

10. Arm's-length bodies

ALBs are a key part of the governing landscape. Reforming them should be more than a numbers game, even though most governments pledge to reduce their number. The Coalition was no exception. However, it also aimed to increase the accountability of ALBs, and ALB boards have become more diverse.

The Cabinet Office classifies ALBs in four broad ways, moving further from ministerial control: non-ministerial departments, executive agencies, non-departmental public bodies (NDPBs, the biggest group) and public corporations. This classification is not perfect and leads to some confusion, but there may yet be reform.

Thanks to *Public Bodies* reports – now being published more frequently and in a more usable format by the Cabinet Office – we have data on some of these different types. The number of NDPBs has been falling steadily since at least 1979. Under the Government's public bodies reform programme, there have been further reductions since 2010, with some departments – such as MoJ, which still has considerably more NDPBs than any other department – losing more than others. However, new NDPBs, executive agencies and non-ministerial departments have been created since 2010, suggesting there has been more to the reforms than reducing the number of bodies (this is also true of government expenditure and staff numbers).

The Government also committed to increasing the transparency and accountability of public bodies, through reviewing their functions, publishing more information and opening more of their business – such as meetings – to the public. The boards of ALBs have become more diverse (the percentage of members who are women has increased considerably), and fewer board members are declaring political activity than ever before.

About the data

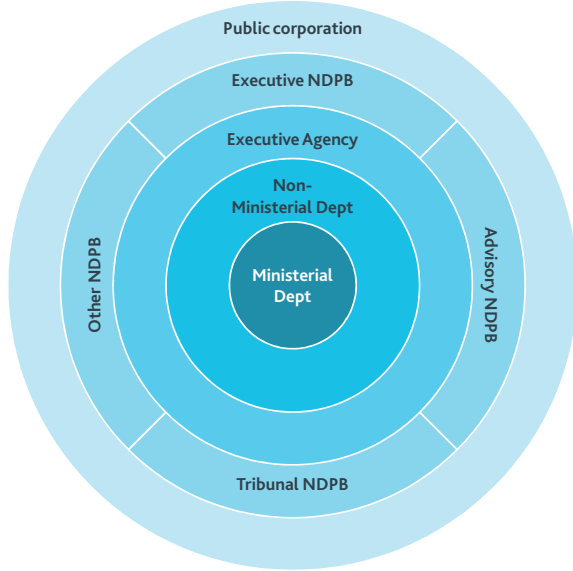
For the number of NDPBs, their staffing, funding and levels of accountability, we use the **Public Bodies reports** published by the Cabinet Office. The 1997 report provides numbers back to 1979 (with the exception of 1980 and 1981), and annual reports continue from 1998 to 2009 (with data as of March each year). Although no central report was published for either 2010 or 2011, we have found departmental reports with data for March 2010, which we have collated (there may also be 2011 reports available online but we have not had time to repeat the exercise). *Public Bodies* reports have been published annually again since 2012. In 2013, two further updates were published (for December 2013 and March 2014), and data for most fields (though not finances or staff numbers) is now updated on a quarterly basis following the 2014 annual report. We have used the March 2015 update to the 2014 report to give the number of bodies in 2015. Executive agencies and non-ministerial departments (with the exception of HMRC) have been included since *Public Bodies 2013*. We exclude both NHS England and the Education Funding Agency from our expenditure and staff number analysis, as they are outliers. For the numbers of executive agencies and non-ministerial departments in March 2010, we have used **archived snapshots of pages on the old Cabinet Office website**.¹

For the composition of ALB boards, we use the **annual statistics from the Office of the Commissioner for Public Appointments (OCPA)**, which regulates the appointment processes for most (though not all) ALB boards. Diversity statistics are also published as part of the annual *Public Bodies* publications, but – with the 2015 report yet to be published – OCPA provides the most up-to-date information.²

Get the latest data www.instituteforgovernment.org.uk/ALBs

There are many different types of arm’s-length body, which could be more clearly defined.

Cabinet Office classification of different types of arm’s-length body (ALBs)



- Non-ministerial departments (e.g. HMRC, Ofsted)**
Government departments that do not have their own minister, but are accountable to Parliament through sponsoring ministers. They are staffed by civil servants
- Executive Agencies (e.g. DVLA, Public Health England)**
'Business units' headed by a chief executive as part of a department. Ministers set policy under which they exercise executive functions and are responsible to Parliament, but are not involved in their day-to-day running. Staffed by civil servants
- Non-departmental Public Bodies (NDPBs)**
These have 'a role in the process of national government' but are not part of a government department.
 - **Executive NDPBs** perform executive, administrative or regulatory functions, such as museums and galleries (DCMS), NHS England (DH), the Environment Agency (Defra) or Health and Safety Executive (DWP)
 - **Advisory NDPBs** provide 'independent, expert advice' to ministers, such as the Boundary Commission (CO) or Low Pay Commission (BIS)
 - **Tribunal NDPBs** have jurisdiction in specific fields of law, such as the Investigatory Powers Tribunal (HO)
 - **Other NDPBs** are largely made up of independent monitoring boards of prisons, immigration removal centres and short-term holding rooms at MoJ.
- Public corporations (e.g. Channel 4, Civil Aviation Authority)**
'Trading, market bodies' that operate commercially and typically generate more than 50% of their income from customers. They include chartered or statutory corporations (delivering public services within a remit controlled by ministers), government-owned companies or Joint Ventures and Public Private Partnerships

