National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 1703
SESSION 2010–2012

20 JANUARY 2012

Cabinet Office

Reorganising central government bodies

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Reorganising central government bodies

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

17 January 2012

This report considers reorganisations proposed or implemented since June 2009. Most reorganisations covered by the report (496 of 535) come under the Public Bodies Reform Programme led by the Cabinet Office.

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This report can be found on the National Audit Office website at www.nao.org.uk/reorganising-central-government-2012

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Key facts

262
public bodies proposed for abolition under the Public Bodies Reform Programme

56
public bodies fully abolished by 31 December 2011

£2.6bn
total ongoing savings (after deducting transition costs) by which departments intend to reduce funding for administration in public bodies by 31 March 2015

34 per cent	proportion of £2.6 billion savings which will be made by abolishing the Regional Development Agencies and Becta
15 per cent	proportion of £2.6 billion savings that other parts of central and local government will have to fund themselves when they take over functions from abolished public bodies
9 per cent	proportion of £2.6 billion savings which departments estimate they will make by 31 March 2012
£830 million	lowest estimate for one-off transition costs of reorganisations, including redundancies
65 per cent	proportion of public bodies proposed for abolition that spent nothing in 2009-10

Summary

1 We reported in March 2010 on central government reorganisations between May 2005 and June 2009. We found widespread failure by departments to specify the expected benefits of these reorganisations clearly and make sure they materialise, and similarly to identify and control costs. This report considers reorganisations proposed or implemented since June 2009.

2 Most reorganisations covered by this report (496 of 535) come under the Public Bodies Reform Programme led by the Cabinet Office. The Programme will abolish 262 public bodies, if it achieves its aims, making it the largest restructuring of such bodies for many decades. Many of the reorganisations were also proposed by the previous government shortly before the May 2010 election. Changes outside the Programme include closing the nine regional Government Offices and creating the Office for Budget Responsibility and the Independent Commission for Aid Impact. In this report, we adopt the Cabinet Office's use of the term 'public body' to mean a public corporation or a department's arm's-length body. There is no single agreed definition of an arm's-length body.

3 For this report, we gathered data on reorganisations through a census of departments in the Public Bodies Reform Programme. We focused in more detail on six departments, which together account for most reorganisations, and on eleven case examples covering the main types of reorganisations (Appendix One).

4 The Public Bodies Reform Programme is at an early stage, with only 56 of 262 proposed abolitions completed by 31 December 2011, including one resulting from a merger. Final decisions have not yet been taken on many proposals. For this reason we have not audited individual business cases but have focused on programme management and processes to implement decisions once they are taken. We are reporting at this early stage to give the Cabinet Office and departments the opportunity to act on our recommendations.

5 The Cabinet Office's primary intended benefit from the Public Bodies Reform Programme is to make publicly funded activities more accountable to elected politicians as a result of moving them into departments or out to local government. The secondary intended benefit is to make financial savings. The Programme also helps the Cabinet Office to keep its commitment, in its 2010 Structural Reform Plan, to reduce the number and cost of arm's-length bodies. Reflecting the Programme's policy context and objectives, our report does not examine considerations about which bodies to reorganise or wider costs and benefits beyond those affecting central government.

6 We have assessed the performance of the Cabinet Office, and of departments responsible for reorganisations, against the following criteria:

- whether accountability benefits are clearly expressed and measured (Part Two);
- whether savings are clearly measured and managed (Part Three);
- whether reorganisation costs are known and controlled (Part Four); and
- whether programme management is effective (Part Five).

7 Our assessment criteria are critically important for current reorganisations because improvements in these areas can improve value for money by helping departments to maximise benefits, including those related to accountability, and reduce costs. In addition, clarity and precision about benefits and costs will help departments to improve value for money when taking future reorganisation decisions.

Key findings

Accountability

8 Changes proposed in the Public Bodies Reform Programme, if they all take effect, will reduce the number of public bodies by 262, with a potentially substantial impact on how policy decisions are taken and how public money is spent. We base the analysis below on figures from 2009-10 because that was the last complete financial year before the Programme started:

- Departments propose to take over the functions of 67 bodies and to transfer the functions of another three to local government, giving greater control to elected representatives.
- Departments propose to abolish more than a half of their advisory bodies (159 of 287). The Cabinet Office believes this is an important step in providing more direct advice to ministers and confirming their ultimate responsibility and accountability for all the decisions they take.
- A third of all money spent by bodies in the Programme will be subject to greater accountability to elected politicians as a result of moving it into departments (£20.5 billion) or out to local government (£0.1 billion), consistent with the Cabinet Office's definition of increased accountability.
- Most spending (£43.2 billion) will remain at arm's length, in bodies retained with or without substantial reform or in bodies taking on functions from other bodies.
- Functions of bodies spending a smaller, though still substantial, amount (£5.2 billion) will move outside government, to the private and third sectors, or will be completely abolished.

9 The changes will substantially reduce the number of small or inactive bodies, with two thirds of all bodies proposed for abolition spending nothing in 2009-10. The Cabinet Office considers this a significant achievement in reducing complexity and confusion in the public bodies landscape.

10 Despite greater accountability being the primary intended benefit of the Public Bodies Reform Programme, only one of the six departments we examined had proposals for a well-defined, though basic, measure of success for it. The Cabinet Office has not established a measure to help departments maximise accountability, so it is unclear how it will demonstrate greater accountability across government.

Financial savings

11 Through the Public Bodies Reform Programme, the Cabinet Office intends to secure a reduction of £2.6 billion over the Spending Review period 2011-12 to 2014-15 in ongoing funding for administration in public bodies. The reduction is the total saving that departments estimated, in March 2011, would follow from their proposed reorganisations. It is a net saving after deducting one-off transition costs from ongoing gross savings.

12 Savings should continue after the Spending Review period. On the basis of savings that departments expect to achieve in 2014-15, current estimates of ongoing savings are between £800 million and £900 million a year after the end of the Spending Review period.

13 The £2.6 billion is part of larger reductions, of £33.0 billion in total, which include cuts to capital and programme spending through reducing activities. These larger reductions could be made independently of reorganisations and, in practice, are focused on bodies being retained. Our report focuses on administrative savings because these are the result of reorganisations or associated changes.

14 A third of the £2.6 billion (34 per cent or £0.9 billion) comes from just two changes. These are the closures of the Regional Development Agencies and the education body Becta.

15 Departments' estimates of savings, used to determine the figure of £2.6 billion, are imprecise because many reorganisations will not happen for some time. In particular, consistently estimated savings are not yet available for individual bodies, as in the following examples:

- The Department of Health is planning large changes, not yet finalised, to the whole health system. Reorganisations covered in this report form a small part of the total. The Department's estimate of savings under the Public Bodies Reform Programme is based, without further detail at this stage, on its plan to reduce overall administration costs, as required, by a third in real terms by the end of the Spending Review period.

- The Department for Environment, Food and Rural Affairs has identified savings from individual bodies amounting to just under half of the total savings to which it is committed. It has not yet determined in detail how the balance of reduced spending will be achieved.
- The proposal to merge the Office of Fair Trading and the Competition Commission includes a range of savings dependent on later decisions.

16 More fundamentally, the Cabinet Office does not yet have the means to confirm the removal of £2.6 billion from administrative budgets. This is because information is not yet consistently available to identify baseline administrative spending. The Cabinet Office will be able to check the intended reductions of £33.0 billion in total funding to public bodies but will not be able to verify how much of this is for administration. The Cabinet Office has sought assurance on accuracy from departments when collating and aggregating their savings estimates, but has not validated estimates itself.

17 Most departments have not attempted to estimate the costs to other parts of government of taking on functions previously delivered by public bodies. There will be ongoing costs of transferred functions in abolitions accounting for £0.4 billion (15 per cent) of the £2.6 billion savings. Other parts of government will have to find savings elsewhere to pay for administering these newly acquired transferred functions.

18 There are two further complications in calculating the £2.6 billion figure. First, most departments have not identified which savings are due to the Public Bodies Reform Programme and which are from wider efficiencies. In particular, they have included savings of £0.5 billion for bodies being retained without substantial reform. Second, departments have not adopted consistent definitions of public bodies, with some including executive agencies, for example, against Cabinet Office guidance.

Transition costs

19 Most departments have not yet made adequate estimates of the transition costs of reorganisations. To date, they have identified costs for reorganisations covering just 51 per cent of all employees affected by the Public Bodies Reform Programme. This shows that departments have not fully developed their plans to realise the estimated net savings of £2.6 billion over the Spending Review period. Where departments have identified costs, they have focused on staff costs, particularly redundancies, with less attention to IT, estates and indirect costs that our previous report identified to be at a similar level to staff costs.

20 We estimate transition costs to be at least £830 million. Our estimate is approximate because it is based on incomplete information from departments. The eventual costs will depend on final reorganisation decisions and the extent to which staff decide to leave without taking up redundancy terms. Departments will have to find gross savings of around £3.5 billion in order to realise their planned £2.6 billion net savings. They cannot fully identify the source of these savings without a better understanding of the size of transition costs.

Programme management

21 The Cabinet Office has appropriate governance arrangements in place but has not secured maximum benefit from them. It organised a Public Bodies Reform Steering Board of representatives from all departments, acting to secure buy-in by appointing the Chair from outside the Cabinet Office. The Steering Board has spread learning but has done so slowly in some important cases. It did not set up a working group on pensions until 14 months after identifying a common problem, and it could have acted more quickly to expand a scheme developed by regional Government Offices to manage redundancies. The Cabinet Office applied good practice in identifying common risks, assigning risk owners and learning lessons, but has been less active in focusing routinely on key risks, in particular the risk of weak savings estimates.

