The Public Administration Select Committee

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

Current membership

Mr Bernard Jenkin MP (Conservative, Harwich and North Essex) (Chair)
Mr Nigel Evans MP (Conservative, Ribble Valley)
Paul Flynn MP (Labour, Newport West)
Mrs Cheryl Gillan MP (Conservative, Chesham and Amersham)
Sheila Gilmore MP (Labour, Edinburgh East)
David Heyes MP (Labour, Ashton under Lyne)
Mr Adam Holloway MP (Conservative, Gravesham)
Kelvin Hopkins MP (Labour, Luton North)
Greg Mulholland MP (Liberal Democrat, Leeds North West)
Lindsay Roy MP (Labour, Glenrothes)
Mr Andrew Turner MP (Conservative, Isle of Wight)

The following Members were also Members of the Committee during part of the inquiry:

Alun Cairns MP (Conservative, Vale of Glamorgan)
Robert Halfon MP (Conservative, Harlow)
Priti Patel MP (Conservative, Witham)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk/.

Publications

Committee reports are published on the Committee's website at www.parliament.uk/pasc and by The Stationery Office by Order of the House.

Committee staff

The current staff of the Committee are Sian Woodward (Clerk), Sarah Taylor (Committee Specialist), Phillip Aylett (Committee Specialist), Clare Genis (Senior Committee Assistant), Ian Blair (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

Contacts

All correspondence should be addressed to the Clerks of the Public Administration Select Committee, Committee Office, 14 Tothill Street, London, SW1H 9NB. The telephone number for general enquiries is 020 7219 2784; the Committee's email address is pasc@parliament.uk
Sixth Special Report

The Public Administration Select Committee reported to the House on Who’s accountable? Relationships between Government and arm’s-length bodies in its First Report of Session 2014-15, published on 10 November 2014. The Government Response was received on 12 March 2015 and is published as an Appendix below. The Committee’s original conclusions and recommendations are included in bold.

Appendix: Government Response

Introduction


Background

The reform of Public Bodies has been a priority for this Government. Within weeks, the Coalition Government established comprehensive and rigorous central oversight of Public Bodies. Lack of control in the preceding years allowed the number and remit of public bodies to proliferate unchecked. The most urgent drivers of reform were to rationalise the landscape and seek efficiencies to make public bodies more responsive, capable and to increase accountability.

The Government believes it has made significant progress in the three and a half years since the Public Bodies Act received Royal Assent in 2011. The National Audit Office (NAO) described the programme as the biggest reform of Public Bodies in a generation. Programme successes include:

- over 95% of planned abolitions and mergers are now completed; reducing the number of public bodies by over 290—by abolishing more than 185 and merging over 165 bodies into fewer than 70;
- the functions of over 75 bodies have been brought closer to democratically elected representatives, improving accountability. Furthermore, some organisations have been moved outside the public sector under innovative delivery models, increasing funding from alternative sources and engaging public support in volunteering; and
- in total the Public Bodies Reform Programme has achieved cumulative administrative spend reductions as at March 2014 of £2.0bn since 2010, the programme is now on

---

2 As above
track to exceed cumulative spend reductions of £2.6bn by the end of March 2015. Full

Since 2010, the Government has also taken substantial steps to improve the levels of
transparency around the size, expenditure and membership of Non-Departmental Public
Bodies (NDPB). The Public Bodies annual report, first published by the Cabinet Office in
1980 has been significantly expanded into its current form—a single transparent source of
top-level data on all NDPBs, Executive Agencies and Non-Ministerial Departments.
‘Public Bodies 2014’, the most recent publication is available at:

It contains an annual progress update of the Public Bodies Reform programme, including:
savings achieved; work to improve sponsorship across government; and, the Triennial
Review programme.