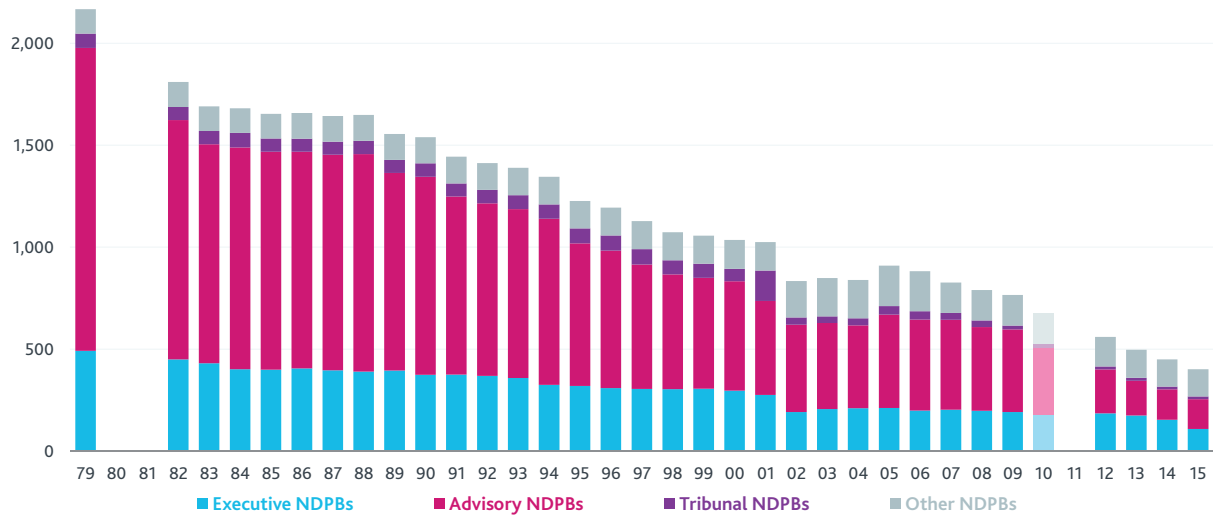
Source: Adapted by Institute for Government from Cabinet Office, *Public Bodies 2012*.

ALBs, sometimes known as public bodies or (often pejoratively) quangos, are a critical feature of government in the UK. There are a number of different types at varying degrees of arm’s length from political control. According to the Cabinet Office, these move outwards in concentric circles, from non-ministerial departments (accountable to Parliament through sponsoring ministers, despite the name), through executive agencies and NDPBs to public corporations.³

This categorisation does not fully capture the reality, and leads to confusion about the roles and responsibilities of ministers and their departments regarding ALBs. The Institute has previously identified at least 11 different types of ALB, and proposed a clearer taxonomy of four types (subsequently endorsed by the Public Administration Select Committee).⁴ Although the Coalition introduced reforms to the ALB landscape between 2010 and 2015 (covered in the Institute’s 2015 report *Out of the Ashes*), ALB classification has yet to be addressed – though the Cabinet Office is consulting on the issue.⁵

A steady reduction in the number of ALBs was a key part of the Coalition's reforms.

Number of Non-departmental Public Bodies (NDPBs), 1979 to 2015



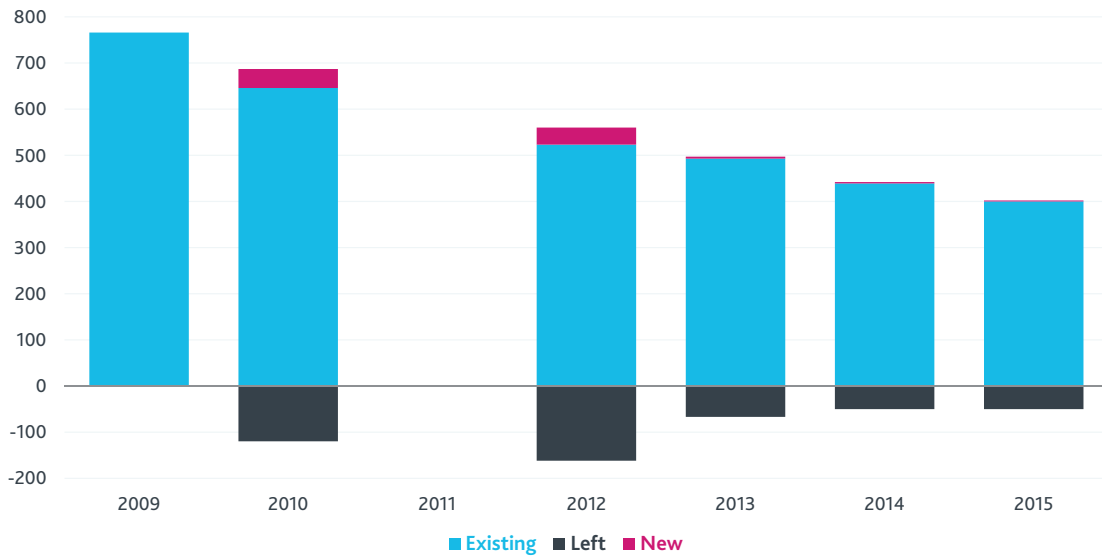
Source: IfG analysis of Cabinet Office *Public Bodies* reports, 1997-2009 and 2012 to Q1 2015. 2010 data from departments' reports and extrapolation.

