



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Cabinet Office**

# Progress on public bodies reform

## Key facts

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**£723m**

NAO estimate (based on audited accounts) of reduction in administrative spending by public bodies in 2012-13 compared with 2010-11

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**£785m**

Cabinet Office figure (based on departmental returns) for reduction in administrative spending by public bodies in 2012-13 compared with 2010-11

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**306**

forecast reduction in number of arm's-length bodies as a result of the Public Bodies Reform Programme

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**156**

non-departmental public bodies to be reviewed 2011-12 to 2013-14

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### On the 2010 reforms

904	bodies assessed during the 2010 review
598	assessed bodies expected to remain by 2015
283	bodies removed by abolition or merger through the Public Bodies Reform Programme (by 31 December 2013), representing 92 per cent of the expected total reduction in bodies

### On triennial reviews

30	reviews of 77 non-departmental public bodies (NDPBs) completed by 31 December 2013
34	reviews of 47 NDPBs under way or partially completed
32	NDPBs due to be reviewed but not yet announced
450	NDPBs expected to be reviewed 2014-15 to 2016-17
4-5	months expected to carry out a triennial review
8	months taken on average to carry out a review

# Summary

**1** In our previous report on central government reorganisation we acknowledged the scale of the Public Bodies Reform Programme (the Programme), which aims to simplify the public bodies landscape to improve accountability and to achieve administrative savings.<sup>1</sup> However, we concluded that the Cabinet Office and departments had not done enough by that (early) stage to secure value for money. This was primarily because they had not defined the expected accountability benefits, and they were not able to show the reductions in spending expected as a direct result of the reforms.

**2** This report examines the progress made since our previous report. It focuses on the simplification of the public bodies landscape, the achievement of benefits and the introduction of triennial reviews of non-departmental public bodies (NDPBs) that remain after the reforms.

## Key findings

**3 The Cabinet Office and departments have made good progress in reducing the number of public bodies, representing a major simplification of the public bodies landscape.** By 31 December 2013, 283 (92 per cent) of the planned reduction of 306 in the number of bodies through abolition or merger had been completed, reducing the total number of public bodies remaining in the Programme to 621.<sup>2</sup> Some of the reforms proposed in 2010 have been delayed due to unexpected policy developments or legal challenges (paragraphs 1.7 to 1.10).

**4 Even after all planned reforms have been completed, the public bodies landscape will still be complex.** Individual departments adopt differing arrangements for organising their 'arm's-length' functions (conducted outside of traditional departments), and there is still a lack of clarity and consistency across departments about which models best suit certain types of function. The Cabinet Office intends to provide greater consistency across departments and a clear rationale for bodies' classification (paragraphs 1.13 to 1.14).

<sup>1</sup> Comptroller and Auditor General, *Reorganising central government bodies*, Session 2010–2012, HC 1703, National Audit Office, January 2012.

<sup>2</sup> By 'public bodies', we mean central government bodies run outside of core departments, including NDPBs (but not executive agencies).

**5 The Cabinet Office has introduced a system for monitoring the progress and impact of the Programme, but its design and implementation need improvement.**

The delayed introduction of the Cabinet Office's framework has meant that:

- a good baseline has not been established from which to track the non-financial effects of the Programme; and
- some departments have not engaged sufficiently well with the process, and returns to the Cabinet Office have been late and inconsistent.

These issues mean that the Cabinet Office needs to carry out more quality assurance of the information provided by departments (paragraphs 2.2 to 2.6).

**6 Our analysis of departments' accounts shows that annual administrative spending reductions achieved since 2010-11 by public bodies have been substantial: an estimated £723 million in 2012-13.**

Given the differences in methodologies, our overall figure is comparable with the Cabinet Office figure of £785 million based on unaudited information from departments. The Cabinet Office currently estimates that, over four years, the public bodies in the Programme will reduce administrative spending by at least the original estimate of £2.6 billion. All of these figures include spending reductions not directly related to the Programme. For example, Natural England has been reducing in size since its formation in 2006 and is pursuing further economies mainly in response to HM Treasury's 2010 and 2013 Spending Reviews (paragraphs 2.7 to 2.13).

**7 Some functions of public bodies have moved closer to ministers.** A key aim of the 2010 review was to improve direct accountability by bringing functions closer to elected representatives, and this is being achieved: of the 2009-10 spending by the bodies in the Programme, £20.5 billion (30 per cent) will transfer into departments (i.e. closer to ministers). A further £3.4 billion will be delivered by the private and voluntary sectors. Public accountability requires transparency and, in making these reforms, departments need to manage the risk that existing arrangements for the transparency of public bodies are not adequately replaced (paragraphs 2.14 to 2.19).

**8 More needs to be done to increase the transparency of remaining public bodies.** The Cabinet Office considers that increased transparency is an additional benefit of the Programme and is seeking to measure it. However, a quarter of NDPBs still do not provide public transparency through any of the Cabinet Office's three indicators (annual report, published minutes of board meetings and board meetings open to the public) (paragraphs 2.20 to 2.22).

**9 The Cabinet Office and departments have so far been unable to collect evidence to measure the wider value of reforms.** Departments have produced case studies illustrating the wider value of reforms (for example, improved public services, citizen trust and participation), but these have not yet provided any quantifiable evidence relating to ‘public value’. It will be a challenge for the Cabinet Office to reliably attribute any improvements in the quality of public services, for example, to structural reform rather than the many other changes occurring to public services (paragraphs 2.23 to 2.24).