22 Despite weaknesses in defining and tracking benefits and costs, we found examples in departments of good programme management:

- All six departments that we examined in detail, and all eleven case examples, had appropriate governance and programme management arrangements in place, including programme boards, senior responsible owners, project initiation documents and risk and communication strategies.
- Departments have supported the Government's policy of minimising compulsory redundancies, with our case examples limiting these to 8 per cent of staff leaving. All our case examples have provided training and careers advice for staff being made redundant.
- All six departments provided examples of sharing lessons internally and with other departments. All of the case examples for which it was appropriate were subject to internal audit and external review.

23 Public bodies remaining after the current round of reorganisations will be subject to an ongoing review programme. Under this programme, each department will review each of its remaining non-departmental public bodies at least every three years. The Cabinet Office intends the new reviews to continue the process started by the Public Bodies Reform Programme.

Conclusion on value for money

24 The Cabinet Office and departments will have secured the largest restructuring of public bodies for many decades if they succeed in making all the changes they propose through the Public Bodies Reform Programme. They are bringing many bodies' functions directly under elected politicians' control and they are on course to deliver cost reductions extending beyond the Spending Review period.

25 In terms of the primary intended benefit of the Public Bodies Reform Programme, described in paragraph 5, the Programme should be a significant success. However, the Cabinet Office and departments have not done enough to secure value for money. Firstly, because they have not sufficiently defined the benefits intended from improved accountability to judge whether they have been achieved, and, secondly, because they are not able to show the amount by which spending has reduced as a direct result of the Programme. Within most departments there is an insufficient grasp of both the ongoing costs of functions transferred to other parts of government and the one-off transitional costs of the changes. They cannot, therefore, plan in a structured way to absorb these additional costs within already shrinking budgets while minimising the impact on their other activities. As a result, departments are not yet well placed to manage the risks to value for money.

Recommendations

26 We make the following recommendations to secure value for money from current reorganisations and to promote value for money from future reviews. Where we repeat aspects of previous recommendations, this is because we are not satisfied that departments have yet responded satisfactorily:

a **Departments cannot maximise the intended benefits of change if they do not have clear definitions of those intended benefits.** The Cabinet Office should work with departments to develop measurable descriptions of intended reorganisation benefits and explanations of the mechanisms to be put in place to make sure those benefits materialise. In particular, the Cabinet Office should develop a robust methodology to confirm that £2.6 billion has been taken out of administrative funding for public bodies as a result of the Public Bodies Reform Programme by the end of 2014-15.

b **Departments cannot properly manage costs if they have not estimated those costs.** The Cabinet Office should require departments to show that they have considered all likely transition costs, including costs transferred within government, and made reasonable estimates of them, once plans are sufficiently formed to allow this. Among other sources, they should draw on our published guidance on data validation and costing.

c **If departments and other bodies fail to share good practice or address common concerns quickly, they will incur unnecessary costs and waste time and money tackling problems that others have already solved.** The Cabinet Office should use its overall coordinating role to promote good practice, and knowledge of common pitfalls to avoid, more promptly. It should actively seek examples from which others might benefit.

Part One

Profile of the reorganisations

1.1 We reported in March 2010 on central government reorganisations between May 2005 and June 2009.[1] We found that departments could not demonstrate value for money as the objectives of most reorganisations were vague, business cases were lacking, costs were not tracked and there were no mechanisms to identify benefits and make sure they materialise.

1.2 This report considers reorganisations since June 2009. As well as some that are already complete, the scope of our report includes many reorganisations that are still only proposals. Most of the past weaknesses that we identified in our previous report occurred at these early stages.

1.3 In practice, the vast majority of reorganisations and other changes covered by this report fall within the Public Bodies Reform Programme, described later in this part. The Programme will lead to the abolition of 262 public bodies, if it achieves its aims, making it the largest restructuring of such bodies for many decades.

Events since our last report

1.4 Since our last report, there have been several relevant developments (**Figure 1** overleaf). The Treasury published a White Paper in December 2009 which set out proposed changes to arm's-length bodies "to achieve improvements in service delivery and greater value for money through rationalisation". The White Paper suggested reducing the overall number of arm's-length bodies by 123.[2] This led to the Treasury publishing *Reforming Arm's Length Bodies*.[3] This report, as well as outlining a further reduction of six arm's-length bodies, set out new requirements governing the foundation, activities, transparency and management of departments' arm's-length bodies. Although the White Paper was never implemented, subsequent proposed and completed reorganisations have reflected many of its proposals.

1 Comptroller and Auditor General, *Reorganising central government*, Session 2009-10, HC 452, National Audit Office, 18 March 2010.
2 *Putting the Frontline First: Smarter Government,* HM Treasury, December 2009.
3 *Reforming Arm's Length Bodies*, HM Treasury, March 2010.

Figure 1
Events since our last report have had an impact on reorganisations

May 2010
General Election

June 2009
Cut-off point for review in previous NAO report *Reorganising central government,* published March 2010.

March 2010
HM Treasury publish *Reforming Arm's-Length Bodies,* setting out new requirements governing the foundation, activities, transparency and management of arm's-length bodies.

May – October 2010
Departments, with the assistance of Cabinet Office, carry out a review of public bodies. The review questioned whether the function of a body should be performed by government, and, if so, whether it should be at arm's-length from departments.

October 2010
The Public Bodies Bill is introduced to Parliament.

December 2011
Public Bodies Bill receives Royal Assent and becomes the Public Bodies Act 2011.

2009 | 2010 | 2011 | 2012

December 2009
Previous Government publish the White Paper *Putting the Frontline First: Smarter Government* proposing rationalisation and reform of arm's-length bodies.

June 2010
Cabinet Office Structural Reform Plan includes a commitment to "reduce the number and cost of public bodies by abolishing or moving into government departments all public bodies except those that pass the Government's tests".

July 2010
The Institute for Government publishes *Read Before Burning – ALB government for a new administration.* It found "at least 11 'types' of ALB but no consistency over why bodies were given the institutional form they were" and warns that "a simple cull of ALB numbers does not always amount to major reductions in cost".

January 2011 onwards
Public consultation required for reorganisations proposed under the Public Bodies Bill.

April 2012 onwards
Secondary legislation under the Public Bodies Act will provide the basis for individual reorganisations. It can be passed only after completion of public consultation on the proposed reorganisations.

Source: National Audit Office analysis of published information

The Public Bodies Reform Programme

1.5 The Cabinet Office Structural Plan, published in June 2010, announced a commitment, which had formed part of the Coalition agreement, to reduce the number and cost of public bodies. The Cabinet Office developed the Public Bodies Reform Programme to achieve this. The Cabinet Office defines public bodies in this context as public corporations and departments' arm's-length bodies. We adopt the same term in this report. The precise definition of an arm's-length body is unclear, as noted by the Institute for Government.[4] The Cabinet Office has set two objectives for the Programme:[5]

- the primary objective is greater accountability to elected politicians; and
- the secondary objective is to secure ongoing financial savings.

1.6 Many changes in the Public Bodies Reform Programme require legislation. The main piece is the Public Bodies Act 2011, sponsored by the Cabinet Office. Secondary legislation will be required to implement individual reorganisations. Some departments, such as the Department of Health and the Department for Education, are using their own legislation. Reorganisations of arm's-length bodies sponsored by the Department of Health are linked to wider changes proposed in the NHS. This report covers changes to the arm's-length bodies but not changes in the wider NHS.

1.7 The Public Bodies Reform Programme covers most reorganisations since June 2009, with many also in the Public Bodies Act (**Figure 2**). Other reorganisations, outside the Programme, include closing the regional Government Office network and creating bodies such as the Office for Budget Responsibility and the Independent Commission for Aid Impact.

Figure 2
The Public Bodies Reform Programme covers 496 of 535 bodies reorganised or proposed for reorganisation since June 2009

904	bodies assessed under the Public Bodies Reform Programme
496	bodies proposed for abolition, merger or substantial reform in the Programme
292	bodies included in the Public Bodies Act 2011
39	bodies created, abolished or merged outside the Programme since June 2009

NOTE

1 The 292 bodies in the Public Bodies Act include 164 Internal Drainage Boards, 16 Agricultural Dwelling House Advisory Committees, 15 Agricultural Wages Committees, nine Park Authorities and eight Regional Development Agencies. Internal Drainage Boards are responsible for land drainage in areas of special need.

Source: National Audit Office analysis of departmental census return data

4 *Read before burning – ALB government for a new administration*; Institute for Government; July 2010.