Many governments come to power promising a 'bonfire of the quangos'; reducing the numbers of ALBs is often popular given the perception of them as 'unaccountable pits of public money'.⁶ The number of NDPBs – the only type of body for which a long and reasonably consistent data series exists – has fallen considerably since 1979. There were 2,167 NDPBs in March 1979, compared with 401 in March 2015.

All of the main parties committed to ALB reform before the 2010 general election (indeed, the Labour government had started to reform and rationalise following its *Smarter Government* White Paper in late 2009).⁷

After the election, the Coalition's public bodies reform programme aimed to reduce the number of ALBs – but also recognised the need for wider reform to ensure accountability and efficiency.⁸ Because of the reform programme, the Cabinet Office did not publish public bodies data in either 2010 or 2011. Most departments did produce a publication in 2010, however – and collating these, as well as using some archived government webpages and other *Public Bodies* reports, allows us to estimate how many bodies have been abolished and, in some cases, created. The numbers that follow do not quite match the 598 bodies that the Cabinet Office expects to exist in 2015 – these numbers include bodies other than NDPBs, executive agencies and non-ministerial departments – but nonetheless come from government publications.⁹

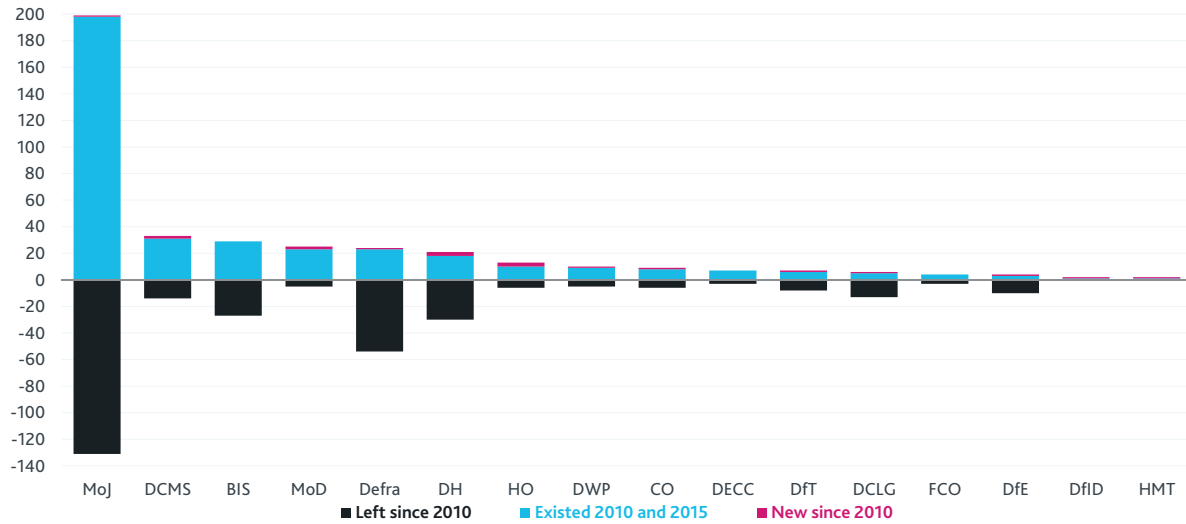
Change in number of Non-departmental Public Bodies (NDPBs), 2009 to 2015



Source: IfG analysis of Cabinet Office *Public Bodies* reports, 2009 and 2012-14 (to Q1 2015 update). 2010 data from departments' reports and extrapolation.

As with many governments, the Coalition moth was attracted to the flames of the quango bonfire: around 160 NDPBs that existed in 2010 had ceased to exist by 2012, and 50 or more have been abolished each year since. However, reform was not limited to abolishing NDPBs – in fact, more than 40 have been created since 2010 – and was not undertaken only by the Coalition. The final year of the previous Labour government also involved the abolition and creation of NDPBs.

