lump sum compensation payments to these and other staff in excess of the requirements of the Employment Protection (Consolidation) Act 1978, such benefits should be provided from a separate compensation scheme

136-143 [unallocated]

ACCOUNTABILITY, ACCOUNTS, AUDIT AND ANNUAL REPORTS

Accountability

144. Parliament grants supply to the Crown and holds Ministers of the Crown accountable for the use they make of it, including the payment of any moneys to public bodies. Such bodies are accountable in the first instance to their sponsor Minister and through him to Parliament. Parliament will hold the Minister making a grant in aid responsible for, inter alia, justifying the amount of Government funds made available to the public body, and the terms and conditions attached to its issue.

145. The Treasury appoints Accounting Officers for some non-departmental public bodies which receive substantial assistance from public funds. Appointments of this kind are made by analogy with appointments of Accounting Officers in departments. The normal practice is to appoint the senior full-time officer of the body. Those so appointed have broadly the same duties as departmental Accounting Officers and exercise them on behalf of the office holder or holders in charge of the body.

146. Whether or not a public body has its own Accounting Officer, the responsibility of the Accounting Officer in the sponsor department is to ensure that the conditions attached to the grant in aid conform with the terms of the Vote; to monitor compliance with these conditions by the body; and to satisfy himself that the financial and other controls applied by the sponsor department are appropriate and sufficient to safeguard public funds. Among other things he will need to satisfy himself about the quality of the body's management. The Accounting Officer of the body in receipt of the grant in aid has a special responsibility to see that the rules and conditions laid down by the department issuing the grant in aid are observed.

147. An Accounting Officer in a grant-aided body will normally appear before the PAC alongside the departmental Accounting Officer responsible for payment of the grant in aid.

148. The absence of an Accounting Officer appointment in a non-departmental body does not lessen the nature and scope of its accountability to Ministers and through them to Parliament, or the right of the PAC to take evidence direct from the body if it wishes. The approved signatory of the accounts, normally the Chairman or Chief Executive, will, as in the case of a departmental Accounting Officer, automatically assume a primary responsibility to answer for that body in any examination by the PAC and may be summoned to appear before the Committee for that purpose.

149. The precise division of responsibility between the sponsor Department, on the one hand, and the public body, on the other, will depend on the circumstances of each case. It is important, however, that the arrangements should be clear and agreed at the outset. The arrangements should reflect the need for dual involvement in the development of policy and in the oversight of performance, but should not involve duplication of effort in detailed management, execution of policy and control. To avoid confusion or misunderstanding, it is good practice for the Accounting Officer of the Department to meet a new chief officer on his appointment to a body in order to discuss their respective responsibilities.

Accounts

150. The Treasury has an interest in the form of accounts of all non-departmental public bodies, and in certain cases is required by statute to prescribe or approve their form, in consultation with the sponsor department. The Treasury will consult E&AD when audit by the C&AG is involved or preferred. The Treasury must, therefore, be consulted at a formative stage

in the setting up of a new body, or where it is proposed to alter the form of accounts of an existing body. Generally, the body's annual estimating and accounting system should be geared to produce estimates and accounts in the form and by the dates required, to provide the detailed information required by the sponsor Department so that it may exercise its scrutiny and monitoring responsibilities, and to provide the information which the body itself requires to meet its internal financial management needs.

Audit

151. The Treasury must be consulted at the earliest opportunity, and certainly before legislation is drafted, so that careful consideration can be given to the arrangements for audit of the accounts of a public body.

152. The broad principle applied in considering audit arrangements for a non-departmental public body is that where the body's major source of income is Government money, the C&AG should be appointed its formal auditor or be granted a right of access to inspect its books and records. In this connection, no distinction should be made between bodies directly financed from Government funds and bodies which, while not of a commercial character or subject to the pressures of competition, are able to use their Government-backed status to raise money, for example by levy or loan. Where a body is to receive only a minor part of its income from Government sources, the Treasury should be consulted about whether special arrangements are required for purposes of Parliamentary accountability and hence whether provision should be made for the C&AG to have rights of access to inspect the books and records of the body.

153. In relation to bodies for which Ministers are not directly responsible, an important objective of the C&AG's examination is to review the effectiveness of the arrangements under which Ministers monitor and control

the payment of Government funds; examination is, therefore, not restricted to the financial transactions of the bodies in isolation.

154. Giving the C&AG the right of access to books and records, rather than formal audit responsibility, does not imply any relaxation in Parliamentary accountability. Representatives of bodies in this category may still be summoned to attend meetings of the PAC; the scope of enquiry there would not be limited to the way in which the body itself had conducted its financial activities but would also extend to the sponsoring Department's scrutiny of the body's expenditure and the body's systems of financial control.

155. Legislation should normally provide for a public body's accounts to be submitted for audit by a specified date, and for the audited accounts to be laid annually before Parliament and published within a specified time after the end of the body's financial year. Even in the absence of such a provision in legislation, public bodies should publish audited accounts with their annual reports unless there are good reasons for not doing so.

Annual Reports

156. Annual reports and accounts are the main vehicles by which a body regularly informs Parliament and the public at large about its activities and its expenditure. They should therefore be as informative as possible, without being lavish, and should provide sufficient material for the reader to form a judgment on the cost-effectiveness of the organisation's activities and on the costs and benefits involved. If necessary the sponsor Department should advise the body on the content of the report and accounts in order to achieve this.

Information about Remuneration and Expenses of Members and Staff

157. The following paragraphs set out requirements concerning the disclosure of information about the remuneration and expenses paid to members and staff of non-departmental public bodies. They apply to all such bodies which spend money and publish accounts.

158. For this purpose 'remuneration' includes all salaries, fees and taxable benefits in **kind**, and is synonymous with 'emoluments' as conventionally interpreted. 'Expenses' covers payments of a compensatory nature made to individuals, including payments for travelling, subsistence and entertainment.

159. Remuneration of Chairmen and Board Members. Information should be published in annual accounts in at least as much detail as required by the Companies Acts. Thus the total remuneration should be disclosed together with the remuneration of the Chairman (and that of the highest paid member if paid more than the Chairman). Particulars of Members' remuneration should show the number (if any) who receive nothing or whose payments amount to not more than £5000 per person, and then the numbers whose remuneration falls in bands of succeeding multiples of £5000. See also paragraph 161.

160. Remuneration of Staff. Accounts should show the number of staff (if any) who received £20-25,000 and then upwards in succeeding bands of £5000. If the average number of employees exceeds 100 the accounts should show the average number employed during a typical week and the aggregate remuneration of staff during the year.