**10 Departments have made slow progress in completing the first round of triennial reviews, and may struggle to deliver the larger round two.** Around two-thirds of NDPBs have been exempted from review in round one, while round two may involve around 450 NDPBs and some departments plan to extend their programmes to cover their agencies and other types of body. However, by December 2013 departments had completed only 30 reviews, covering 77 of the 156 bodies to be reviewed in round one of the programme (2011-12 to 2013-14) (paragraphs 3.8 to 3.10).

**11 Delays in reviews have arisen from insufficient resources and difficulty in agreeing reports internally.** Reviews are taking, on average, over eight months to complete, compared with an expected four to five months. Individual reviews have taken between two months (Great Britain-China Centre) and two years (the Central Advisory Committee on Pensions and Compensation) (paragraphs 3.11 to 3.13).

**12 Four triennial reviews (covering 38 bodies) have led to major structural reform, but reviews can also add value by examining governance, efficiency and effectiveness issues.** The ongoing review programme is intended to maintain the momentum created by the 2010 reforms. However, only four of the first 30 reviews, covering 38 out of 77 bodies reviewed, recommended that the bodies concerned should no longer continue as NDPBs: services provided by 35 probation trusts, which were reviewed as part of the ‘Transforming Rehabilitation’ initiative, are to be delivered by the private and the voluntary sector; one small advisory body (Equality 2025) was abolished; and two other bodies were reclassified. Although 25 of the other 26 reviews recommended improvements to governance arrangements, reviews have tended not to make explicit recommendations on achieving savings or improving performance. The Cabinet Office’s new guidance will encourage departments to identify areas for performance improvement and efficiency savings (paragraphs 3.20 to 3.23 and 3.26).

**13 There are differing views on the most appropriate interval between reviews of public bodies.** The Cabinet Office’s new guidance for round two retains a three-year cycle to provide a discipline on departments and to ensure accountability to ministers for the review programme. However, most departments and NDPBs we consulted believed that reviewing bodies every three years does not allow time for recommendations from previous reviews to take effect and that little may have changed between reviews. The Cabinet Office’s intention to be more involved in the setup of round two reviews should provide an opportunity to facilitate reduced-scope reviews where appropriate (paragraph 3.14 to 3.15).

**14 The Cabinet Office is not yet in a position to assess the value for money of the triennial review programme in the longer term.** There is no process for tracking the costs and benefits of the reviews and their recommendations, and the Programme's objectives and success criteria are not specifically linked to the review programme. To increase the value of reviews, the Cabinet Office plans to allow departments greater flexibility over the scope of future reviews and to encourage more 'cluster reviews' which examine several bodies, enabling departments to deliver the increased coverage of NDPBs expected in round two (paragraphs 3.24 to 3.26).

### **Conclusion on value for money**

**15** For the Programme to be value for money, the Cabinet Office and departments need to complete the reforms, to achieve the expected benefits and to have ongoing review arrangements that embed continuous improvement. Progress in completing reforms has been good, representing a major simplification of the public bodies landscape, and there have been substantial reductions in the administrative spending of public bodies, broadly in line with the reductions estimated by the Cabinet Office. However, there has been insufficient emphasis on managing the benefits of the Reform Programme to ensure that they are optimised. Having had a limited impact so far, the triennial review programme, as well as facing resourcing issues, needs to provide greater challenge so that it maintains the momentum created by the initial reforms. The Cabinet Office is aware of these issues and recognises that it needs to address them for value for money to be achieved in the longer term.

### **Recommendations**

**16** For the Cabinet Office:

**a The Cabinet Office should review the measures it uses to assess the impact of the Reform Programme:**

- Financial impacts relating directly to reforms should be identified where possible and measured consistently.
- It should identify whether the impact of reform on accountability can be assessed using any additional metrics or research.
- Evaluating the wider public value is likely to require more focused analysis of some individual reforms.

**b The Cabinet Office should review and agree departments' strategies and delivery plans for their own triennial review programmes in 2014-15.** In order to deliver the ambitious programme of triennial reviews planned for 2014 to 2017, departments must produce a strategy and a detailed delivery plan for their programme, and for which they are held accountable.

- c The Cabinet Office should improve its information on the resource cost of the triennial review programme.** This could be based initially on target costs for different types and sizes of review, and strengthened by requiring departments to estimate the resources applied to each review. The Cabinet Office could then take corrective action if costs are disproportionate.
  - d The Cabinet Office should consider the most appropriate interval between reviews of public bodies.** If the current interval is maintained, there needs to be greater flexibility in the size and scope of individual reviews, including reviews that span multiple bodies with related purposes or activities, as well as better integration of the reviews with other organisational reforms planned by departments.
- 17** For departments:
- e Departments should improve the quality and timeliness of information they provide to the Cabinet Office.** Greater effort should be made to provide the Cabinet Office with detailed information, especially regarding forecast reductions in administrative spending and the estimated resource cost of triennial reviews. Public bodies should be consulted on information provided to the Cabinet Office to check for accuracy.
  - f Departments should encourage their public bodies to strengthen the transparency of their operations and assess progress through the triennial review process.** Transparency can be achieved through the Cabinet Office's three indicators of transparency, as well as by other means.
  - g Triennial review reports should include assessments of the expected costs and benefits of the recommendations.** This will enable bodies to evaluate recommendations and allow the overall value for money of the review programme to be assessed.