As the Committee recognises, reform has not always been easy. The Government believes
that strong progress has been made on its flagship Triennial Review programme and on
creating a sponsorship specialisti to build a cadre of knowledgeable and experienced
sponsors across departments. As a result of this work, sponsorship is now recognised as a
separate and distinct specialism in its own right sitting within the government policy
profession. The Cabinet Office and the Ministry of Justice (MoJ) have led the development
of a Sponsorship Competency Framework and an accompanying suite of learning
materials. They have also established a Cross-Whitehall Sponsorship Peer Network which
meets quarterly. This is well attended by over fifty sponsors from across departments. The
understanding and appreciation of the effectiveness of these levers in transforming the
public bodies landscape is gradually deepening. However, challenges remain around how
best to embed learning and best practice and build internal capacity to enable departments
to work with their bodies in the most effective and efficient ways.

The Government agrees with the Committee that there is still more to be done to drive
administrative and cultural change throughout the Public Bodies’ landscape. This is why
the Government is implementing its refreshed Public Bodies Reform Strategy, published in
The Strategy builds on the success of the 2010 reforms and the first Triennial Reviews. It
sets out how the Government will continue its work to make public bodies more efficient,
accountable and effective, and covers a wide range of actions the Government will take
between 2014 and 2017 to achieve this. In particular, it includes clear commitments to
ensure:

- the administrative classifications process is fit for purpose. The Government has
  already begun a review of the existing system, and will publish a progress update on
taking forward findings and recommendations in the summer;

- stronger, more strategic relationships between public bodies and departments through
  improved sponsorship capability and capacity are encouraged. Working together with
  key stakeholders (Cabinet Office, the Public Chairs’ Forum (PCF) and the Association
  of Chief Executives (ACE)), the Government agreed, in November 2014 a “Successful
  Sponsorship” document. This sets out a joint approach to sponsorship that aims gets
  the best value from the relationship and maximises both ALB and departmental
delivery. The content has also been endorsed by a range of Senior Civil Servants across departments who are involved in sponsorship; and

- regular, rigorous review of the form and function of public bodies, through Triennial Reviews. The Triennial Review programme has been developed to test that public bodies exist for a clear purpose, deliver the services their users want, maximise value for money for the taxpayer and do not outlive their useful purpose. Having learned from the first round of triennial reviews, the Cabinet Office revised the Triennial Review guidance was published in summer 2014, together with year one of the agreed timetable to review 361 bodies over the next three years. The revised guidance places a far greater emphasis on the role of Triennial Reviews in delivering efficiencies and directs departments to approach reviews proportionately, clustering similar bodies into a single review where practicable.

The Government welcomes both the recognition and the steers that the Committee provided and is keen to take the arm’s-length bodies agenda further over the coming years. The Government has set out detailed responses to each of the Committee’s recommendations below.

**Responses to recommendations**

**Public bodies in the UK: a taxonomy**

1. We recommend the Government adopt a taxonomy of public bodies such as that proposed by the Institute for Government but with more detail to provide for all circumstances, which sets out the legal status of each type and how it is held accountable. All public bodies should be included in one or other category.

There should be consistent naming conventions. This simple step, which would improve transparency and accountability, should accompany a new online ‘Directory of Governance’ of annual reports, budgets, minutes of meetings, and other information of value to the public. There is a huge opportunity for the Government to make the British state more transparent and understandable. (Paragraph 14)

The Government notes that the Committee finds that the classification of Public Bodies is an important issue deserving of more attention. The Government recognises that there are issues with the current classifications process. This was indicated in the Public Reform Programme Strategy, published in July 2014. The Government has already commenced a review of the classification of public bodies, in line with this thinking. Its focus is on the administrative classification system and it will assess how the current system is functioning. It is important to note that the scope of this project does not extend to other systems of classification, such as the National Accounts Classification, except insofar as there are areas of overlap with the administrative system of classification.

As part of this review we are undertaking an appraisal of the existing classification framework. This will include an assessment of the level of consistency the framework achieves in categorising public bodies, looking at key characteristics such as governance, accountability, legal status, function, control versus independence, funding and staffing.
We will also assess the process by which departments set up new bodies, examining areas such as knowledge, guidance and practice.

To launch this review the Government published a discussion paper on 6 November, inviting individuals and organisations affected by the current classification system to respond. [https://www.gov.uk/government/publications/administrative-classification-of-public-bodies-review](https://www.gov.uk/government/publications/administrative-classification-of-public-bodies-review)

In particular, we requested relevant information on whether or not the classification system was fit for purpose, and whether there were potential improvements that could be made. We notified PASC on the publication of the paper, as well as a range of stakeholders.