161. Expenses. Accounts should preferably show the total figure of expenses paid to a. the Chairman and Board Members and b. staff. If expenses are not recorded separately for these categories, a total figure may be shown for Chairman, Members and staff.

162. Where, exceptionally, the staff of the body are civil servants, standard rules will apply for remuneration and expenses. In these cases sponsoring Departments should use their discretion in publishing additional information, unavailable from other sources, which will allay any reasonable grounds for concern on this score.

163-164 [Unallocated]

RECRUITMENT OF STAFF AND PERSONNEL MANAGEMENT

General

165. Effective recruitment and personnel management are important for the administrative efficiency of any organisation. Formal control in this area by the sponsor Department would, however, be incompatible with the degree of managerial independence appropriate for a public body set up to operate at arm's length from Government. Equally, formal control in certain areas such as the application of employment legislation would be inappropriate for bodies which have a separate legal status as employers. Sponsoring Ministers nevertheless need to satisfy themselves that the practices of bodies in recruitment and personnel management meet certain minimum standards expected of employers in the public service. Once the body has been set up, the Department should maintain contact with it on these matters and respond to requests for advice but without interfering in personnel matters unless there is evidence - eg from its annual report, or an audit query - that a serious staffing problem may have arisen.

Staffing Arrangements

166. Government has a general responsibility for ensuring that a body it has set up *has* a smooth and effective start to its work. The sponsor Department should, therefore, give the new body general guidance on its recruitment and personnel management practices. In particular it should offer advice and assistance on the appointment of its Personnel Officer, on the development of the main features of an appropriate personnel management system, on the scope for co-operation with other organisations (for example by sharing staff and establishing common management of staff), and on the arrangements for industrial or staff relations. The new body should be encouraged to establish a satisfactory industrial relations system at the

as in the civil service;

outset. Staff should be encouraged to belong to a union, the body should establish, as soon as possible, which trade union will represent the staff and should then consult, as necessary, the appropriate trade union representatives on matters affecting the staff of the body.

167. National agreements (eg Civil Service, National Whitley Council Agreements) will not apply unless separate agreements to this effect are concluded within the particular body.

168. Exceptionally, it may be appropriate that a non-Crown body with executive etc functions should be supported permanently by civil servants (see paragraph 54). The agreement of the Civil Service Department should be obtained and the staff should be assigned on secondment, whether from the sponsoring Department or other Departments (see paragraph 55). Such secondments should not normally exceed three years. The longer the period of secondment the more likely it is that doubts could arise about the individual's continued status as a civil servant, and his career prospects in the Civil Service are more likely to be affected through detachment from his normal Departmental work.

169. Where the functions of a new body are to be transferred from a Government Department and it is proposed to invite civil servants to transfer with the work, the Department concerned should consult the Civil Service Department (Personnel Management, Home and Overseas Allowances, and Superannuation Divisions) about the necessary arrangements.

170. The sponsor Department may staff the new body for a limited specified period by existing civil servants on secondment. Officers on secondment do not cease to be civil servants. They remain on their parent department's books and are still part of its staff. At the expiry of the period, it may be possible for seconded staff to transfer permanently to the new body.

171. Where there are no suitable posts available in the Civil Service, refusal to transfer permanently to the new body may result in redundancy terms being applied to the individual concerned: no hard and fast rule can, however, be laid down and each case would need to be decided on its individual merits. Once a civil servant has been transferred to a new body as an employee, he has no right of return although it may be open to him to seek reinstatement within the terms of the normal reinstatement rules; no general undertaking to find Civil Service posts (eg in the event of redundancy in the new body) may be given without consulting the Civil Service Department (Personnel Management and Home and Overseas Allowances Divisions).

172. If, by virtue of a statutory provision, civil servants are to be transferred with their work to a non-Crown non-departmental public body, and for that reason are not to be eligible for redundancy payments, then the legislation should require that their new terms, taken as a whole, are not less favourable than the old. These conditions of service will be subject to negotiation between the sponsoring Department and the Departmental Staff Side. The Civil Service Department (Personnel Management and Superannuation Divisions) should be consulted when staffing arrangements are being worked out.

173. Employment protection legislation provides that if an employee is transferred from his employment with one employer to an associated employer the continuity of employment will be preserved for the purposes of unfair dismissal, period of notice and redundancy payments. If an officer transfers from one Crown employment to another the continuity of employment will be preserved. This does not normally apply, however, to transfers between Government Departments and non-Crown bodies, and in such circumstances continuity can be

maintained by allowing the "hived-off" staff to go out on secondment terms, thus remaining civil servants, until the new body can offer them permanent appointments. Where appropriate, Departments should seek the advice of their legal advisers on these matters.

Recruitment of Staff by the Civil Service Commission

174. Where, exceptionally, the staff of a non-departmental body are civil servants, the Civil Service Commission (CSC) will be responsible for approving and certificating all appointments of more than 12 months' duration. In practice, the recruitment arrangements for staff below Executive Officer level would be delegated by CSC to the body.

175. The Civil Service Commission is not responsible for recruitment of staff who are not civil servants and will not normally undertake such recruitment. Advice on suitable arrangements for the recruitment of staff for any type of public body may, however, be sought from the CSC (Secretariat).

176. If a non-Crown body is added to the schedule of bodies covered by the PCSPS (see paragraph 130), CSC is prepared, on a repayment basis, to conduct health checks on staff of that body on initial appointment, so that they would be covered for ill health enhancement in the event of retirement on medical grounds. The CSC (Secretariat) should be consulted about the administrative arrangements as early as possible.

177-179 [unallocated]

MISCELLANEOUS GUIDANCE ON SETTING UP NEW PUBLIC BODIES

Provision of Common Services

180. When a new body is set up, it may be appropriate for the sponsor Department to provide the body with temporary accommodation in buildings it occupies itself and to provide other services, such as furniture, stationery etc, temporarily from its own resources. But arrangements for longer term accommodation and supply of services should be introduced as quickly as possible. Departments should consult the common services Departments, including the Property Services Agency, the Stationery Office and the Civil Service Department (Central Computer and Telecommunications Agency), as to whether longer term supplies may be obtained through the common service agencies. If possible this should be settled before the body is set up.

181. Bodies funded by grant-in-aid (even if 100% funded) are normally expected to pay the full cost (including overheads and VAT) of any common services provided by Government Departments (including the sponsor Department). This should also be the case for other support services, eg calculation and payment of the salaries of the body's staff, all of which should be provided on a repayment basis. This arrangement ensures that the total cost of the body is evident and is not spread over the Votes of the common service Departments as well as the parent Department.

182. Where the Property Services Agency agrees to provide accommodation and/or services in advance of the body being set up, it will require an undertaking from the sponsor Department, on behalf of the body, that its costs will be repaid.