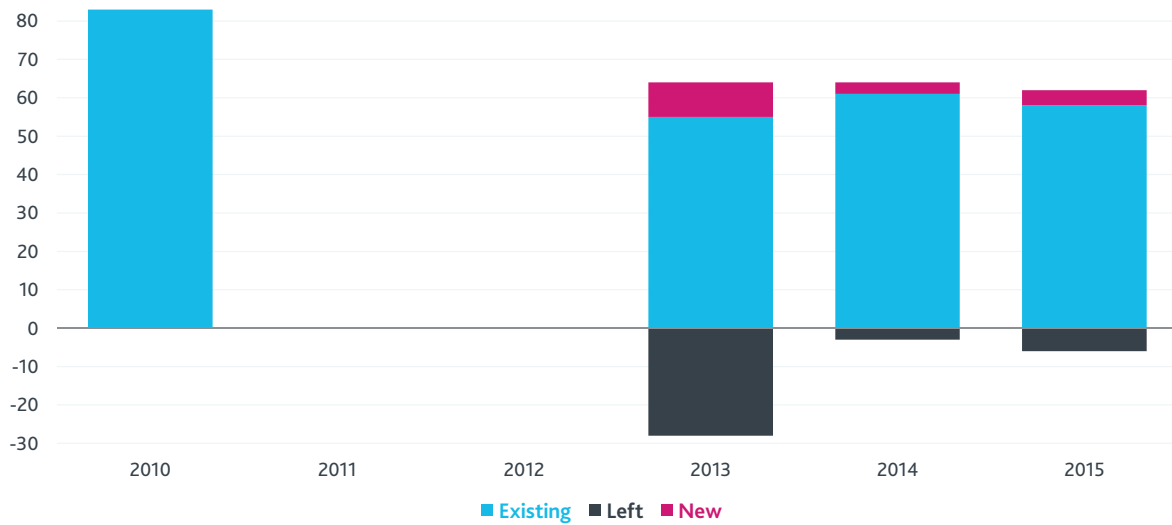
Non-departmental Public Bodies (NDPBs) by department, Q1 2015



Source: IfG analysis of Cabinet Office *Public Bodies* reports, 2009 and 2012-14 (to Q1 2015 update). 2010 data from departments' reports and extrapolation.

MoJ has the most NDPBs in 2015 – just under 200 – but has lost about 130 since 2010. Defra, DH, BIS, DfE and DCLG have had notable reductions compared with the number of bodies they retain. Numbers have come down because of mergers (e.g. the Office of Fair Trading and Competition Commission at BIS into the new Competition and Markets Authority); transfer of functions to departments or other bodies (the Qualifications and Curriculum Development Agency into DfE); reduction in number of multiple bodies (from 101 to 47 advisory committees on justices of the peace at MoJ); change in the type of body (a number of Defra's former NDPBs are now expert advisory panels); and straightforward abolition (the Audit Commission). Again, though, many of these departments have also created new bodies, implying that reform went slightly further than a simple reduction of numbers.

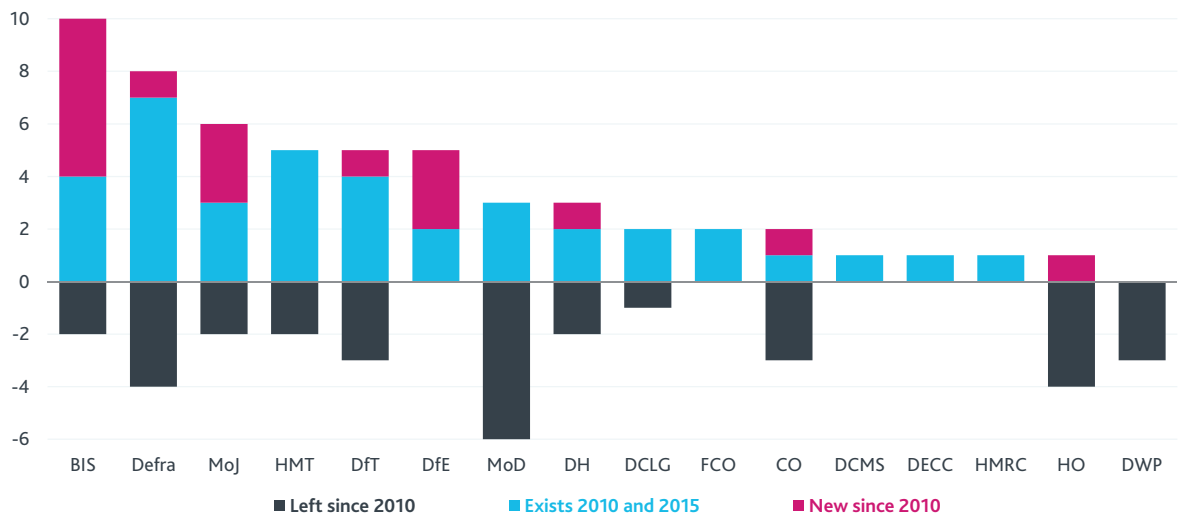
Change in number of Executive Agencies and Non-ministerial Departments, 2010 to 2015



Source: IfG analysis of Cabinet Office *Public Bodies* reports, 2013 and 14 (to Q1 2015 update). 2010 data from archived government websites.