The Government is now undertaking an analysis of the responses and testing emerging findings with key stakeholders, including the Institute for Government (IfG), PCF and ACE.

We will be examining the full range of possibilities for improving the system. These could include smaller changes to procedure through to far-reaching structural reforms. We may identify some improvements which could be implemented without further review. Any significant changes would be likely to form the basis of more detailed policy development and consultation. Our approach throughout will be pragmatic so that any proposals for change should demonstrably deliver practical benefits. When this review has been completed, we will share conclusions and recommendations with key stakeholders, including IfG, PCF and ACE, working closely with them to implement the recommendations.

The Government believes that the Public Bodies series of annual reports fulfils the intention behind the recommended Directory of Governance. Each year the Cabinet Office compiles a directory of top-level data for arm’s length bodies, including but not limited to details of expenditure, which department is accountable for the body, whether the body publishes an annual report and whether the minutes of meetings and/or the meetings are held in public. The entry for each body contains a link to that body’s website so that annual reports and other public documents can be found conveniently. Public Bodies 2014 also details the Government’s progress in reforming arm’s length bodies and can be found at [https://www.gov.uk/government/publications/public-bodies-2014](https://www.gov.uk/government/publications/public-bodies-2014). Quarterly updates of the data set will also include further transparency indicators, measuring the availability of information on websites.

**The Government’s public bodies reforms to date**

2. Triennial reviews should also apply to executive agencies, non-ministerial departments, public corporations, and NHS bodies. The Cabinet Office should produce central guidance and support on the principles that underpin triennial reviews and the aims of the process. Rather than being viewed as a threat by public bodies, triennial reviews should be focussed on the quality of the relationship between a public body and its sponsoring department, which is the more significant factor determining accountability. (Paragraph 25)

The Government welcomes this Committee’s support for the Triennial Review process. The review process was introduced in 2011 specifically to cover NDPBs. To date, this has
resulted in 120 NDPBs being reviewed, of which 40 were recommended for abolition, and two for substantial reform.

In line with its Public Bodies Reform Strategy 2014-2017, the Government has recently updated its central guidance (Triennial Reviews: Guidance on Reviews of Non-Departmental Public Bodies), reinforcing the principles and requirement for how departments should conduct these reviews. This guidance has drawn on lessons learnt from the reviews that have taken place since 2011. The new guidance does contain additional requirements for departments, however, the Government rejects the Committee’s suggestion that Triennial Reviews might become ‘Christmas trees on which more and more additional aims are hung, intended to right all wrongs.’ The new Triennial Review requirements build upon the founding principles of Triennial Reviews and are natural evolutions following the experience of Reviews to date. They include a greater focus on the importance of efficiency, savings and innovation in delivery, in line with the wider government strategy to deliver further savings from efficiency and reform in the next parliament, as published in December 2014.


The Government agrees that the relationship between a public body and its sponsoring department is a crucial one. A key requirement of the second stage of a Triennial Review is to examine the control and governance arrangements that are in place, including the relationship between the NDPB and its sponsor. Government has already taken steps to establish sponsorship as a specialism and build capability within departments. However, the Government accepts that more should be done, which is why we have agreed a further programme of actions in accordance with our strategy.

As the Committee notes, the Cabinet Office has embarked on a process of examining and reviewing the range of public body classifications. The Government intends to consider the question of the scope of the Triennial Review Programme in the light of any recommendations on classification that are made following this exercise.

The Government supports the principle that all central government bodies with a national remit should be subject to on-going challenge and scrutiny. Cabinet Office guidance (Executive Agencies; guidance for Departments) already requires executive agencies to be reviewed regularly and the Department of Health has already incorporated special health authorities into its Triennial Review programme.

*Sponsorship of public bodies by Government departments: the importance of relationships*

3. The oversight and accountability arrangements for NHS England should be kept under review by select committees, the National Audit Office, and others. (paragraph 41)
NHS England’s accountability

It is for select committees and the NAO to determine their part in keeping the oversight and accountability arrangements for NHS England under review. The Department of Health has clear accountability arrangements for NHS England, but will continue to develop these arrangements to improve accountability and transparency, and will review its Framework Agreement with NHS England during 2015.