183-184 [unallocated]

Disqualification from House of Commons

185. Where all members, or particular members, of a body are to be appointed, nominated or approved by Ministers, and there is provision for paying them any form of remuneration (including pensions, though not including expenses), there will be a prima facie case for disqualifying them from membership of the House of Commons. Under present legislation the disqualification would also apply to the European Assembly unless a special order were made. In the case of bodies set up by statute, disqualification should normally be effected in the primary legislation. In all cases where disqualification is or may be appropriate, the Civil Service Department (MG Division) should be consulted.

Location of Offices

186. Bodies wholly or partly financed by Government funds are expected to reflect, whenever possible, considerations of regional policy so far as the location of their work is concerned. When a new body is being set up, or when existing work is being relocated, it is therefore essential that the location policy aspects should be considered at the earliest opportunity. In the case of new bodies, this should be done before the body is formally set up and before any senior appointments (eg Chairman, Board Members, Directors) are made.

187. The Civil Service Department (PM Division) is responsible for providing central guidance to departments and for initiating discussions between those Departments (Property Services Agency, Employment, Environment, Industry, Scottish and Welsh Offices, and Treasury) directly concerned with the implementation of location policy as it affects both Government work and that of non-departmental public bodies.

Public Records

188. When a new non-departmental body is being established and will be financed wholly or mainly by the Government (other than one predominantly concerned with Scottish or Northern Irish affairs, for which see paragraphs 194-195), it is necessary to decide whether it should be subject to the provisions of the Public Records Acts 1958 and 1967. Wherever necessary, the issue should be placed beyond doubt by statute.
189. Such bodies should usually be made subject to the Acts, which have no effect on their independence in any other respect. The Acts require that, under the guidance and superintendence of the Keeper of Public Records, arrangements must be made for the selection and preservation of records of permanent value and for the early disposal of the remainder; that records selected for preservation shall be transferred to the Public Record Office not later than 30 years after their creation and that they shall be made available there for public inspection, normally when they are 30 years old. The intention is to forestall criticism of mishandling of the records and of undue secrecy, while ensuring that worthless papers are not retained in expensive accommodation. In addition, making a body subject to the Acts facilitates the temporary or permanent transfer to the new body of those government department records which it may require for administrative purposes, and also their subsequent recovery.

190. Departments responsible for setting up a new body should determine whether or not the proposed constitution will bring it within the provisions of the Public Records Acts without separate statutory provision, normally a consequential amendment to the First Schedule to the Public Records Acts 1958. Any cases of doubt should be referred to the Lord Chancellor's Department. If the sponsoring department considers that the new body should be exempt from the Acts, it is nevertheless asked to make contact with the Lord Chancellor's Department.

191. When a non-departmental body whose records are not to be regarded as public records takes over the functions previously assigned to a Government Department, it is usual for the new body to be loaned for a finite period the current files and papers relevant to those functions. The Departmental Records Officer should be notified of such loans.

192. When a non-departmental body is set up to replace an existing body, it is sometimes necessary to make specific provision for the disposal of certain of the records of the superseded body. If the body is being established by statute, the necessary provisions can be embodied in the Act. Where a body is to be superseded or disbanded, the Departmental Records Officer of the sponsor Department should be consulted about records.

193. When a non-~~departmental~~ body is abolished without its functions being transferred elsewhere, arrangements should be made for the disposal of those of its records worthy of permanent preservation. Those of bodies subject to the Acts should be transferred to the Public Record Office in the normal way; those of other bodies can, with the agreement of the Keeper of Public Records, be accepted by the PRO as a deposit or a gift.
194. The records of any Government Department or body which is wholly or mainly concerned with Scottish affairs, or which carries on its activities wholly or mainly in Scotland, are excluded from the Public Records Act, 1958 (sch. 4, para 2(2) (a)). The records of public bodies in Scotland are normally treated as records belonging to Her Majesty for the purposes of the Public Records (Scotland) Act, 1937. Advice concerning such records should be sought from the Keeper of the Records of Scotland.
195. Similarly, it is desirable that the records of public bodies sponsored by the UK Government and having functions which relate wholly or mainly to Northern Ireland, should be treated as 'Imperial' public records under the Public Records Act (N.I.), 1923. Advice concerning such records should be sought from the Deputy Keeper of the Records of Northern Ireland.
196. General advice on record matters is available from

The Keeper of Public Records, Public Record Office,
Chancery Lane
London WC2A 1LR
01-405-0741

The Keeper of the Records of Scotland, Scottish Records
Office,
HM General Register House
Edinburgh, EH1 3YY
031-556-6585

The Deputy Keeper, Public Record Office of Northern
Ireland,
66 Balmoral Avenue
Belfast BT9 6NY
0232-58225

197-199 [unallocated]

Security

200. Advice on security matters should be sought from the sponsoring Department's Security Officer who may, in turn, wish to consult CSD.

201. Where a body is to deal with or have access to classified information, adequate personnel and physical security measures should be taken. If the access is such that it is desirable that the body be covered by Government Security Regulations this may be effected either by explicit provision in the enabling legislation, or, where that legislation provides for Ministerial directions, by such a direction.

202-205 [unallocated]

REVIEW OF NON-DEPARTMENTAL BODIES

General

206. The main lines on which a non-departmental body is to operate should be laid down in enabling legislation or in formal documents of various sorts (eg plans, reports, conditions attached to grant-in-aid). The role of the sponsoring Department on a day-to-day basis is essentially to keep in touch with the body as appropriate, to provide assistance, and to avoid unnecessary interference or duplication of work. At the same time it will be necessary to monitor and appraise the work of the body in order to ensure that:

- a. the Minister is adequately informed so that he can take decisions on the policy which lies behind the work of the body;
- b. the body has adequate systems of financial control and uses them effectively;
- c. the body is generally conducting its affairs in accordance with the high standards expected of a public body;
- d. the Minister is in a position to judge whether the body is achieving its objectives; to appraise the need for the body's continued existence; and to review the degree of Government funding and the general mode of operation.

207. Precisely how the Department should achieve these aims will vary from body to body, and will depend partly on how close a relationship Ministers decide is appropriate. In some cases, for example, Ministers may judge it inappropriate for very detailed monitoring and control to be exercised; in others the work of the body may be so strongly related to that of the Department that a very close relationship is essential.

208. Paragraphs 83-85 describe the financial scrutiny that should be undertaken for bodies which depend on Government funds. There is, however, a more general requirement that non-departmental public bodies should be reviewed from time to time so as to judge the need for their

continued existence and the success or otherwise of their form of organisation and method of operation. The following paragraphs describe broadly how Departments might go about reviews of this sort.

