



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

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The Rt Hon Nicholas Ridley MP
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NBM

13 August 1986

Dear Nicholas,

at Har PE3.

Thank you for your helpful letter of 31 July about quangos arising from water privatisation. I am also grateful to other colleagues who have commented on the issues I raised in my letter of 15 July. All the responses clearly endorse our continuing collective commitment to NDPB policy - ie only setting up a new quango where that is the most cost-effective option.

I am reassured that the number of water privatisation quangos will be at most twenty. Ten of these will be regional committees with combined responsibility for recreation, conservation and fisheries. I recognise that John Gummer has had reservations about combining fisheries with recreation but I am glad that he sees the arrangements proposed (ie fisheries sub-committees meeting and acting separately on purely fisheries matters) as workable. I feel sure that there will be considerable practical benefits in having a single forum where conservation, recreation and fisheries interests can all be considered.

You have argued that ten regional consumer committees are needed because of the structure of the water industry. Clearly this is a policy area where I am only an interested outsider and I am willing to be persuaded that ten committees is the correct and cost-effective solution. However Michael Lucas's letter of 31 July (which must have crossed with yours) raises the important point of ensuring that institutional arrangements are in proportion to the likely volume of consumer problems. Since the DTI has responsibility for general consumer policy, I wonder whether the issue of the most appropriate structure for consumer representation should be reconsidered in a meeting of officials from interested departments, chaired by DTI.

You point out that the definition of an NDPB is problematic. I agree. The usual definition as "a body which has a role in the process of national government but is not a government department" does not always make clear the status of a particular body. In practice the acid test is usually Ministerial sponsorship of the body - ie are some or all of the board members appointed by Ministers and is a Minister answerable ultimately for the performance of the body and its continued existence. However, where a body is provided for in legislation and has the specific role of advising the statutory head of a non-ministerial department (such as OFTEL or OFGAS) its role in the process of national government determines its status as an NDPB.

The special public bodies set up to deal with flood defence and land drainage will not be quangos so long as the Bill makes it clear that there is no direct ministerial accountability or sponsorship of these bodies. I understand that these bodies are to be set up within the local government sector with finance and lines of accountability clearly running through the normal channels for local government bodies. The fact that one or two members may be appointed to their boards by Ministers would not turn these bodies into NDPBs. It is accountability to Ministers that determines a body's NDPB status, not a simple head count of board members (a body with a minority of ministerially appointed board members can still be an NDPB: the reverse is rather less likely).

John MacGregor's letter of 4 August to Michael Jopling suggests that it may be sensible to consider the question of Departmental responsibility for flood defence and land drainage in the light of an E(A) decision on the questions raised by Nicholas Ridley. I am not sure whether John has in mind the relatively minor transfers foreshadowed in the 1985 Green Paper (Cmnd 9449) or some other change in responsibility, but we need to bear in mind that proposals for machinery of government changes require the Prime Minister's approval and should be copied to Sir Robert Armstrong.

Copies of this letter go to members of Cabinet, Mark Robinson, Michael Lucas, John Selwyn Gummer and Sir Robert Armstrong.

W
Ridley

RICHARD LUCE

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