Accounting Officer Statement

The Committee expressed concern about the length of time between the last Accounting Officer system statement and the most recent one which was published in October 2014. (Paragraph 38)

The 2014 system statement provides further information on the role of the Department’s Accounting Officer in relation to the NHS, public health and adult care and support arrangements after April 2013. Two previous versions were published, one in January 2012, and another in September 2012 to reflect the reformed system following the passage of the Health and Social Care Act 2012.

The scale of changes to the health sector, and in particular the establishment of new health bodies, required careful consideration in terms of the new accountability arrangements. The Department of Health wished to ensure that not only did it accurately set out these arrangements in the statement, including DH’s role as “Steward” of the system, but that there was also close consultation with the key bodies within the reformed health system. This has ensured that the revised statement, published on 10 October 2014, is a shared statement between all of the key Accounting Officers in the health system. The Department already had the accountability statement mentioned above; the updated version of the statement does not identify any changes to the fundamental principles of accountability arrangements and gives greater clarity to roles and responsibilities within the new system.

Complex and evolving accountability arrangements

The Committee stated that while accountability should not be in any doubt, the current arrangements for NHS England are ‘extremely complicated and still evolving’. (Paragraph 38)

It is legitimate that the accountability relationship is evolving as NHS England is still a relatively new organisation. Good accountability structures will continue to be subject to an on-going discourse, and in the health system lines of accountability must take account of the considerations of a wider variety of stakeholder interests. Current accountability arrangements for NHS England are consistent with those for the Department’s other Arm’s Length Bodies, including regular accountability meetings that NHS England has with the Secretary of State and the Senior Departmental Sponsor at which it is robustly held to account.

The new health and care system, and its lines of accountability, rest on the firm legal frameworks of the Health and Social Care Act 2012. Knowing who is accountable for what is important. That is why there is a clear Accounting Officer statement, as well as a publicly
available Framework Agreement between the Government and NHS England which ensures that both parties abide by the new regulations. The current Framework Agreement with NHS England was published in 2014 and is the result of extensive engagement between the Department and NHS England to ensure that it is a shared statement of the critical elements of the relationship. The Framework Agreement is a cornerstone of productive and accountable relationships between NHS England and the Department. This framework will be reviewed in 2015 and, in line with the commitment in the original Framework Agreement, a protocol will be developed around the provision of clinical advice. This will add further to transparency and clarity in the new system.

**Appointments process**

The Committee has conveyed the view of some that ‘since the disbanding of the NHS Appointments Commission in 2010, there has been a gap in identifying and encouraging high quality applicants from across the community to apply for non-departmental public body board positions.’ (Paragraph 52)

Since the abolition of the Appointments Commission announced as part of the reforms to Public Bodies in 2010, (formally abolished in 2012) public appointments to the Department’s arm’s length bodies have become the responsibility of the Secretary of State for Health.

The Secretary of State for Health makes the appointments of the Chair and Non-Executive Directors to NHS England, and these are conducted in accordance with the code of practice of the Commissioner for Public Appointments.

Public appointments must be made on merit. This means that the interview panel should provide Ministers with a choice of appointable candidates whose skills, experience and qualities meet the needs, as determined by the Minister, of the public body or statutory office in question. It is then for Ministers to determine merit and make the final appointment.

The Department works closely with Ministers and the Centre for Public Appointments in the Cabinet Office to explore networks and attract good candidates including from diverse backgrounds. Diversity statistics for individual campaigns are reported to Ministers throughout each campaign and on a bi-annual basis to the Centre for Public Appointments. These bi-annual figures are published by Cabinet Office and by the Commissioner for Public Appointments in his annual report.