209. Departments should bear the following principles in mind:

- a. particular reviews are only one aspect of the wider relationship between Departments and non-departmental public bodies, and form part of the constant supervision and scrutiny that should take place;
- b. each Department is responsible for deciding how reviews of its bodies should be conducted, as well as for decisions on the bodies themselves;
- c. sponsoring Ministers should decide how fully they wish to be involved in reviews; it will be for them to defend the existence and operation of the bodies;
- d. the whole process should be kept as simple and unelaborate as possible.

Reviews of Advisory Bodies

210. The precise questions to be asked will vary with the body. The following questions, however, should be asked in all cases:

- a. is there a continuing need for outside advice in the field covered by the body?
- b. if so, is it necessary to maintain a special and formal body for this purpose, or could the need be met equally well by informal, ad hoc methods?
- c. is the body doing a good job, judged by its terms of reference and the practical usefulness of its advice?
- d. should changes be made in the composition and operation of the body (eg frequency of meetings) which would streamline its work and/or reduce departmental support costs?

- e. is there scope for amalgamating the body with another one or, in the case of a network of bodies, for reducing the size of the network?

211. It is for the Sponsoring **Minister to decide the method by which** each body should be reviewed and the depth of the review.

Reviews of Executive Bodies and Tribunals

212. The general objectives of the reviews of executive bodies and tribunals are:

- a. to ensure that the continued need for the body is questioned on a regular and systematic basis;
- b. to identify areas for savings in the expenditure both of the Department and the body;
- c. to identify areas for savings in public service manpower;
- d. to examine and, if necessary, clarify and adjust the relationship between a body and its sponsoring Minister.

The pursuit of these objectives will involve an assessment of each body's effectiveness together with a view on its form or organisation, internal structure and method of operation.

213. Departments therefore need to address inter alia the following questions:

- a. is the function essential? **Does it fully justify the cost of carrying it out?**
- b. if the answer is that the function is **essential and** sufficiently valuable, is it best carried out by the body in question rather than by another means?
- c. is it being carried out well and economically?
- d. conversely, would there be any substantial loss or disadvantage if the body were wound up?

214. Sponsoring Ministers will decide which bodies should be reviewed at which time. In drawing up proposals Departments should:

- a. take account of any special factors or commitments relating to particular bodies;
- b. keep the procedure cost-effective and economical in the use of departmental manpower;
- c. consult CSD and the Treasury, who may have a concern that a specific aspect of a body's work should be covered in a review (eg systems for the control of manpower);

215. The sponsoring Minister will also decide how reviews should be conducted. In some cases, perhaps the majority, the Minister may conclude that a scan of the body is all that is required - ie a check to confirm that the body should continue to exist in its present form - and that no more searching review is called for.

216. When a more detailed review is required, it may take a variety of forms: eg

- a. a desk study;
- b. a specially appointed project officer;
- c. an inter-departmental group;
- d. a review by one or more people from outside the Department.

217. In some cases, CSD and the Treasury may wish to contribute to reviews of a more detailed kind. They should also be given an opportunity to comment on the proposals arising from detailed reviews before final decisions are taken.

Facts and Figures on Non-Departmental Public Bodies

222. In order to provide Ministers and Parliament with information about public bodies, the Civil Service Department is responsible for keeping up to date a list of non-Departmental public bodies, their manpower and expenditure, and of associated expenditure by Departments. Departments are asked therefore to provide this information towards the end of each year for all bodies in existence on 1 April the same year, ie to cover expenditure incurred in the preceding financial year. Departments themselves are responsible for the accuracy of their entries in the lists, both for the bodies covered and also for the information given about them.

223. The information should cover the non-Departmental public bodies referred to in paragraph 2(d) namely:

- i) bodies with executive, and administrative, regulatory or **commercial**-type functions;
- ii) bodies whose role is solely to advise Ministers and their Departments;
- iii) tribunals and other judicial bodies

224. The intention is to provide information about basic resource costs, ie staff employed and gross expenditure. Departments are asked to provide data for:

- a. the number of employees of the body itself, at 1 April immediately following the financial year to be covered; and for the relevant financial year
- b. total gross expenditure of the body;
- c. the amount in (b) directly funded by Government;
- d. other expenditure incurred by sponsoring Departments.

Detailed guidance on the provision of this information is given by the Civil Service Department.

225. The departmental lists need not include

a. short-term working groups or committees of enquiry which are set up to examine and advise on a specific issue and which are expected to last for less than a year;

b. groups within the wider public service which have no independent role, which comprise officials representing Government Departments and representatives of local government, the National Health Service, the Police or the Fire Services, and between which there is an essential working relationship.

226. Where Departments are doubtful about the inclusion of a particular body, they are asked to consult the Machinery of Government Division of the Civil Service Department.

227-231 [Unallocated]

DISSOLUTION OF PUBLIC BODIES

Legislative Action

232. A public body continues to exist so long as the founding instrument remains in force. But when a decision has been taken to dissolve a body Ministers may also decide to wind down its affairs in anticipation of its dissolution in law. It is customary to inform Parliament of such proposed action and this should always be done where the body has been set up by or under an Act of Parliament.

233. The abolition of a body established by or under statute will generally require primary or ^{secondary} ~~second~~ legislation.

234. In certain cases the founding instrument may have provided for automatic dissolution after a specified period or after specified tasks have been completed. Departments may consider it appropriate to provide for this in setting up an executive body with a fairly finite mission. But in general it would not make for good management and morale and successful recruitment to go beyond this type of case and generally to give executive bodies only a short initial lease of life, subject to periodic renewal. (See also para 48 on advisory bodies).

Surrender of Royal Charters

235. If a superseded body was incorporated by Royal Charter, arrangements must be made for the Charter to be surrendered. This is done by the body concerned petitioning the Queen in Council to accept the surrender of their Charter. The Petition is accompanied by an appropriate Deed of Surrender together with the original Charter bearing the Great Seal (and any Supplemental Charters). All these documents should be sent to the Privy Council Office. Acceptance of the surrender is signified by an Order in Council which usually recites the terms of the Deed of Surrender. The chartered body ceases to exist from the date on which such Order in Council is made.

236. The procedure, and the form of the Petition and Deed of Surrender, may vary according to the body's constitution and the circumstances of its dissolution, and the Privy Council Office should be consulted in every case.

Termination of Royal Commissions

237. Royal Commissions normally cease to have any existence once they have completed their task. But in some instances a Commission may be superseded by a new Commission. In such cases the superseded Commission needs to be formally wound up, by the issue of a further Royal Warrant.