This is also evident from the change in the number of executive agencies and non-ministerial departments. Although 28 were abolished between 2010 and 2013, nine were created, and seven more have been created since.

Executive Agencies and Non-ministerial Departments by responsible Ministerial Department, 2015

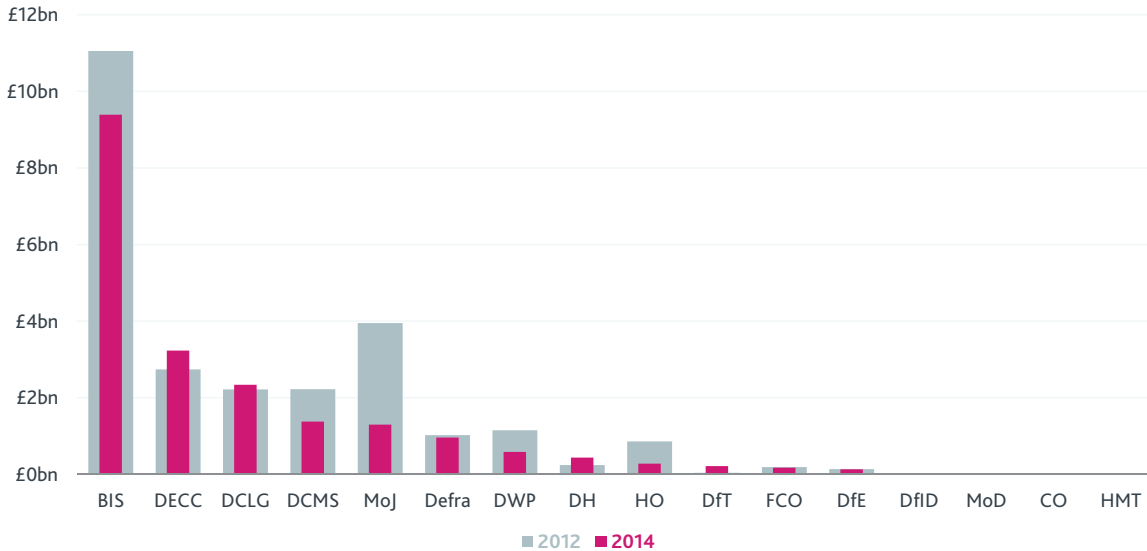


Source: IfG analysis of Cabinet Office *Public Bodies* reports, 2013 and 14 (to Q1 2015 update). 2010 data from archived government websites.

Departments have differed in their approach to executive agencies and non-ministerial departments. DfE has merged seven of its NDPBs into three new executive agencies, while DWP has brought all of its executive agencies – including Jobcentre Plus – inside the main department. Overall, BIS has the largest number of executive agencies and non-ministerial departments – and the largest number new to a department, including transfers from elsewhere (Ordnance Survey from DCLG, the Met Office from MoD, Land Registry from MoJ) – while MoD has lost the greatest number since 2010.

Most departments have cut expenditure on and the number of staff in their ALBs.

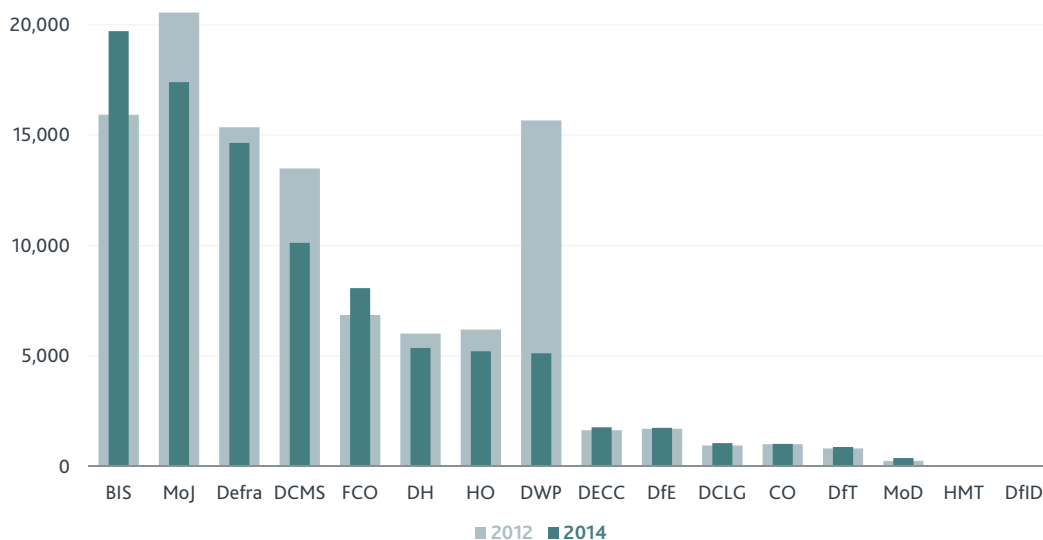
Government expenditure on Non-departmental Public Bodies (NDPBs) by department, 2012 and 2014



Source: Institute for Government analysis of Cabinet Office *Public Bodies* reports, 2012 and 2014. Excludes NHS England (DH).