5 Cabinet Office Written Ministerial Statement, *Public Bodies Reform Programme*, 16 March 2011, Hansard column 9WS.

1.8 The Public Bodies Reform Programme covers a wide variety of reorganisations:

- Some reorganisations were proposed before the Cabinet Office asked departments to review their public bodies under the Public Bodies Reform Programme. For example, the Department for Education announced its intention to abolish Becta and the Qualifications and Curriculum Development Agency in May 2010.
- Some reorganisations have already occurred while other proposals will take effect well into the future if they are approved. The education body Becta closed in January 2011 through departmental legislation. The proposed merger of the Office of Fair Trading and Competition Commission is not expected to happen before autumn 2013. By 31 December 2011, 56 public bodies were formally closed, including one as a result of a merger, and four more were closed subject to legislation. For example, Food from Britain ceased operations in March 2009 but is awaiting legislative closure under the Public Bodies Act.
- Some bodies due for closure are relatively new while others have long histories. The Young People's Learning Agency was established in April 2010 and is being reorganised two years later as part of wider changes, although the Department for Education believes the original benefits of establishing the Agency will be retained. The Commission for Rural Communities and its predecessors can be traced back to 1909.
- Most reorganisation proposals have come from departments. In contrast, the plan to move British Waterways to the third sector builds on ideas developed by the body itself. Some bodies, like the Youth Justice Board and the Administrative Justice and Tribunals Council, publicly opposed closure while accepting the need to prepare for it. In the case of the Youth Justice Board, the closure proposal was withdrawn.

Part Two

Accountability

2.1 This part of the report describes and assesses the accountability benefits that the Cabinet Office intends to secure from the Public Bodies Reform Programme. The Cabinet Office sees increased accountability as the Programme's primary intended benefit.

The Cabinet Office definition of increased accountability

2.2 The Cabinet Office has defined increased accountability as the result of transferring functions from public bodies to departments or local government:

> "The important presumption (is) that when an activity is carried out by the state, and there is no pressing need to do so at arm's length from government, it should be carried out by someone who is accountable democratically, either a minister who is accountable to this House and, through this House, to the public, or a local authority that is accountable to local residents."[6]

2.3 The Public Bodies Reform Programme requires departments to apply a two-stage assessment to each of their public bodies. The first considers whether the body's functions need to continue at all. The second considers whether a continuing function should be undertaken at arm's length. The Cabinet Office has stated that a body should remain at arm's length only if it:

- performs a technical function;
- requires impartiality; or
- requires independence.

2.4 This assessment involves judgement. The Department for Culture, Media and Sport concluded that bodies distributing lottery funds should be kept at arm's length to protect their independence. The Department of Health also decided to keep regulatory bodies at arm's length. In contrast, the Department for Education proposes to bring the regulatory functions of the General Teaching Council for England into a new executive agency, with the aim of improving accountability, while retaining two other regulators at arm's length.

6 Hansard HC, 14 October 2010, col. 505, Francis Maude, *House of Commons Debate.*

2.5 The logic for transferring functions to departments and local government is the policy principle, defined by the Cabinet Office, that this will increase accountability. Two of our case examples illustrate this:

- The Department for Education is abolishing the Qualifications and Curriculum Development Agency, an arm's-length body. Some of its functions will transfer to the Standards and Testing Agency and some to the Teaching Agency, which are both new executive agencies. Executive agencies are part of departments, while retaining some distinction from them, and are subject to direct ministerial control.
- The Department for Communities and Local Government proposes to abolish the London Thames Gateway Development Corporation and transfer its functions to local authorities and a Mayoral Development Corporation. The new arrangements will place functions more directly under local government control, replacing current provisions where representatives from five local boroughs and the London Assembly sit on the board.

Accountability for policy decisions

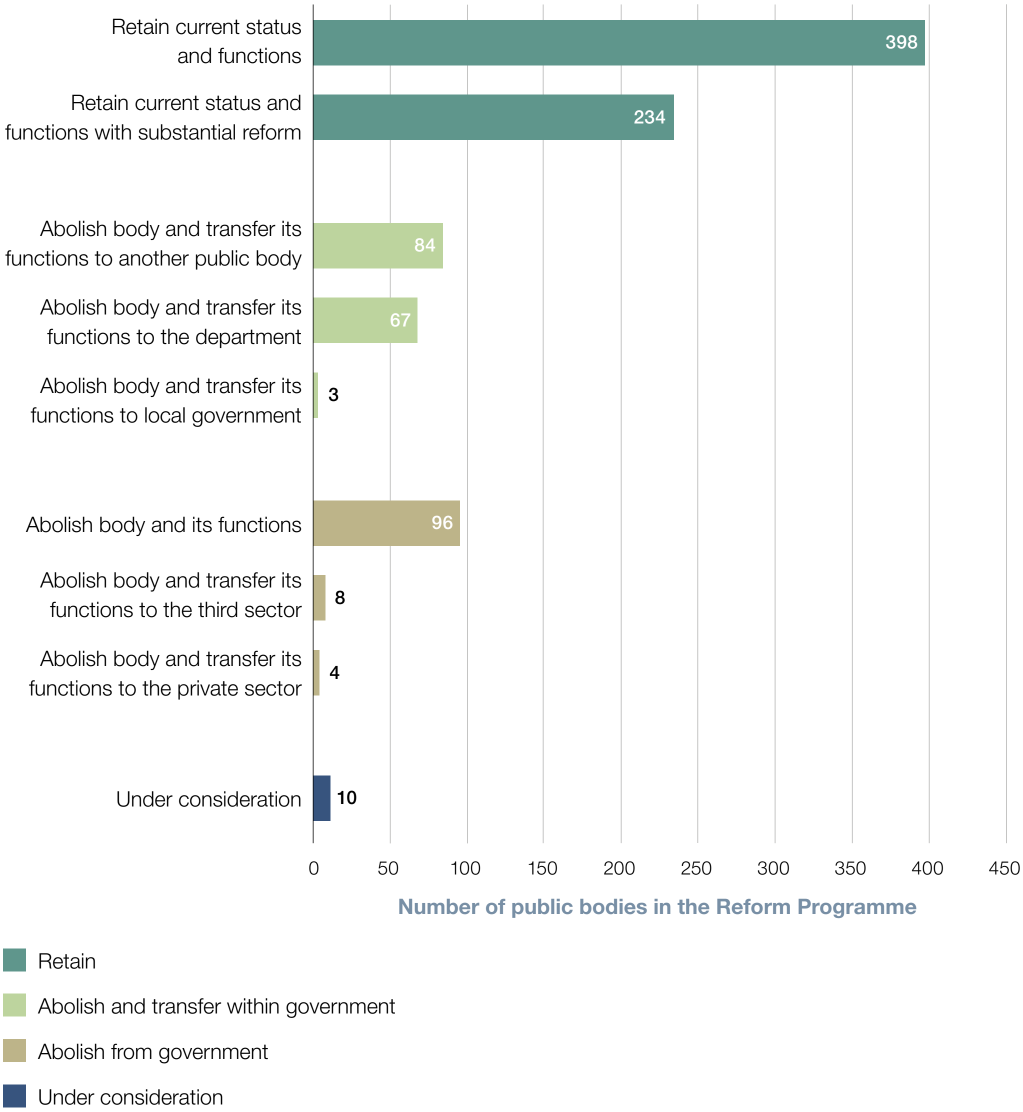
2.6 Almost a third of the bodies covered by the Public Bodies Reform Programme (262 of 904) are proposed for abolition (**Figure 3**). Many will have their functions transferred to departments, local government or other public bodies (154). Most of the remainder will be abolished along with their functions (96) while a small number will transfer to the third and private sectors (12).

2.7 Transferring functions to departments (from 67 bodies) and to local government (from three bodies) supports the Government's policy principle of bringing greater accountability to elected representatives for public services and functions. For example, the Department for Work and Pensions is proposing to abolish the Child Maintenance and Enforcement Commission as a non-departmental public body and transfer its functions to the Secretary of State for Work and Pensions to give ministers more direct control, responsibility and accountability. Similarly, the Ministry of Justice proposes to take over the functions of the Legal Services Commission, through a new agency within the Ministry of Justice, so that ministers have greater accountability for legal aid.

2.8 Departments propose to abolish more advisory bodies than other types of bodies (**Figure 4** on page 18). Over a half of advisory non-departmental public bodies (55 per cent or 159 out of 287) are proposed for abolition, compared with just over a third of executive non-departmental public bodies (37 per cent) and tribunal non-departmental public bodies (35 per cent). The Cabinet Office considers that advisory bodies have sometimes obscured the role of ministers in important decisions, causing confusion about where responsibility lies. The Cabinet Office takes the view that abolishing these bodies is an important step in providing more direct advice to ministers and confirming their ultimate responsibility for all the decisions they take.

Figure 3

Almost a third of the 904 bodies covered by the Public Bodies Reform Programme are proposed for abolition



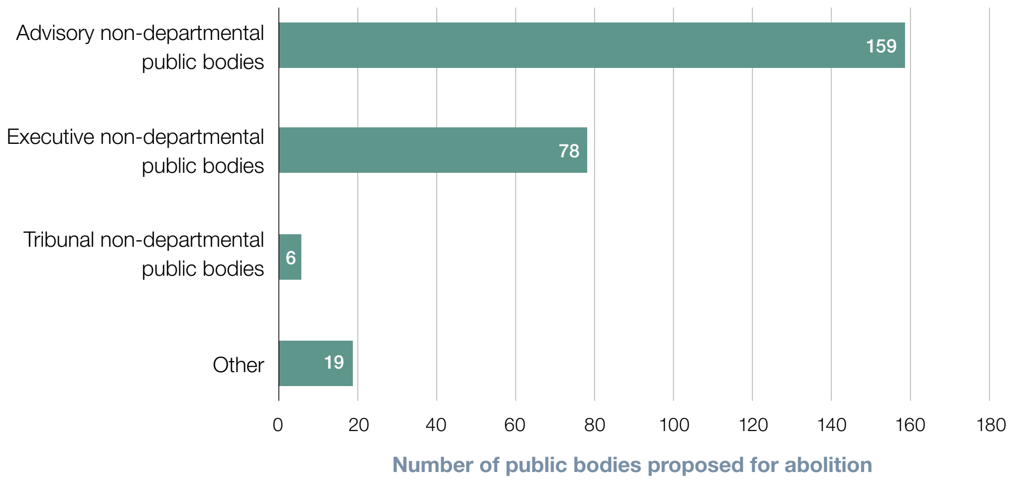
NOTES

1 To give an accurate picture of the changes to numbers of public bodies, the merger of 121 bodies into 57 has been treated as 64 abolitions and transfers to other public bodies coupled with 57 retentions with substantial reform.