238. Where a Royal Commission is not superseded by another body but where no appointments are made to fill vacancies which arise in the course of extended researches, the Commission may be considered defunct if no report is made after a lapse of months.

Removal of Commons Disqualification

239. Where a body whose members were disqualified from membership of the House of Commons is to be dissolved by statute, the legislation should provide for the removal of the relevant entry from Schedule 1 of the House of Commons Disqualification Act 1975. Where such a body is to be dissolved by other means, the CSD (Machinery of Government Division) should be informed so that the entry can be removed from the Schedule in due course by Order in Council.

Compensation for redundancy

240. When a body is wound up, Board Members who are not found alternative appointments may be due for the compensation referred to in paragraph 118. Staff who are made redundant will normally be entitled to the benefits referred to in paragraph 135. It is important to check that the statutory powers are adequate to pay compensation; if not, provision should be included in the

winding-up legislation. If, by virtue of a statutory provision, the staff of a body which is to be abolished are to be transferred compulsorily to another body with their work then it is essential (in order to help to avoid claims for redundancy payments) that the legislation should require that their new terms, taken as a whole, are not less favourable than the old. Where staff are given the opportunity to transfer voluntarily to other work in the public sector as the alternative to being declared redundant, there is also a need to ensure that the new terms are no less favourable.

Residual Superannuation Liabilities

241. When a non-Departmental public body is abolished, it is important to establish that adequate powers exist to meet the residual superannuation liabilities for Board Members and staff. Inadequacies in statutory powers should be remedied in any new legislation which is need to abolish the body. The source of finance to meet the residual liabilities should also be carefully determined, particularly when the body was only partly grant-aided (see also the comments in paragraphs 132 and 133 about setting up superannuation arrangements for such bodies). For wholly grant-aided bodies the financial source may well be the Vote from which the grant was paid, but each case needs to be considered with the Treasury and CSD Divisions concerned. In some cases, a major part of the residual liabilities may be covered in alienated Funds which will fall to be dealt with in accordance with the provisions in the Trust Deeds; and some other schemes may be insured. But extra costs are still likely to arise, eg for future pensions increases which formed part of contractual commitments. In all cases, it will be necessary to clarify who will have the responsibility for paying the benefits in the future. Some of these problems will be avoided where there is a successor body to take over the residual liabilities or where it is possible for the staff to transfer their accrued superannuation rights to another scheme. But the question of powers will still be important, and when reliance is placed upon adequate existing powers it is important that these are not repealed too soon.

Other

242. Paragraphs 86-87 deal with the disposal of Government-financed assets.

NOTE ON CLASSIFICATION OF PUBLIC BODIES

1. There are no legal or commonly accepted classifications of non-Departmental public bodies which have a part in the processes of government but which are neither part of the core of central Government nor of local government. They are often referred to as "Quangos" but this is not a definitive term and it is given widely different meanings by different commentators. The main difficulty in arriving at classifications suitable for all purposes is the heterogenous nature of the bodies in this area; they embrace a wide range of public functions, constitutions and relationships with Government.

2. CSD classifies non-Departmental public bodies into a number of groups, each of which presents sets of characteristics slightly different from the others. These differences need to be taken into account in examining the bodies' relationship with Government, in reviewing their organisation and structure and in considering their continued need. These groups are as follows:

a. Nationalised Industries, other Public Corporations and companies in which the Government has a part shareholding.

This important group is a focus of continuing attention in Government and Parliament. The special relationships between these enterprises and Government reflect their commercial nature and ^{they} are kept under constant review in each case;

b. Agricultural Marketing Boards

These are essentially "producer" organisations which, although statutory, operate with a large degree of independence of Government; their relationships with Government are kept under continuing review in order to take account of EC agricultural policies;

c. National Health Service Bodies

This group includes Health authorities, special health authorities and certain other public bodies which are integral to the National Health Service, whose functions wholly relate to the management and operation of the NHS and the position of which needs to be considered in the context of the NHS as a whole. In each case there are statutory and other arrangements for regular scrutiny and monitoring;

d. Other non-Departmental Public Bodies, which are of 3 kinds:

(i) Bodies with executive, etc functions

This group consists of public bodies which carry out inter alia administrative, executive, regulatory and commercial-type functions. They operate typically within broad policy guidelines set by Departmental Ministers but are in varying degrees independent of Government in carrying out their day-to-day responsibilities;

(ii) Departmental Advisory Committees and Commissions

This group consists of bodies which are set up by Ministers solely to give advice to them and their departments on matters of interest to them. Generally, they do not employ staff or incur expenditure on their own account.

(iii) Tribunals and other Judicial Bodies

This is a specialised group of judicial bodies which are akin to courts of law. The functions, constitutions and the procedures of most tribunals are kept under review by the Council on Tribunals.

3. The placing of a particular body in a particular group depends on the characteristics of the body. This needs to be agreed with CSD since the classification will have implications for the general framework of the body's operations, for the arrangements to be determined for keeping the body and its performance under review and for the degree of Central Departmental involvement. In the case of existing bodies classifications have already been agreed. CSD should be consulted about the classification of new bodies.

CREATION OF NEW PUBLIC BODIES: MODEL NOTE OF GUIDANCE TO COMMITTEES OF ENQUIRY

In considering their recommendations, Committees are asked to take account of the Government's broad approach to the creation of new non-departmental public bodies. Ministers believe that such bodies can play a valuable role in the right circumstances. But, as the Prime Minister told the House of Commons on 3 December 1980:

"There are always pressures for the creation of new bodies. We shall be robust in resisting them. But we shall approve proposals for new bodies if we can be convinced that the function is essential and that a non-departmental body is the most appropriate way to do the job - as in the case of the Urban Development Corporations and other bodies we have set up."

It is not the intention that Committees of Enquiry should feel inhibited from recommending the creation of a new public body where they are convinced that this is the best solution. Committees are nevertheless asked, in the light of the Government's general policy on this issue, to give full consideration to alternatives - such as the performance of the task by a Government department or an existing non-departmental body - before putting forward recommendations of this kind.

General

1. This Appendix gives further guidance on methods of establishing public bodies. Departments should, however, consult their legal advisers in all cases other than proposals for straightforward advisory bodies. Sponsoring departments may also need to consult with the MG Division of CSD (see paragraph 44 in the main text) or with other Departments who can provide specialist advice.

Acts of Parliament

2. There are various reasons why legislation may be necessary or desirable in establishing new executive bodies and tribunals, eg

- a. if the body is to be financed by loans from the National Loans Fund;
- b. if the body is given powers to raise funds by levy;
- c. more generally, if the body involves continuing functions requiring the expenditure of public funds beyond one year (see para 78 and Appendix 4);
- d. if statutory functions are to be transferred from the Department or from another statutory body, or if the new body is to exercise authority over other statutory bodies.
- e. if it is to be legally incorporated; incorporation as a statutory body confers a clear and defined legal authority.