Given the reduction in the number of NDPBs, it is unsurprising that government expenditure and staff numbers have also come down. Between 2012 (the earliest year for which figures are easily available) and 2014, government expenditure going to NDPBs has been reduced in most cases. BIS and MoJ had the highest expenditure in 2012, and have reduced it since then; new executive agencies and a greater use of contracting may be responsible for this. (There is a glaring exception in the form of NHS England, through which DH manages the NHS, and which we cover in chapter 8 on how departments spend their money. It receives nearly £96bn, but is such an outlier that we have excluded it here.)

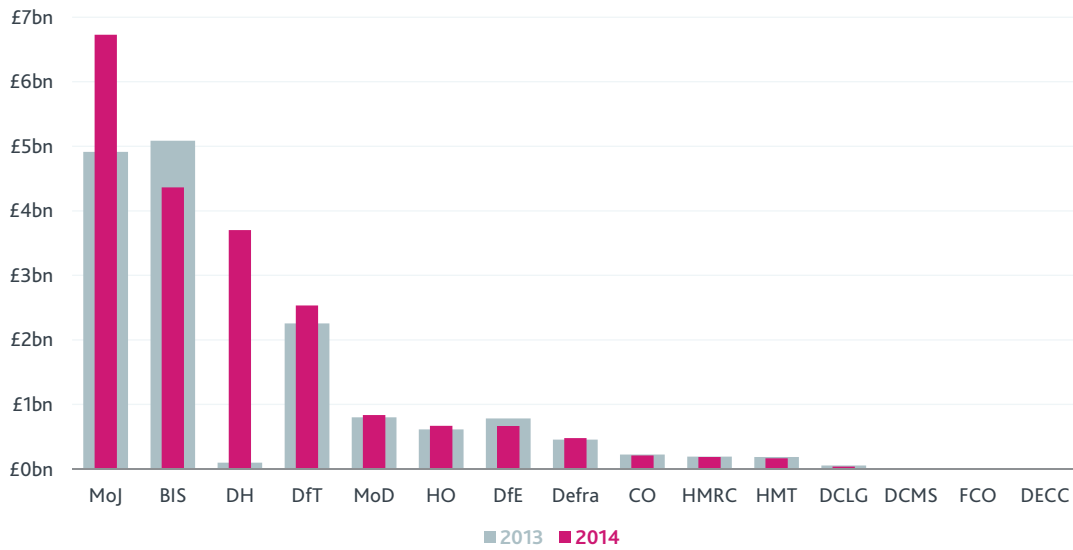
Staff employed (full time equivalent) in Non-departmental Public Bodies (NDPBs) by department, 2012 and 2014



Source: Institute for Government analysis of Cabinet Office *Public Bodies* reports, 2012 and 2014. Excludes NHS England (DH).

Staff numbers have fallen in most cases, although BIS and FCO are among the exceptions. DWP has experienced the most marked decrease, in large part because bodies such as the Child Maintenance and Enforcement Commission have been brought back inside the main department (as the Child Maintenance Group).

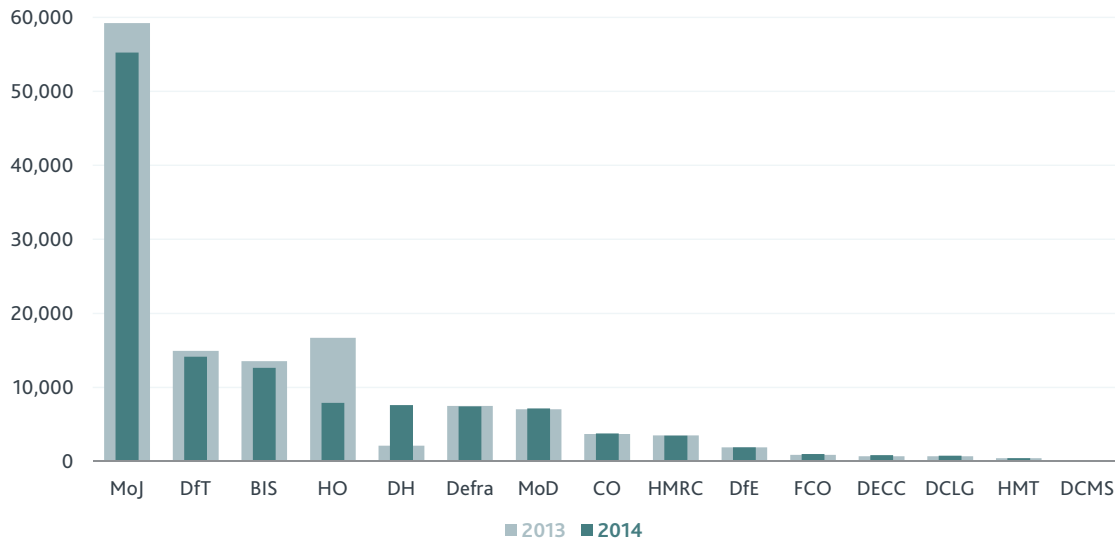
Government expenditure on Executive Agencies and Non-ministerial Departments by responsible department, 2013 and 2014