2 The Cabinet Office has not provided a definition for its term 'substantial reform'.

Source: National Audit Office analysis of departmental census return data

Figure 4
Most of the bodies proposed for abolition under the Public Bodies Reform Programme have advisory functions



NOTE
1 Other types of bodies include non-ministerial departments, statutory offices and public corporations.

Source: National Audit Office analysis of departmental census return data

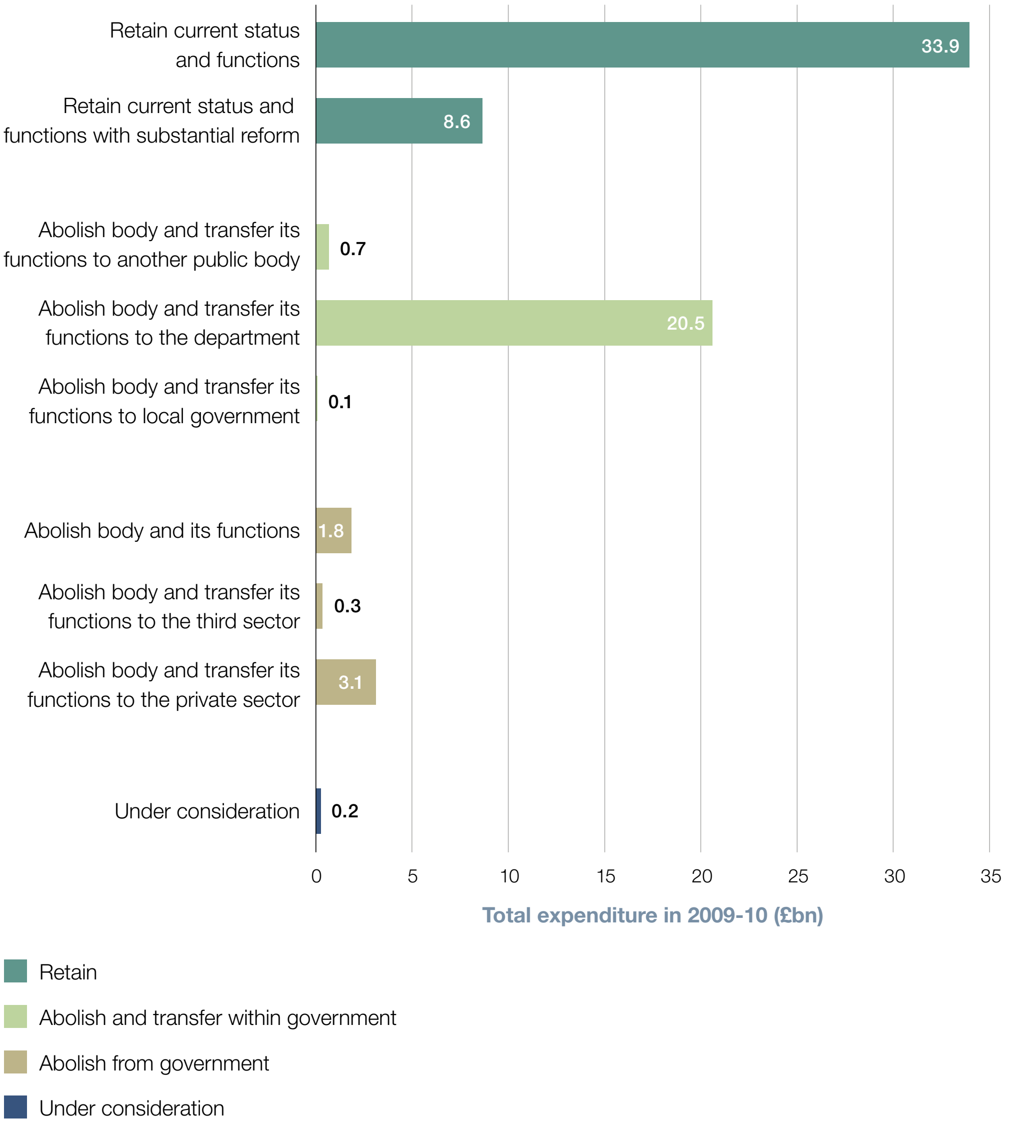
Accountability for spending

2.9 Changes proposed in the Public Bodies Reform Programme, if they all take effect, will have a substantial impact on how public money is spent (**Figure 5**). We base the analysis below on figures from 2009-10 because that was the last complete financial year before the Programme started:

- A third of all money spent by bodies in the Public Bodies Reform Programme will be subject to greater accountability to elected politicians as a result of moving it into departments (£20.5 billion) or out to local government (£0.1 billion), consistent with the Cabinet Office's definition of increased accountability.
- Most spending (£43.2 billion) will remain at arm's length, in bodies retained with or without substantial reform or in bodies taking on functions from other bodies.
- Functions of bodies spending a smaller, but still substantial, amount (£5.2 billion) will move outside government, to the private and third sectors, or will be completely abolished.

Figure 5

A third of spending covered by the Public Bodies Reform Programme will move to departments and local government



NOTES

1 Total gross expenditure (2009-10) by the 904 bodies in the Public Bodies Reform Programme was £69.2 billion.

2 Consistent with the treatment in Figure 3, the merger of 121 bodies has been treated as 64 abolitions and transfers to other public bodies coupled with 57 retentions with substantial reform.

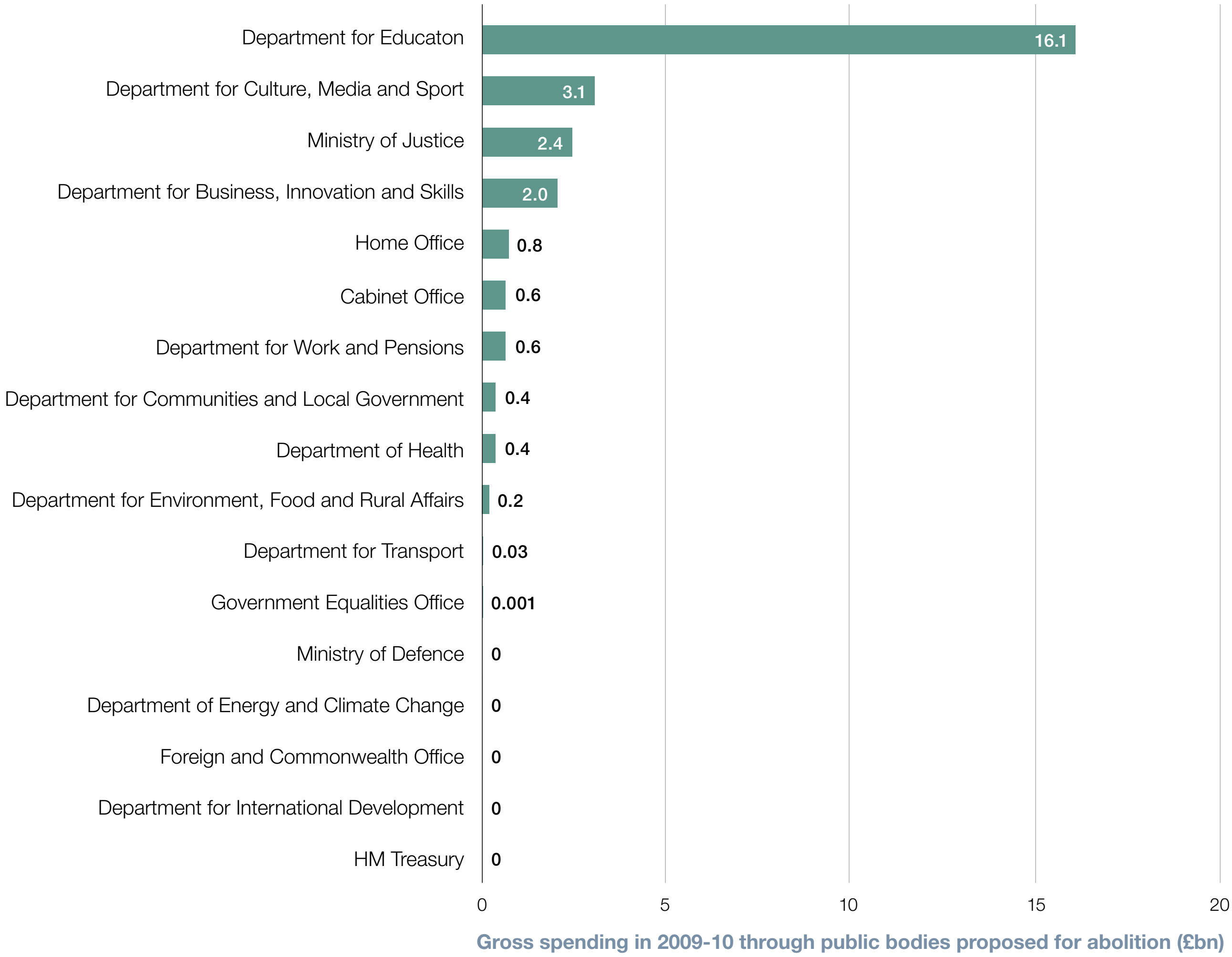
3 The Cabinet Office has not provided a definition for its term 'substantial reform'.