Incorporation under the Companies Acts

3. A body corporate may be established under the Companies Acts as well as by or under an Act of Parliament. The registration of a body as a company does not necessarily remove the body from Government control; nor does it follow that such a company is not a non-departmental public body.

4. The Public Accounts Committee has expressed its view on the question of creating a company under the Companies Acts to undertake public functions. In broad terms this is that Ministers should establish a company only where it can be demonstrated that there is no better way of arranging for the task to be done, but that even so Parliament should be given an opportunity to approve the Government's proposal (see Third Report from the PAC Session 1967-68, paras 76-83, National Seed Development Organisation; also Third Report from the PAC, Session 1974, paras 165-169, British Museum Publications Department).

5. The Department of Trade can provide general advice about incorporation under the Companies Acts.

6. Companies limited by shares. When a non-Departmental organisation is to carry out trading functions it may be appropriate for it to be set up on the same basis as a company in the private sector. In such cases the body may be established under the Companies Acts as a Company limited by shares. It will then be subject to statutory controls by the Department of Trade just like any company in the private sector. In some instances, the trading activities and financial arrangements of a company set up by the Government under the Companies Acts may be further controlled by specific legislation. Each case should be considered on its merits in consultation with the appropriate Treasury Division. A company limited by shares may be either a private company or a public company with a Stock Exchange quotation whose shares may be purchased in the market. The Memorandum and Articles of Association defining the objects of the company and the regulations for the management and conduct of its affairs must be registered by the Registrar of Companies in conformity with the Companies Act. It may be appropriate for these Articles to contain special provision, eg for Government directors.

7. The Government may also acquire all or part of the share capital of a company originally established in the private sector under the Companies Act; or it may take a debenture on the assets of such a company, sometimes as part of a scheme of financial assistance. In these cases a reconstruction of the company is not always needed, so that no new body is created in a legal sense.

8. Companies limited by guarantee and unlimited companies. Companies need not be limited by shares but may be limited by guarantee or may be unlimited. Companies limited by guarantee are normally formed for charitable or for other non-trading purposes, but may also be used for trading activities. Establishment as a company limited by guarantee does not dictate a particular relationship between the body and a Minister. This will depend inter alia on arrangements for appointing the Chairmen and Directors and on other controls which may or may not be given to the Minister. Whether a body is to be classified as a non-departmental public body will depend on the precise arrangements that are made.

Royal Charter

9. Bodies incorporated under Royal Charter have their independence from the Government recognised and preserved by the Charter, which defines the objects of the body, its constitution and its powers to govern its own affairs.

10. Incorporation by Royal Charter is not often used and has usually been confined to certain universities, professional regulatory bodies, and bodies like the BBC, the British Council, and the Research and Sports Councils. Departments considering establishing a public body by this means should consult the Privy Council Office for advice on policy and procedure.

Treasury Minutes

11. A body can be set up by Treasury Minute when there is no need for specific legislative authority for expenditure and when the body to be established does not require a legal personality. A minute, which records a resolution of the Lords Commissioners of the Treasury, is a formal document and may authorise the submission of an Estimate on which Parliament can vote the necessary funds for the body so created. In these cases, legislative approval of the expenditure rests on the Appropriation Act. In view of the understanding between the Treasury and the Public Accounts Committee described in Appendix 4, the use of Treasury Minutes for this purpose is now rare.

Shadow Organisations

12. By definition statutory bodies cannot have a corporate legal existence until Royal Assent to the enabling Bill has been obtained. From time to time, however, Ministers may decide to designate prospective members of the proposed board and to bring them together on an informal basis, for example as an organising committee, in advance of legislation. Past practice has been that the decision to set up a "shadow" organisation has been announced during or after the Second Reading of the relevant Bill.

13. It is a question of judgement for Ministers whether to establish a shadow organisation in this way. However, it should be noted that shadow arrangements have been subject to some criticism in Parliament, especially where the proposal to set up the new body is controversial, on the grounds that such action can be interpreted as prejudging Parliament's intention. It will be for Ministers, therefore, to balance considerations of Parliamentary propriety and public controversy against the benefits from creating a shadow organisation or appointing members designate before legislation has been passed.

Ministerial Advisory Bodies

14. A Minister is entitled to take advice from whomever he wishes. Consequently, no special machinery is required to bring advisory bodies into being; they are normally set up by administrative action by Ministers. The costs, if any, of advisory bodies, are borne on Votes for which the Department itself is accountable.

15. Unless there are special reasons to the contrary, advisory bodies should not be entrenched in statute. Among other considerations, this tends to make the process of establishment and dissolution more cumbersome than is usually necessary. It is nevertheless common for the Minister concerned to inform Parliament of his action in establishing an advisory body, even though the approval of Parliament may not be required.

Royal Commission

16. A Royal Commission set up under the Royal Prerogative is a more formal and prestigious type of advisory body than one set up by Ministerial administrative action. This normally involves the issue to the Commissioners of a Royal Warrant by the Sovereign on the advice of a Secretary of State, frequently the Home Secretary. Royal Commissions are generally established to consider a specific matter which has become the subject of public concern but on which the Government is not committed to a particular policy. The Commissioners report to the Sovereign through the relevant Secretary of State and their report is published as a Command Paper and laid before Parliament.

17. In preparing their report the Commissioners are not carrying out functions on behalf of the Crown and are not themselves Crown servants. They may be assisted by civil servants seconded from Departments. The Commission may itself appoint staff but they will not be civil servants.

18. Royal Commissions are generally financed by monies voted by Parliament.

EXTRACTS FROM P.A.C. REPORTS AND TREASURY MINUTES ON THE
NEED FOR SPECIFIC LEGISLATION TO COVER NEW AND CONTINUING FUNCTIONS
INVOLVING THE EXPENDITURE OF PUBLIC FUNDS

1. The general principle that new and continuing functions involving the expenditure of public funds should not be left to rest on the Annual Appropriation Account, but that they should, as far as possible, be covered by specific legislation derives from the exchanges between the P.A.C. and the Treasury quoted below:

2. The Public Accounts Committee, in their Second Report 1932, commented as follows:-

'Your Committee consider also, as a matter of general principle, that, where it is desired that continuing functions should be exercised by a Government department, particularly where such functions may involve financial liabilities extending beyond a given financial year, it is proper, subject to certain recognised exceptions, that the powers and duties to be exercised should be defined by specific statute'.