Source: IfG analysis of Cabinet Office *Public Bodies* reports, 2012 and 2014. Excludes Education Funding Agency (DfE), which IfG considers part of DfE.

Many departments spent around the same on their executive agencies and non-ministerial departments in 2014 as in 2013, the earliest year for which figures are easily available. The obvious exceptions are MoJ, which is spending more on a number of new bodies; BIS, which is spending less; and DH, where Public Health England has been created. (Again, we have excluded an outlier: the Education Funding Agency, responsible for more than £50bn at DfE, which we consider to be part of the department proper.)

Staff numbers (FTE) in Executive Agencies and Non-ministerial Departments by responsible department, 2013 and 2014

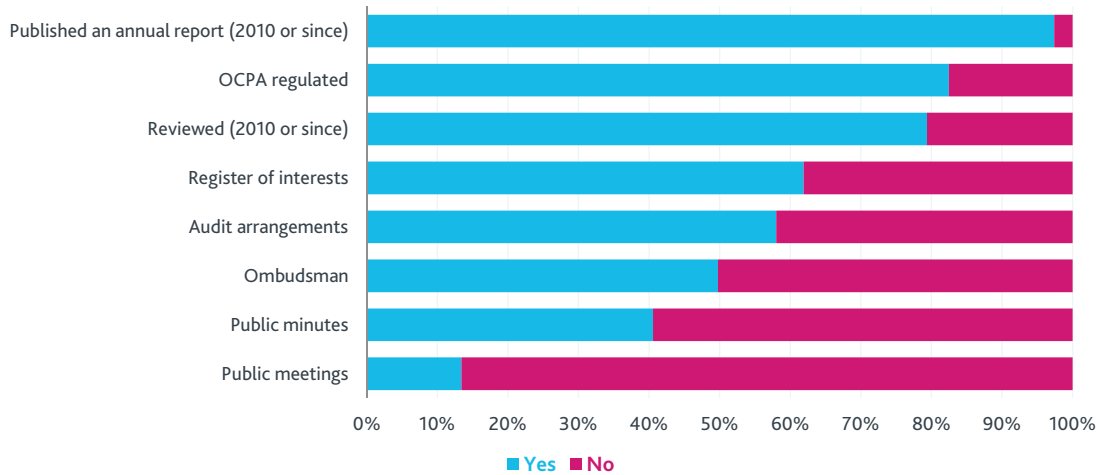


Source: IfG analysis of Cabinet Office *Public Bodies* reports, 2012 and 2014. Excludes Education Funding Agency (DfE), which IfG considers part of DfE.

Staff numbers in executive agencies and non-ministerial departments are reasonably consistent between 2013 and 2014. MoJ and HO are employing fewer, while there are more at DH (largely explained by the 5,141 staff at Public Health England).

ALBs have become more accountable, and their boards more diverse.

Accountability of Non-departmental Public Bodies, Executive Agencies and Non-ministerial Departments, Q1 2015



Source: Institute for Government analysis of Cabinet Office *Public Bodies 2014*, Q1 2015 update.

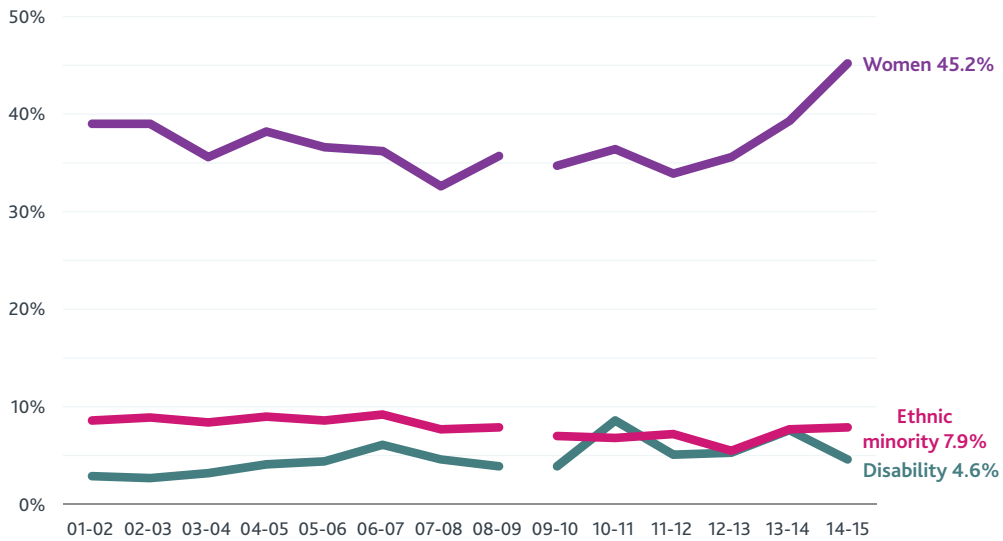
The Coalition’s reform programme was explicitly part of the Government’s commitment ‘to increase the transparency and accountability’ of all public services.¹⁰ This increased transparency included publication of more information and greater public access.¹¹ An important part of the public bodies reform programme was to review whether the functions a body had should be properly exercised at arm’s length:

The Government’s presumption is that if a public function is needed then it should be undertaken by a body that is democratically accountable at either national or local level. A body should only exist at arm’s length from government if it meets one of three tests:

- *it performs a technical function*
- *its activities require political impartiality*
- *it needs to act independently to establish facts.*¹²

More than 900 bodies were reviewed in spring/summer 2010. As of March 2015, nearly 80% of all existing NDPBs, executive agencies and non-ministerial departments have been reviewed in or since 2010 (many of those that have not been reviewed are the museums and galleries that are executive NDPBs of DCMS). More than 80% of bodies have published an annual report since 2010 and have their appointments regulated by the Commissioner for Public Appointments (OCPA); more than half publish a register of interests and have audit arrangements in place; just under half are overseen by an ombudsman (which would not be appropriate in all cases); only 40% publish public minutes; and under 15% hold public meetings.

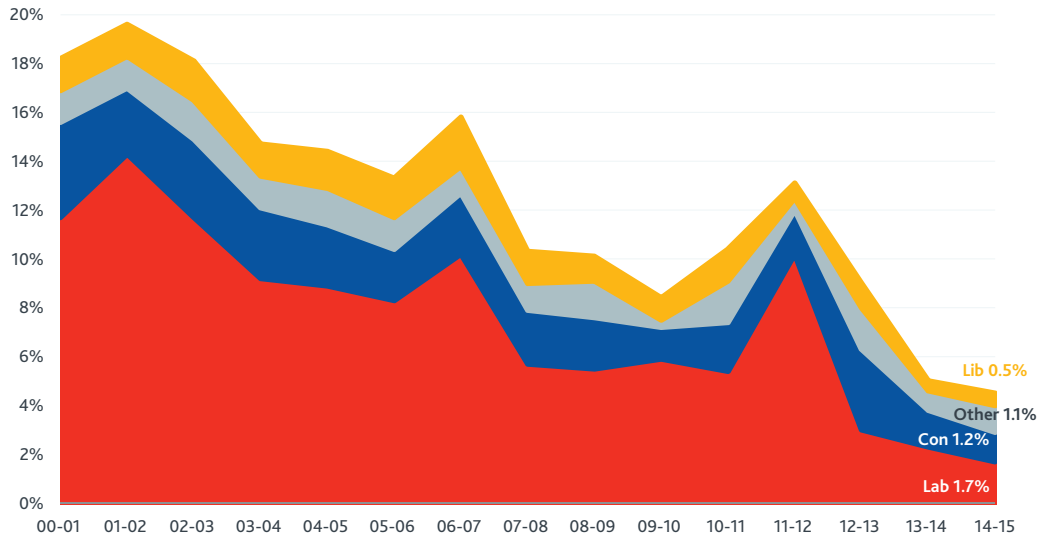
Percentage of all appointments to public bodies regulated by OCPA going to female, ethnic minority and disabled candidates



Source: IfG analysis of OCPA annual statistics. Shown as a percentage of all appointments before 2009-10, and where characteristics known from 2009-10.

The percentage of those appointed and reappointed to the boards of OCPA-regulated public bodies who are women is at its highest-ever level – 45.2% of all appointments where gender is known. It has increased from 33.9% in 2011-12. The percentage of appointees from an ethnic minority (7.9%) is at its highest since 2008-09, although remains lower than the 14% of the general population who are from an ethnic minority (according to the 2011 census). However, the percentage of appointees with a disability (4.6%) has fallen to its lowest level since 2009-10, which OCPA described as ‘disappointing’.¹³

Percentage of all appointments to public bodies regulated by OCPA going to candidates of declared ‘political activity’



Source: IfG analysis of annual statistics from the Office of the Commissioner for Public Appointments (OCPA).

A lot of comment focuses on the politicisation of appointments. In fact, the overwhelming majority of those appointed declare no political affiliation: in 2014-15, only 4.5% declared any political activity, the lowest level ever. This was down from 4.9% last year and around 20% in 2001-02. In every year, more appointees have declared activity for Labour than for any other party, except in 2012-13 when the Conservatives edged ahead.