Source: National Audit Office analysis of departmental census return data

2.10 The extent of abolition of public bodies varies among departments (**Figure 6**). The Department for Education proposes the largest reduction in terms of spending. It plans to abolish bodies through which it spent £16.1 billion in 2009-10, out of a total of £16.5 billion spent through all its public bodies, and to transfer most of their functions to four new executive agencies. The Ministry of Justice plans to make the largest reduction in terms of the number of public bodies it sponsors (from 350 to 268).

Figure 6

The Department for Education proposes abolishing public bodies with the largest spending



NOTES

1 The graph shows total gross spending (2009-10) for bodies proposed for abolition in the Public Bodies Reform Programme; the total across all departments was £26.5 billion.

2 The Department for Education plans to transfer most of the functions of its abolished bodies to four new executive agencies. Similarly, the Department of Health plans to transfer the functions of a single body representing most of its spending above into a new executive agency.

3 Gross spending in 2009-10 under the Department for Communities and Local Government includes £17 million for four bodies that it funds with money it manages on behalf of all departments that pay for local government services.

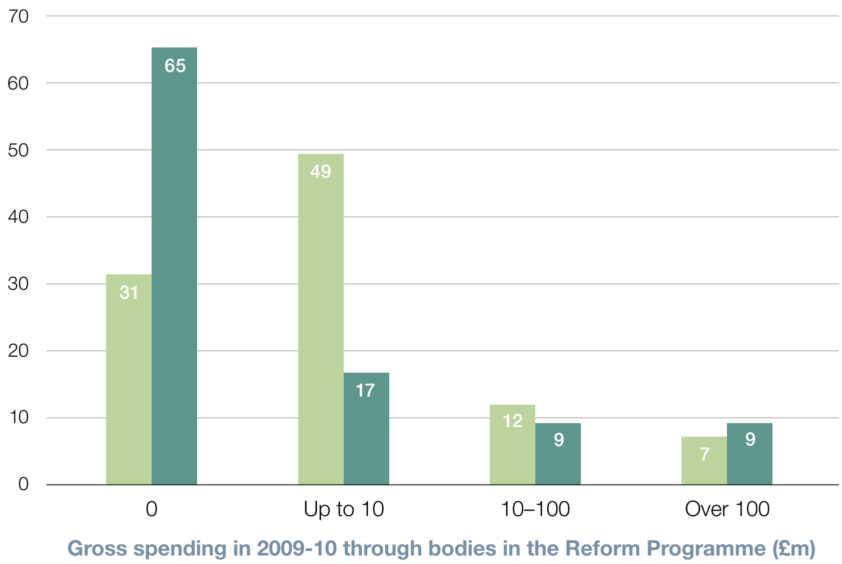
Source: National Audit Office analysis of departmental census return data

Impact on complexity

2.11 Most bodies proposed for closure, 170 out of 262, are recorded as spending nothing in 2009-10 (**Figure 7**). Most of the advisory bodies already discussed (144 of 159) are in this group. The Cabinet Office considers that substantially reducing the number of small or inactive bodies is a significant achievement in reducing complexity and confusion in the public bodies landscape.

2.12 A minority of bodies proposed for closure are very large, such as the eight Regional Development Agencies outside London that spent £1.9 billion in total in 2009-10. The 27 bodies that spent over £100 million each represent 9 per cent of bodies proposed for closure, but employ 42,000 (89 per cent) of all staff in bodies proposed for closure.

Figure 7
Most public bodies proposed for abolition spent nothing in 2009-10



Source: National Audit Office analysis of departmental census return data

Measuring increased accountability

2.13 Accountability for spending and the impact on complexity may not give a complete picture of the importance of changes in improving accountability. However, the Cabinet Office and departments have made limited progress in measuring increased accountability or identifying how to maximise practical benefits flowing from it. By October 2010, the Cabinet Office had planned to work with departments in developing credible measures. Over a year later, only the Department for Communities and Local Government, among the six departments that we examined, had proposals for a well-defined measure in place. The measure would be a basic count of the number of functions transferred from public bodies to the department. The Cabinet Office has not yet used this or any other suggestion to encourage departments to focus on maximising accountability benefits.

2.14 Parliamentary debates, and some departments, have identified further ways to improve accountability in addition to those set out by the Cabinet Office. This highlights the importance of an agreed measure of accountability benefits:

- An argument was put in Parliament that the Ministry of Justice could make greater use of existing legal powers to direct the Youth Justice Board's activities instead of closing it. This view argues that departments may be under-using existing powers to secure ministerial accountability from public bodies while they remain at arm's length. Indeed, the Ministry of Justice has been working to improve this type of accountability for many of its arm's-length bodies, as we have recognised.[7]
- The Department for Environment, Food and Rural Affairs proposes to increase accountability to users by transferring British Waterways to the third sector. In contrast to the Cabinet Office's definition of increased accountability, this body is not being moved closer to oversight by elected politicians.

Other non-financial benefits of reorganisations

2.15 The Public Bodies Reform Programme has provided departments with the opportunity to pursue non-financial objectives beyond increased accountability. In the proposed merger of the Office of Fair Trading and the Competition Commission, for example, the Department for Business, Innovation and Skills has stated that "the intended effects are to strengthen the existing competition regime to support growth in the economy."[8]

7 Comptroller and Auditor General, *Ministry of Justice: Financial Management Report 2011*, Session 2011-12, HC 1591, National Audit Office, November 2011, p.19.
8 Department for Business, Innovation and Skills, *A Competition Regime for Growth: A Consultation on Options for Reform*, 16 March 2011.

Part Three

Financial savings

3.1 This part of the report describes and assesses the financial savings benefits that the Cabinet Office intends to secure from the Public Bodies Reform Programme. The Cabinet Office sees financial savings as the Programme's second objective after improved accountability.

Departments' estimates

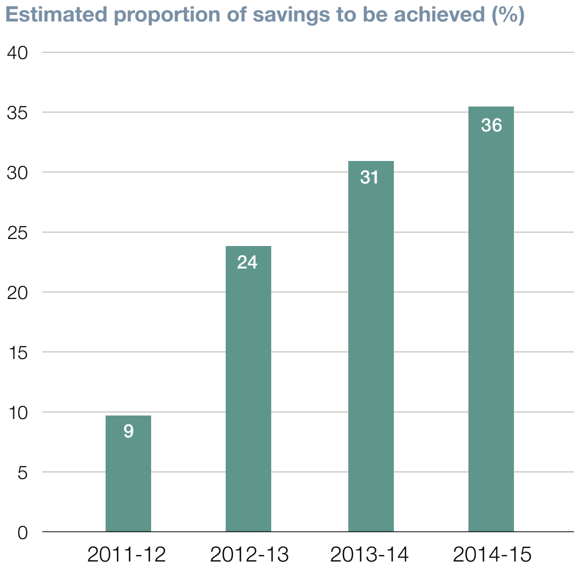
3.2 Through the Public Bodies Reform Programme, the Cabinet Office intends to reduce funding for administration in public bodies by £2.6 billion over the Spending Review period 2011-12 to 2014-15. The reduction is the total net saving that departments estimated, in March 2011, would follow from reorganisations proposed under the Public Bodies Reform Programme. Net savings are what remain after deducting transition costs from gross savings.

3.3 This report focuses on savings in administrative spending, although the Public Bodies Reform Programme includes other larger cost reductions from reducing activities rather than reorganising, giving total intended costs reductions of £33.0 billion. More than half of the £14.0 billion programme cost reductions are to come from the Higher Education Funding Council for England. Just over three quarters of £16.4 billion capital cost reductions are due from the Homes and Communities Agency. Both bodies are being retained.

3.4 Departments, with some exceptions such as the Department for Education, estimate that most of the £2.6 billion administrative savings will occur towards the end of the Spending Review period (**Figure 8** overleaf). This reflects plans to complete most reorganisations later in the period. Assuming the new arrangements continue, annual savings should also continue. On the basis of savings that departments expect to achieve in 2014-15, current estimates of ongoing savings are between £800 million and £900 million a year after the end of the Spending Review period. However, it is prudent not to count savings too far into the future in an environment where some changes do not last for long. For example, the Young People's Learning Agency was established in April 2010 and is being reorganised two years later as part of wider changes, although the Department for Education believes the original benefits of establishing the Agency will be retained.

Figure 8

Departments expect 67 per cent of estimated financial savings to occur in the last two years of the Spending Review period



Source: National Audit Office analysis of departmental census return data

3.5 Departments are claiming no savings from closing small bodies with little or no identified spend. Departments will make savings in the costs of overseeing these bodies, which comprise 170 out of 262 abolitions. Departments may make a greater proportional impact on efficiency by closing small bodies because their administration costs can be high in relation to overall costs.