The Treasury Minute of 31st December 1932, in reply, referred to long standing services and emergencies in which the Treasury doubted the need for specific legislative authority, but continued:

'Nevertheless while They think that the Executive Government must continue to be allowed a certain measure of discretion in asking Parliament to exercise a power which undoubtedly belongs to it, They agreed that practice should normally accord with the view expressed by the Committee, that where it is desired that continuing functions should be exercised by a Government Department (particularly where such functions involve financial liabilities extending beyond a given year) it is proper that powers and duties to be exercised should be defined by specific statute. Their Lordships will, for their part, continue to aim at the observance of this principle'.

4. This view, which was subsequently confirmed in the Public Accounts Committee Third Report 1948-1949 and Treasury Minute of 27th February 1950, has been taken to mean that specific legislation should be taken in all cases involving significant annual expenditure, either when the body is set up or, if an experimental period is thought necessary, when the working of the experimental arrangement shows that it is likely to be continued on definable lines.

SETTING UP A PUBLIC BODY: CHECKLIST

1. When a decision is taken to set up a new executive body, the Department itself usually has the task of taking the necessary steps to bring the body into being. The practical matters to be resolved will vary with the type of body and the way it is intended to operate. The following checklist is essentially a list of headings and sub-headings for the various steps to be considered and does not attempt to establish orders **either of timing or priority**. The list may be found helpful at the stage of drafting legislation since many of the matters covered will need to be covered in the Bill; there are also many items not covered which will require provision in legislation. The sequence of events will also vary and in some cases those appointed to take charge of the body may take up their positions sufficiently early to handle much of the preparatory work themselves.

2. Where Ministers decide that a shadow organisation (Appendix 3, paragraphs 13-14) will precede the permanent body, Departments will find it necessary to consider the procedures for shadow organisations. There may be difficulties in determining remuneration and allowances since if these are fixed at levels appropriate to the shadow organisation, they may be inappropriate to the permanent body which is to follow it: and it may be necessary to employ staff as temporary Civil Servants [or provide accommodation to Civil Service standards] for the life of the shadow organisation. In these circumstances, Departments may also find it is necessary to consult their Staff Side.

3. Departments may find it helpful to prepare their own more detailed checklist and those involved will need clear guidance on **where to turn within the department** for expertise on such subjects as financial provision, pay allowances and conditions of service. It will also be important to establish clearly at the outset where responsibility will lie within the department for monitoring the activities of the body (including its use of resources) after it has been established.

4. Against the items in this checklist there are references to the relevant parts of the Guide where it gives general guidance on them. Not all the items are covered specifically in the body of the Guide.

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Note: General advice on Ministerial appointments is available from the Public Appointments Unit, CSD.

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Introduction

1. This Appendix provides general guidance on some basic principles of financial management. Inevitably, it is far from exhaustive. It aims to assist management in ensuring that no major aspect of the finance function is overlooked in considering the requirements of financial management. It is concerned mainly with practice in medium-sized and larger organisations. More detailed guidance is available in other publications, eg in 'Government Accounting'.

2. The principles of control set out below are of general validity. But their application varies according to circumstances, and it is for each body to develop an accounting and financial information system to meet its own needs and obligations. The Treasury will be glad to provide further advice on the application of these principles to particular cases.

Financial Management - Main Features

3. The essentials of sound financial management may be set out under the following main headings: -

- (a) good financial organisation;
- (b) effective financial planning/budgeting;
- (c) properly designed and operated accounting and information systems to facilitate a high standard of financial control;
- (d) appropriate arrangements for ^{internal} audit.

4. These topics are briefly considered below.

Financial Organisation

5. In smaller bodies, finance may be merged with administration and establishment work; in larger bodies, however, there should normally be a separate finance function under the direction of a Principal Finance Officer or Finance Director (referred to below as the PFO).

6. The Finance Division reporting to the PFO will have some or all of the following responsibilities:

- (a) the design, development and operation of financial management and information systems; the interpretation of financial data for planning, control and decision making;
- (b) the formulation of forecasts, budgets, estimates, PES projections and their justification to the Sponsor Department/Treasury/CSD;
- (c) the provision of advice, guidance and assistance on all financial matters;

(d) the preparation and maintenance of Finance Manuals of Procedure and Desk Instructions;

(e) the determination of the scope and content of the training required by finance staff; the implementation of financial training programmes.

7. The Accounts Division, which may be an integral part of the Finance Division, normally has some or all of the following responsibilities;

(a) the maintenance of an adequate system of books and accounts;

(b) the preparation of annual accounts, and of any monthly or other interim statements and accounts required (eg for management, audit, estimates purposes etc);

(c) the calculation and payment of salaries and wages, the making of day-to-day payments authorised by other branches and the bringing to account of receipts;

(d) the operation of controls, financial security arrangements and internal checks related to payments, receipts and balances (whether of cash, securities or stores) in order to prevent fraudulent transactions or physical losses.

Financial Planning and Budgeting

8. Planning involves preparing a programme of action. Where the plan relates to the use of resources over a given period and takes into account the cost of such resources, it is termed a budget.

9. Each functional arm should prepare its own budgets in line with the overall policy and objectives of the body. Top management should then assess these budgets in summary form for their general suitability and should approve them. It is usual for an organisation to prepare both a long-term forecast and an operating budget for the next twelve months.

10. Bodies with commercial interests should set their budgets and assess their pricing strategy in accordance with financial objectives agreed with their sponsor Department. They will normally be required to earn at a specific rate. The Treasury will advise on required rates of return.

11. Budgeted cash flow statements prepared for internal management requirements will enable the body to compile PES and Estimate figures, profiles for the Treasury Financial Information System (FIS), and expenditure returns as required by the sponsor Department. FIS profiles and expenditure returns should be based on expected and actual dates that funds are required by the body or paid to it. The sponsor Department should issue detailed FIS monitoring forms for completion by the body.

Financial Control - Accounting and Information Systems

12. Financial control is achieved through:

(a) the existence of a budget;

(b) monitoring of performance and prompt feedback of information on actual results;

(c) comparison of actual results with the plan and analysis of variances;

(d) taking action to rectify divergencies or to revise plans.

13. Managers at all levels should receive reports on matters for which they are specifically responsible and which they can control. The most helpful approach is to practice management by exception and for reports to concentrate on those areas that are diverging significantly from plan. The reports should be produced at a frequency and in a format required by the various levels of management in the light of the decisions to be taken by them.

