



Making quangos an asset not a liability

Why this issue is important

Quangos, or arm's-length bodies (ALBs) as they are properly known, are a critical feature of the UK's public sector. There are approximately [600 ALBs](#) in the UK, some of which receive government funding amounting to [tens of billions of pounds](#) each year. They perform a range of functions: regulating markets and protecting consumers (e.g. Ofgem); investigating complaints on behalf of the public (e.g. the Local Government Ombudsman); inspecting key services (e.g. Ofsted); and offering expert advice to government (e.g. the Low Pay Commission). Some ALBs, such as the Arts Council, take major cultural funding decisions while others, such as the Victoria and Albert Museum, are cultural attractions in their own right. ALBs are an essential tool for delivering ministerial goals. They provide the means to carry out government activity in areas where direct ministerial control is undesirable.

Government's use of ALBs is [not always effective](#). Incoming ministers often struggle to understand how they can ensure the department's ALBs focus on their priorities. There is [confusion](#) about which decisions and activities ministers and ALBs are responsible for and where accountability lies. Misunderstandings can quickly descend into crises that absorb ministerial time, sap political capital, and make or break careers. The political fallout from the flooding in the Somerset Levels in early 2014 is one such example.

The idea that ALBs are unaccountable pits of public money is a popular political refrain, particularly at election time. Parties regularly promise 'culls' of ALBs to bring 'quangoland' under control. However, ALBs occupy an odd place in political consciousness. While incoming governments often seek to abolish ALBs, especially those they see as being too close to particular policies, new ALBs are simultaneously proposed as the solution to a variety of problems. In 2010, for example, the Coalition immediately created the Office for Budget Responsibility to increase government's fiscal credibility. The next government can take a more coherent approach.

Early challenges and how they can be addressed

- **Understand the role of ALBs in delivering government priorities:** Many departments have multiple ALBs, some of which command substantial budgets. It is important that ministers quickly understand which ALBs are central to delivering their priorities and how far they can and should influence the activities of these bodies. Ministers should also understand the policy expertise that ALBs have to offer. Concentrating on understanding ALBs that spend the most and are most critical to delivery is sensible but ministers should ensure they are also briefed on the practical and political [risks](#) that could emerge from other ALBs in their department.
- **Focus on building strong relationships with ALB chairs:** Given the importance of ALBs in delivering government policy, building strong, effective relationships with the chairs and, where appropriate, the chief executives of arm's-length bodies, should feature near the top of any new minister's to-do list. The best relationships set expectations early and firmly establish clarity on roles and responsibilities. Incoming ministers may be tempted to assume that any appointees they

inherit from a previous government will inevitably hold some political bias; data on the declared political activity of appointees [does not bear out this suspicion](#).

- **Ensure the right leadership is in place:** It is important to make objective judgements about performance before making any changes to the leadership of ALBs. If chairs and chief executives have delivered effectively for previous ministers – even on policy agendas that a new minister dislikes – there is a good chance they will be well placed to perform effectively in the future. Stable leadership is important so where changes are needed it is better to make them swiftly. Ministers should not undermine chairs and chief executives unless they are ultimately prepared to replace them. The process for making ministerial appointments can be slow and may even deter strong candidates so it is important to consider the likely quality and timing of new arrivals.
- **Make sure progress can be made even when ministerial focus is elsewhere:** Dealing with day-to-day pressures can leave little room for oversight of ALBs, which may drift back into focus only if a crisis arises. Ministers need to be confident that good routines are in place for maintaining strong relationships, spotting emerging risks, and ensuring ALB performance continually improves.
- **Be cautious about restructuring:** It is tempting to view restructuring or abolishing ALBs as a route to quick and easy savings. However, the vast majority of ALBs' spending cannot be cut without tough policy choices. Major structural reform often carries its own [short-term costs and is highly disruptive](#) – so should only be pursued where there is a [clear business case](#).

Longer-term reform priorities

- **Set the landscape of ALBs on a stable long-term footing:** There are at least 11 different types of ALB and no consistency across Whitehall about how similar types (for example, regulators, or inspectorates) are managed. The confusion this creates about roles and responsibilities fuels duplication and inefficiency and does little to build public trust. The Institute has proposed classifying ALBs into just [four types of bodies](#). This would create far greater clarity around the powers ministers have to direct ALBs and hold them to account, and the areas where ministers retain accountability.
- **Institute regular reviews of all ALBs:** While restructuring should be entered into carefully, the government should not shy away from closing or merging ALBs which no longer serve a clear purpose. Only one 'type' of ALB (non-departmental public bodies) is reviewed regularly. In future, all ALBs should be regularly reviewed to ensure their role and accountability arrangements are clear and to consider their continued existence. Legislation to create new ALBs should include 'sunset clauses' for any bodies that have a specific time-bounded role, setting an expectation of when they would close.
- **Increase Parliament's role in appointments:** Transparency around appointments and dismissals to senior ALB posts is a cornerstone of the public's trust in ALBs. Reducing the perception of ministerial influence by increasing the role of select committees in [scrutinising appointments](#) should be a core goal in any long-term reform.