3.6 Estimates are necessarily subject to uncertainty and may change as more detailed information becomes available. For example, the Department of Health is planning large changes, not yet finalised, to the whole health system. Reorganisations covered in this report form a small part of the total. The Department's estimate of savings under the Public Bodies Reform Programme is based, without further detail at this stage, on its plan to reduce overall administration costs, as required, by a third in real terms by the end of the Spending Review period. Similarly, the Department for Environment, Food and Rural Affairs has identified savings from individual bodies amounting to just under half of the total savings to which it is committed. It has not yet determined in detail how the balance of reduced spending will be achieved. A further example of uncertainty is in the proposal to merge the Office of Fair Trading and the Competition Commission, where savings will depend on decisions taken in the wider context of competition and consumer protection reform.

3.7 Over a half (£1.6 billion) of all planned savings estimated by departments using the Treasury's guidance, come from just two departments: the Department for Business, Innovation and Skills and the Department for Education (**Figure 9** overleaf). A third of all estimated savings come from two proposed changes:

- Savings of £674 million (26 per cent of the total) come from the proposal to abolish the Regional Development Agencies.
- A further £215 million (8 per cent of the total) of savings come from the abolition of the education body Becta.

Limitations in measuring financial savings

3.8 The £2.6 billion savings figure is a measure of the reduction in spending on administration in public bodies, in line with the policy objective of bringing more spending and accountability closer to elected politicians. It is not a measure of overall savings to government, which would require a calculation that identifies costs transferred to other parts of government when taking on functions from abolished public bodies.

3.9 In many cases, neither the Cabinet Office nor departments have attempted to estimate the costs to other parts of government in taking on functions previously delivered by public bodies. Overall, £1.0 billion of the savings are planned from abolitions which transfer functions to departments, local government or other public bodies (**Figure 10** on page 27).

- Of this, £0.6 billion of has been appropriately reduced by transferred costs. For example, in calculating the savings from abolishing six of its public bodies, the Department for Education has taken into account the ongoing cost of delivering functions through four new executive agencies.
- However, £0.4 billion has not been appropriately reduced by transferred costs. The parts of government taking over transferred functions will have to find further savings to run the functions.

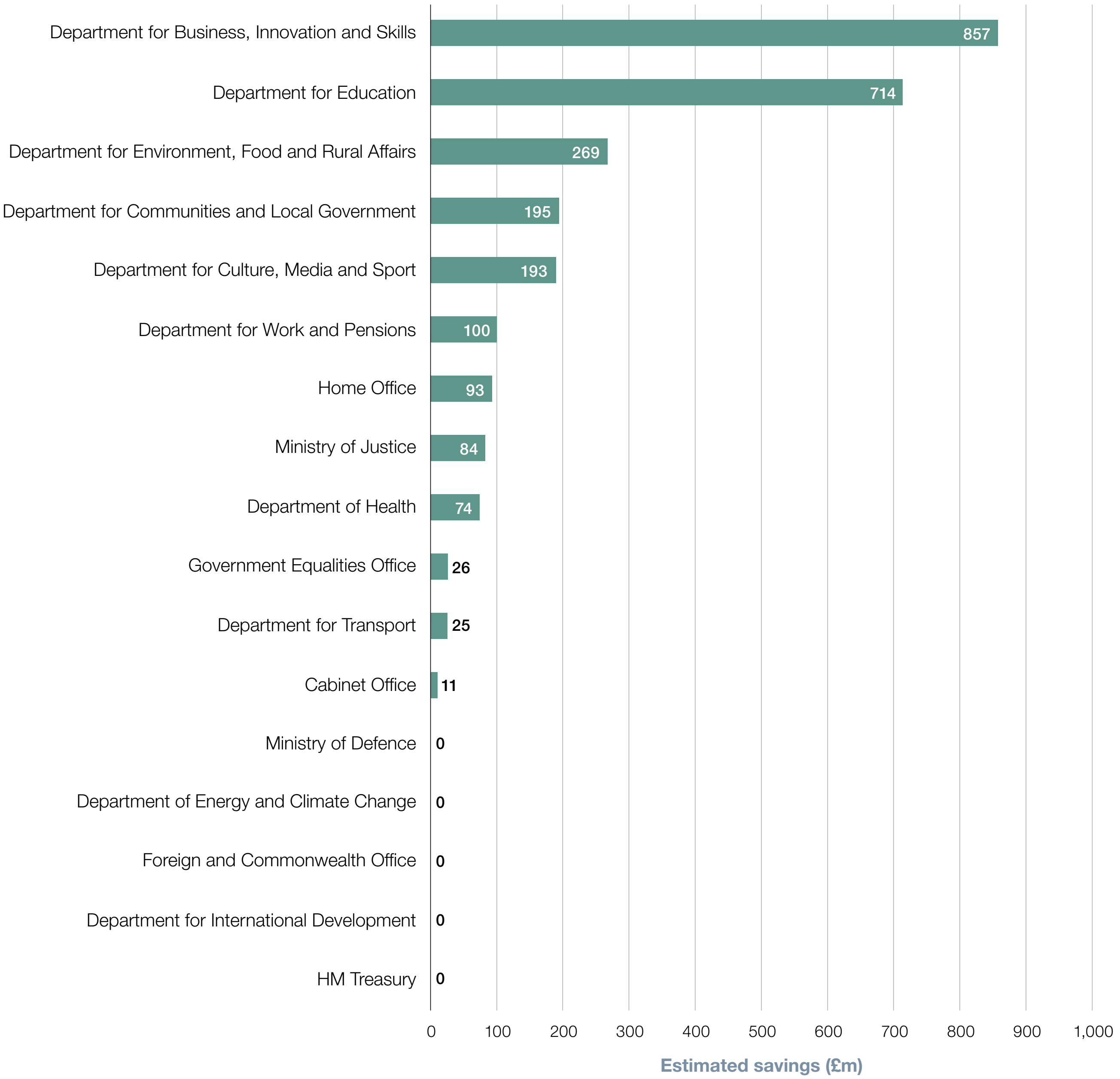
3.10 There is greater clarity in the cost reductions where functions are to move out of government. For example, the Department for Environment, Food and Rural Affairs has not claimed any savings from moving British Waterways to the third sector because it will continue funding the new organisation after the move.

3.11 Departments have taken different approaches in response to Treasury guidance about separating savings derived from reorganisations from those attributable to other actions. The guidance states:

> "For bodies being abolished or merged we expect (the savings) to be the whole of the savings, whereas you may wish to separate out figures for those being substantially reformed. Spending Review decisions on reductions to programme spend, capital spend, wider cuts to administration budgets or transfer payments should not be included within the analysis."[9]

9 HM Treasury, *Guidance to departments on calculating the costs and savings arising from the Public Bodies Review*, January 2011.

Figure 9
Over half of all intended administrative savings are from bodies sponsored by two departments



NOTES

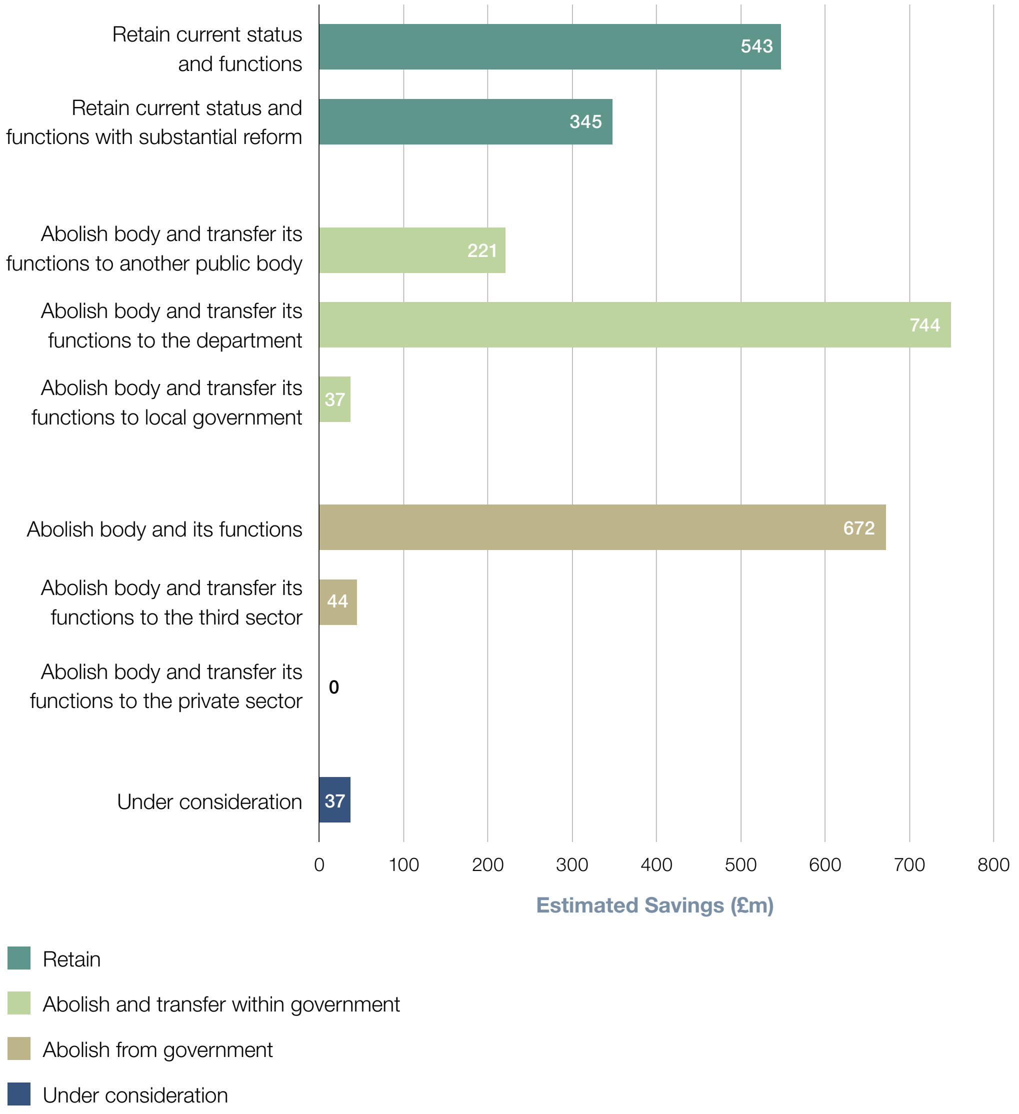
1 Savings for the Department for Communities and Local Government include £27 million over the Spending Review period from four bodies that it funds with money it manages on behalf of all departments that pay for local government services.