14. As a general rule, financial accounts record the receipt and payment of moneys, the custody of physical assets, the holding of monetary assets and the obligation of monetary liabilities. They allow the preparation of a profit and loss account (or accounts for trading, manufacturing, production, operating, income and expenditure) and a balance sheet. A system of cost accounting permits the cost and results of areas, departments, functions and products to be determined and facilitates the preparation of cost estimates. Further, as in standard costing, it establishes both what an operation ought to cost and what it has cost, and proceeds to analyse and explain variances. The term management accounting covers all the services which the finance function can render to management at all levels to assist the operation and control of the undertaking, both in day to day control and in making long-term decisions. The different types of accounting system are not mutually exclusive; ideally they should operate as an integrated whole.

15. The Treasury is responsible for deciding the form of audited accounts to be submitted to Parliament and should be consulted at the formative stage of any proposal to set up a new body or to amend the form of accounts of an existing body. The accounting systems of a body should therefore be geared to produce the information appropriate to the form of account laid down by Treasury, the information required by the sponsor Department (eg FIS returns, specific expenditure plans) and the information required to meet its own internal management needs.

Information for Management

16. A management accounting and information system consists of financial and cost accounting data which, when suitably presented with statistical and physical data, meets the information needs of management at all levels. The system employed should be tailored to the specific requirements of each undertaking.

17. To assist the manager in carrying out his duties effectively, efficiently and economically the information provided for this purpose must be:

- (a) significant - dealing with the vital aspects of the undertaking
- (b) reliable - obtained from an effective and accurate system based on sound principles.
- (c) clear - readily understood, concise and readable - drawing particular attention to points requiring management action.

- (d) prompt - at the expense, where necessary, of total accuracy. Information received today which is 95% correct is often more useful than 100% correct information provided next week or next month.
- (e) capable of comparison - to be of value, information must be reported against appropriate comparative data eg budgets, standards, historical figures.
- (f) economical to produce - the cost of the system must not exceed the benefits.

18. The booklet 'Management Accounting in the Civil Service' describes management accounting and outlines its use in Central Government.

Role of the Internal Audit

19. Internal audit is part of the total system of internal control operating in an organisation and may be defined as an independent appraisal activity for the review of accounting, financial and other operations as a basis for service to management. Additional information can be found in the booklet 'Internal Audit in the Civil Service', Section 'C' of Government Accounting and the handbook 'The Audit of Computer Systems in Central Government.'



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CSD
CO

DFG

Sor Macd

10 DOWNING STREET

From the Private Secretary

4 March 1981

Thank you for your letter of 27 February responding to the Prime Minister's queries about the proposed Seed Potato Development Council.

The Prime Minister has now agreed that your Secretary of State should go ahead with a poll of seed potato producers with a view to establishing the Council if there is support for it. She has nevertheless commented that the levy seems excessive.

I am sending copies of this letter to Ian Ellison (Department of Industry), Kate Timms (MAFF), Geoffrey Green (CSD) and David Wright (Cabinet Office).

M. A. PATTISON

John Wilson, Esq.,
Scottish Office.

9



10 DOWNING STREET

PRIME MINISTER

The levy will be £7 per hectare. This will give an average charge of between £100 and £150 per producer: although the most common size of plot is around 10 hectares, involving a payment of £70 per annum. On such a plot, the annual crop should produce a return of some £15,000.

May Mr. Younger go ahead?

*Yes - although the
levy seems
excessive.
MS.*

3 March, 1981.

*This refers to SO to
MAP 27/2/81 on
part 2*

MFJ

cc Press Office

2 March 1981

Thank you for your letter of 25 February, with which you enclosed a draft proof of "Non-Departmental Public Bodies: Facts and Figures 1980".

I can confirm that the Prime Minister is content that this should be published.

MAP

Jim Buckley Esq
Lord President's Office.

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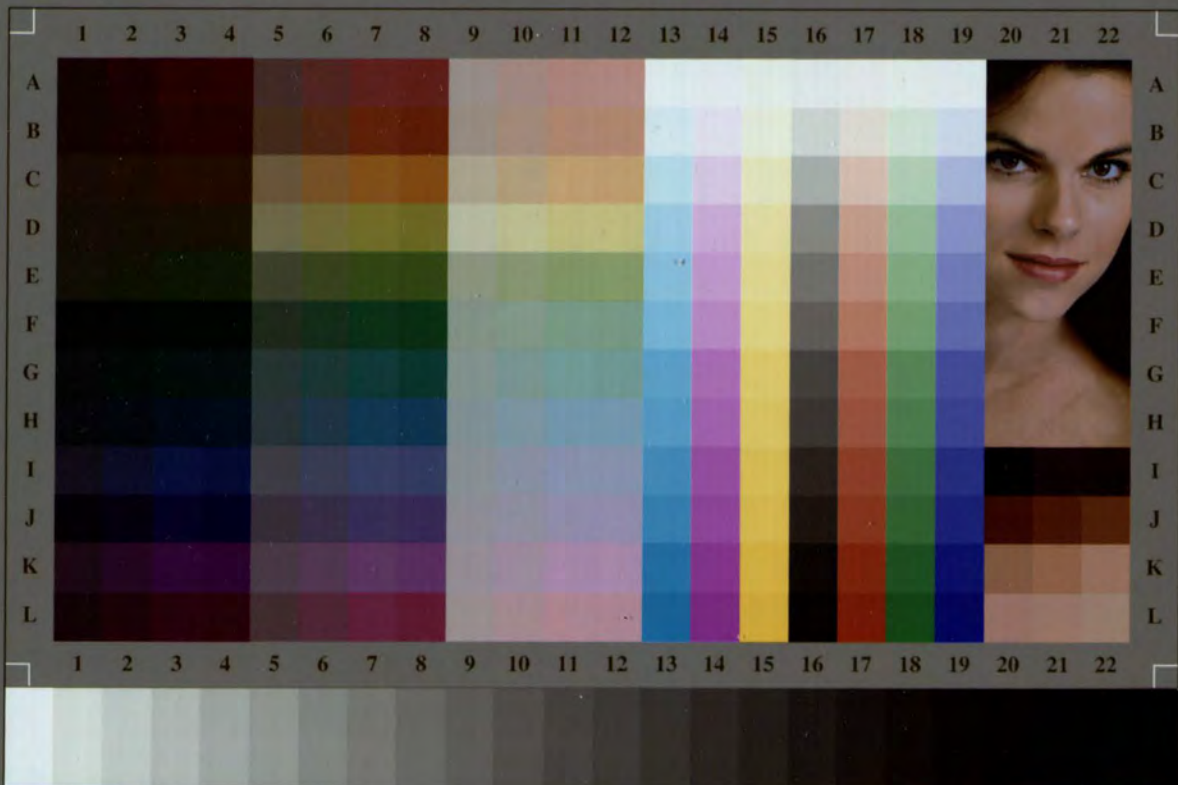
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