2 Departments expect most of these savings to continue into future years, with some exceptions, such as £33 million of non-recurrent savings from the Department of Health.

Source: National Audit Office analysis of departmental census return data

Figure 10

Over a third of estimated administrative savings are from abolishing bodies and transferring their functions to other parts of government



NOTES

1 Consistent with the treatment in Figure 3, the merger of 121 bodies into 57 has been treated as 64 abolitions and transfers to other public bodies coupled with 57 retentions with substantial reform.

2 The Cabinet Office has not provided a definition for its term ‘substantial reform’.

3 Because the Department of Health is unable to identify savings in individual bodies until its plans for the whole health system are more developed, we have allocated its £74 million intended savings from the public bodies it is reorganising in direct proportion to what each spent on administration in 2009-10.

4 Because the Department for Environment, Food and Rural Affairs has been unable at this stage to identify where £157 million of its intended £269 million savings will fall, we have allocated them in proportion to what each of its public bodies spent in 2009-10.

5 The graph shows that savings of £1 billion (or 38 per cent of £2.6 billion) are estimated to come from abolitions where functions are to be transferred to departments, local government or other public bodies.

Source: National Audit Office analysis of departmental census return data

3.12 The Youth Justice Board followed the Treasury guidance before the proposal to abolish it was withdrawn. It included £250,000 annual reorganisation savings from being absorbed into the Ministry of Justice but excluded £6 million annual savings from other actions. Most departments, however, have not analysed savings in this way and have included wider savings as well as those as a result of the Public Bodies Reform Programme. In particular, £0.5 billion of the estimated £2.6 billion savings are planned to come through bodies being retained with no substantial reorganisation. Examples are the Health and Safety Executive (£109 million estimated savings) and Research Councils (£100 million).

3.13 Departments have based their savings estimates on budgeted spending, in line with Treasury guidance, rather than actual spending. The Administrative Justice and Tribunals Council, for example, has argued that the real gross annual savings from abolishing it would be around £1 million a year, based on actual spending, rather than the £1.4 million a year estimated by the Ministry of Justice on the basis of budgeted spending.

3.14 Departments have also taken different decisions about what to classify as public bodies, adding further to inconsistencies in estimating total savings. This is despite Cabinet Office guidance that executive agencies should not be included because they are part of departments. Six departments included estimated savings of £74 million from executive agencies and non-ministerial departments.

3.15 The Cabinet Office sought assurance on accuracy from departments when collating and aggregating their savings estimates but has not validated figures itself. This is despite the fact that the Steering Board identified weak estimates as a key programme risk in December 2010. National Audit Office guidance on performance data states that "where the data used to report against an indicator is sourced from an external body it remains the responsibility of the department to ensure that the risks to data quality are adequately controlled."[10]

3.16 The Cabinet Office does not yet have a sound methodology to confirm whether public bodies' administration costs will have been reduced by £2.6 billion by the end of 2014-15. It currently relies on departments' monthly updates to track the savings but these do not prove that costs reductions have taken place. Information is not yet consistently available to identify baseline administrative spending separately from other spending, so the Cabinet Office will not be able to verify how much of the intended reduction of £33.0 billion in total funding to public bodies is for administration. In addition, departments' inconsistencies in separating savings as a result of reorganisation from other savings will make it difficult for the Cabinet Office to attribute cost reductions to the Public Bodies Reform Programme.

10 National Audit Office, *Data System Validation Pack – Self Assessment Tool – reporting against PSAs,* June 2008, p.18.

Part Four

Transition costs

4.1 This part of the report examines the transition costs of the Public Bodies Reform Programme. Unlike net savings and transferred costs, which will be ongoing, transition costs are incurred over the limited period of a reorganisation. Examples of transition costs include redundancy costs and penalty costs for breaking leases early. Departments and public bodies will have to find savings to fund these costs in addition to the overall £2.6 billion net savings figure.

Departments' estimates

4.2 Departments have estimated transition costs of £425 million. However, these estimates cover just 51 per cent of all employees affected by the Public Bodies Reform Programme.[11] Departments have focused on costs for large reorganisations, including those with zero assessed transition costs. Reorganisations with non-zero assessed costs include, for example, the Regional Development Agencies and Becta.

4.3 Where departments have estimated costs, they are likely to be understated. Some departments have focused on their own transition costs rather than those absorbed within the existing budgets of their public bodies. None of our 11 case examples covered all the cost categories set out in our previous report.[12] Four concentrated solely on redundancy costs and only three estimated costs for estates and IT, even though our previous report identified that IT, estates and indirect costs can be of a similar scale to staff costs. None included non-monetary costs such as losing skills and knowledge because of the changes. For example, approximately 2,200 Regional Development Agency employees are leaving through resignation, redundancy or other routes, although some relevant staff and their associated knowledge and experience have been transferred where functions have transferred to other bodies.

11 The most significant categories of transition costs are staff costs, IT costs and property costs, all of which are closely related to numbers of employees affected. A detailed methodology appendix, published separately on our website (www.nao.org.uk), explains how we estimate the number of staff affected. We define them to be employees transferring, being made redundant, resigning or retiring while the Public Bodies Reform Programme is carried out.

12 Comptroller and Auditor General, *Reorganising central government*, Session 2009-10, HC 452, National Audit Office, 18 March 2010.

4.4 Well-founded transition cost estimates, required by public sector programme management guidance PRINCE2, are important for three main reasons. These are:

- without well-founded estimates, departments cannot control transition costs, track risks and take proportionate mitigating actions;
- uncertainty over transition costs hampers departments' ability to budget and plan to deliver ongoing services from which savings must be extracted to cover the costs; and
- transition cost estimates help build up a knowledge base to inform future reorganisation decisions.

A more complete estimate

4.5 Scaling up the information provided by departments, we estimate transition costs across the Public Bodies Reform Programme to be at least £830 million. This is likely to be an underestimate because the figures on which it is based are themselves underestimates, as discussed, and because those figures include a high proportion of reorganisations for which departments have estimated zero transition costs, which may not be typical of other reorganisations. Eventual costs will depend on final reorganisation decisions and the extent to which staff decide to leave without taking up redundancy terms. A detailed methodology appendix, published separately on our website, explains how we reached our estimate.

4.6 Departments intend transition costs to have no effect on the £2.6 billion overall savings they have estimated because these savings are quoted net after deducting transition costs. The costs mean that departments and public bodies will have to find higher gross savings to generate the intended net savings. In the case of reorganisations delivering no net savings, the gross savings will have to equal the transition costs.

Part Five

Programme management

5.1 This part of the report considers how the Cabinet Office and departments have managed the Public Bodies Reform Programme overall. Their focus has been on securing the successful passage of the Public Bodies Act 2011 through Parliament, with secondary emphasis on benefits and costs. This goes some way to explaining the weaknesses noted in previous parts of this report. Beyond those weaknesses, there are positive examples of how the Cabinet Office has led the Public Bodies Reform Programme and of good programme management practice within departments. The Cabinet Office and departments have new opportunities to focus on all aspects of programme management now the Public Bodies Act has passed into law.

5.2 This part covers:

- the Public Bodies Act;
- the role of the Cabinet Office;
- the role of departments and public bodies; and
- ongoing reviews.

The Public Bodies Act 2011

5.3 The passage of the Public Bodies Bill through Parliament took longer than the Cabinet Office originally expected and the Bill was significantly amended. Three aspects are relevant to this report:

- Some proposed changes will not now happen, with a potential impact on financial savings.
- There may be delays in the secondary legislation required to implement many of the changes, with bodies continuing to exist for longer than departments had intended. The Cabinet Office does not now expect any of the secondary legislation, required for many closures, to commence before April 2012. The Ministry of Justice, for example, agreed in September 2011 that it would need to postpone closing the Administrative Justice and Tribunals Council which it had planned for March 2012.

- Departments have been holding public consultations on their reorganisation proposals in anticipation of a requirement added to the Bill during debate in the House of Lords. Because this was a new requirement, some consultations are now occurring at relatively late stages. The Department for Environment, Food and Rural Affairs started a consultation in October 2011 on its proposal to close the Commission for Rural Communities. This was over six months after the Commission reduced employee numbers by 90 per cent as part of closure plans.

5.4 These factors present departments with further challenges in realising the estimated £2.6 billion savings within the Spending Review period. Most transition costs are still likely to occur within the current Spending Review period but delays to secondary legislation could push some expected savings into the following Spending Review period.

The Cabinet Office

5.5 The Cabinet Office, as lead department for the Public Bodies Reform Programme, appointed a senior responsible owner and a steering board with representatives from all departments. It asked a representative from outside the Cabinet Office to chair the Steering Board to strengthen engagement from other departments. The Chair is from the Department for Environment, Food and Rural Affairs. The Steering Board meets every six weeks with support from a working group that meets monthly.

5.6 The Steering Board and working group fostered personal contacts that have led to some collaboration and sharing of lessons among departments. The Cabinet Office has applied good practice in identifying common risks, assigning risk owners and learning lessons. However, it has been less active in focusing routinely on key risks (**Figure 11**), in particular, the risk of weak savings estimates.

5.7 The Cabinet Office and the Steering Board have been slow to act on some common issues:

- The Steering Board identified a significant risk around pension liabilities as early as July 2010. While subsequent meetings touched on pensions, a working group focused on the topic did not meet until 14 months later, on 27 September 2011.

- The Cabinet Office and Steering Board could have been quicker in playing a more active role in expanding a redundancy swap scheme developed in November 2010 (described in paragraph 5.12). The scheme is now being taken forwards as a wider cross-government human resources project due to start in March 2012.

Figure 11
The application of key risk management principles has been variable

Good practice principles of risk management	Application
1 An engaged board focuses the business on managing the things that matter.	Risk was not a regular agenda item for Steering Board meetings until September 2011. Key risks were identified early but were not actively managed.
2 The response to risk is most proportionate when the tolerance of risk is clearly defined and articulated.	Potential impacts of risks that crystallise have been assigned from 'mission critical' through 'impacts some savings' to 'negligible'. Little consideration has been given to risks with low probability but high impact.
3 Risk management is most effective when ownership of, and accountability for, risks is clear.	Risks have been assigned to owners and escalated as necessary, aided by departments' monthly returns to the Cabinet Office and by representatives on the Steering Board.
4 Effective decision-making is underpinned by good quality information.	The Cabinet Office has been receiving updated information from departments, workshops and direct communication with the Chief Executives of public bodies.
5 Decision-making is informed by a considered and rigorous evaluation and costing of risk.	Impact and probability have been measured for each risk identified. There was infrequent evaluation, until September 2011, of how far a risk is reduced following mitigating actions.
6 Future outcomes are improved by implementing lessons learnt.	The Steering Board recognises 'capturing lessons learnt' as a risk and has been encouraging departments to collate data. Past experience is being used to manage current risks.

Source: Principles from Managing risks in government, National Audit Office, June 2011 and application from National Audit Office analysis of Cabinet Office papers

Departments and public bodies

5.8 All six departments that we examined in detail, and all eleven of our case examples, had appropriate governance and programme management arrangements. Programme boards and senior responsible owners were appointed early to manage the changes. Departments produced comprehensive project briefs, including details on risk management and communication.

5.9 Eight of the eleven case examples have either had internal audit reviews and health checks or plan to have them. For example, the Regional Development Agency closures have been supported by a national transition board, internal audit work, Office of Government Commerce reviews, and peer reviews. The remaining three case examples are either too small or not yet at a sufficiently advanced stage to warrant internal audit work.

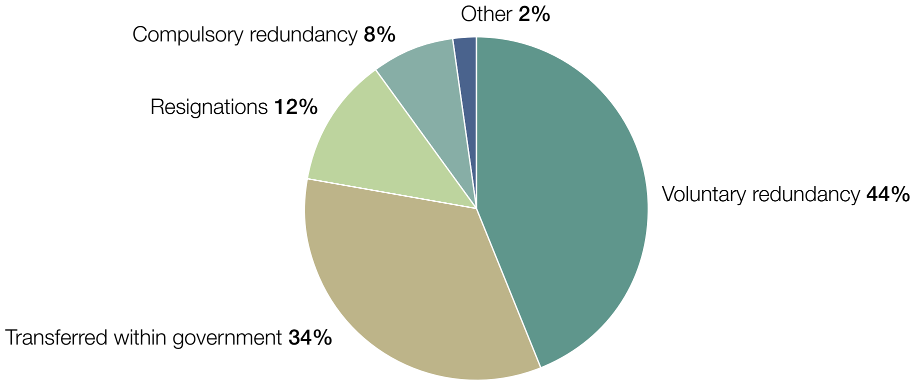
5.10 Our case examples show that arm's-length bodies have tried to minimise compulsory redundancies in line with guidance from the Civil Service Compensation Scheme (**Figure 12**). Smaller bodies may have been reluctant to run voluntary schemes in the mistaken belief that they might be compelled to release staff before closure.

5.11 Departments and public bodies have provided opportunities for employees to transfer where their roles are moving to other bodies. For example, 94 employees have moved from Regional Development Agencies to the Homes and Communities Agency. Employees may not want to transfer if it involves changing locations. For example, employees formerly based in the Birmingham office of the General Teaching Council for England may wish to transfer to the new Teaching Agency. They will need to work from one of ten Department for Education offices, the closest of which is in Coventry. The Department is offering flexible working and moderate excess fares to avoid losing staff and paying associated costs.

5.12 The regional Government Offices developed and promoted a redundancy swap scheme (see paragraph 5.7) to offer employees the opportunity to remain in the civil service while allowing others to leave voluntarily. The Government Offices transferred 86 employees, who would otherwise have been made redundant, to other government departments. Therefore, those departments were able to grant requests for voluntary exits to 86 of their own employees whom they would otherwise have had to refuse. The Department for Communities and Local Government, which was responsible for Government Offices, paid for the costs of the redundancies. This arrangement left the financial position of all departments broadly as it would have been without the scheme, but with a better outcome for individuals. It also enabled departments to retain staff with the right skills and experience.

Figure 12

Compulsory redundancies have been restricted to 8 per cent of employees leaving public bodies in our case examples



NOTE

1 Numbers are estimates based on around 4,800 staff leaving from the 11 case examples in this report.

Source: National Audit Office analysis of data from case examples

5.13 Departments have shared lessons learned from reorganisations. The Department for Business, Innovation and Skills hosted a cross-departmental seminar, with presentations from the Department for Environment, Food and Rural Affairs and the East of England Development Agency, on its experience of taking on certain functions from the Regional Development Agencies. It also wrote reports of lessons learned from closing the Hearing Aid Council and the Simplifying Trade Procedures organisation. The Department for Education held discussions with other departments to develop guidance for their public bodies on implementing closures.

Ongoing reviews

5.14 The Cabinet Office has established a requirement for departments to review each of their non-departmental public bodies at least once every three years, starting in the current financial year 2011-12. It has produced *Guidance on Reviews of Non Departmental Bodies,*[13] which includes an annex on good corporate governance and is aligned with the Treasury's *Corporate Governance Code.*[14]

5.15 The Cabinet Office intends the new reviews to continue the process started by the Public Bodies Reform Programme. The reviews involve testing public bodies again to determine whether their functions need to continue at all and, if so, whether they should remain at arm's-length. In addition, departments must also consider their control and governance arrangements over retained bodies. Departments have completed 14 of these reviews so far and started another five.[15]

5.16 The triennial review programme provides a continuing opportunity for the Cabinet Office and departments to apply lessons learnt from the Public Bodies Reform Programme; and to make decisions based on improved information on the costs and benefits of reorganising public bodies.

13 Cabinet Office, *Guidance on Reviews of Non Departmental Bodies*, June 2011.

14 HM Treasury, *Corporate Governance Code for Central Government Departments: Code of Good Practice*, July 2011.

15 The completed reviews cover 13 Veterans Advisory and Pensions Committees and High Speed 2. The further reviews under way cover the Treasure Valuation Committee, the Reviewing Committee on Export of Works of Art, the Independent Agricultural Appeals Panel, the Legal Services Board and the Central Advisory Committee on Pensions and Compensation.

Appendix One

Methodology

The main elements of our fieldwork, which took place between July and September 2011, are set out below. Our fieldwork covered:

- the Cabinet Office and the Treasury, as central providers of direction and guidance;
- all 17 departments in the Public Bodies Reform Programme, through a census;
- six departments[16] overseeing substantial reorganisation, through more detailed evidence collection; and
- eleven case examples[17] from those six departments, covering a variety of types of reorganisation.

Method	Purpose
Cross-government census. Covering all 17 departments in the Public Bodies Reform Programme, and providing information on the nature, savings and costs involved in each proposed reorganisation.	To provide evidence for our financial and non-financial analyses.
Document review. Reviewing published and unpublished reports, guidance and programme documents from the Cabinet Office, Treasury, six departments and eleven case examples.	To provide context and supplement survey data. To provide evidence of programme management practice and structures.
Semi-structured interviews. Interviewing staff at the Cabinet Office, six departments, and eleven case examples.	To understand the role of the Cabinet Office, Treasury, departments and public bodies in implementing proposed changes. To assess programme management.

A more detailed methodology appendix is available on our website at www.nao.org.uk/reorganising-central-government-2012

16 The six departments are: the Department for Business, Innovation and Skills; the Department for Communities and Local Government; the Department for Education; the Department for Environment, Food and Rural Affairs; the Department of Health; and the Ministry of Justice.

17 The 11 case examples are: Administrative Justice and Tribunals Council; British Waterways; Commission for Rural Communities; regional Government Offices; General Teaching Council for England; Homes and Communities Agency; London Thames Gateway Development Corporation; merger of Competition Commission and Office of Fair Trading; Qualifications and Curriculum Development Agency; Regional Development Agencies; and Youth Justice Board.

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