4. As the public bodies reforms continue, the Cabinet Office should commission research to show which controls are effective and increase accountability, so it can discontinue those which undermine trust and value for money. (paragraph 42)

The Government does not agree that controls undermine trust and value for money—in fact, controls have saved huge amounts. The spending controls framework is set by HM Treasury, and informed by the principles set out in Managing Public Money. Further information on the controls framework is available within Consolidated Budgeting Guidance. From 2010 the Government introduced a new set of spending controls covering specific categories of expenditure. The Treasury delegated operation of some of the controls—in areas such as consulting, ICT, recruitment, marketing and property—to the
Cabinet Office. Introducing central oversight by means of those controls, radically improving management information, and incentivising efficient operations have been crucial. In 2013-2014, departments working with ERG and the Treasury saved £14.3 billion compared to 2009-2010. The spending controls delegated to the Cabinet Office delivered around 60% of those savings. These controls will remain crucial for the delivery of efficiency savings in the next Parliament. Detailed guidance on this subset of controls is available at the following link: https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-32.

The Review of Financial Management in Government, published in December 2013, considered the controls framework in detail and provided recommendations for improvement. As part of this, the Cabinet Office is working closely with HMT to improve the effectiveness of the controls regime and ensure closer alignment between processes and teams.

5.a. Each department should set as a goal the improvement of its relationships with arm’s-length bodies, via discussions, seminars and training. Departments should report in their annual reports on the effectiveness of their sponsorship of arm’s-length bodies—a key skill we are examining in our inquiry on Civil Service skills—and the next Civil Service Reform Plan update should report on progress overall in improving sponsorship.

The Government supports effective sponsorship of arm’s length bodies (ALBs) by departments and already has measures in place to report on the relationship between them. Under the Alignment (Clear line of sight) Project (2009) the Government introduced improved arrangements to consolidate performance and financial reporting of all ALBs within their sponsoring department’s annual report and accounts. This included extending the Estimates boundary to ALBs bringing their expenditure plans within the scope of parliamentary approval affording departments’ full financial responsibility for their ALBs.

A requirement already exists for departments to prepare a governance statement, published within its annual report and accounts, as a combined statement for the core department and all entities within its reporting boundary. This comprehensive statement by the Principal Accounting Officer, covers risk management and corporate governance. It also encompasses the oversight of its ALBs and provides an explanation of how the department has ensured the satisfactory use of resources granted, including those to locally governed organisations. A further requirement provides for departments, where necessary to produce an accountability systems statement on their website, describing accountability for distribution of grants to local government, schools or similar local organisations. The Government does not set a template for the governance statement and does not consider it necessary to mandate departments’ inclusion of further reporting of effectiveness of sponsorship relationships, as sufficient arrangements are already in place.

Through its status as a specialism within the policy profession, capability is improving in the area of sponsorship of ALBs. The Government will consider whether to include progress on improving sponsorship in future updates to the Civil Service Reform Plan when those updates are being produced.
5.b. Sponsorship of arm’s-length bodies must be seen as a vital skill set in the Senior Civil Service, or it will continue to be seen as second class. The Cabinet Office should build upon the new ‘Sponsorship Specialism Competency Framework’ but this must be supported by effective training on how to be an effective sponsor. (Paragraph 43)

The Government agrees strongly with the committee’s recommendation, and would go further to say that sponsorship should be regarded as a vital skill set across the whole Civil Service, not exclusively in the Senior Civil Service. Forming stronger, more strategic relationships between public bodies and departments through improved sponsorship capability and capacity is a key element of the Cabinet Office’s 2014-17 strategy for Public Bodies Reform. To this end, the Government already has a follow-on programme of work to further embed and raise the profile and professionalism of sponsorship across government. This builds on the excellent work that’s already been undertaken to establish sponsorship as a specialism.

Since late 2013, sponsorship has been recognised as a separate and distinct specialism in its own right and sits within the government policy profession. Cabinet Office has developed the Sponsorship Competency Framework which the committee refers to. This is available on the Civil Service Learning website, and is part of a suite of learning materials for the sponsorship specialism. We have good anecdotal evidence that sponsors find the Framework useful when reviewing objectives, considering development needs or developing vacancy information.

Working with departments, the Cabinet Office has developed a Cross-Whitehall Sponsorship Peer Network. Quarterly meetings are well attended by over fifty sponsors across departments. This MoJ-led network has been running for over two years and provides a great opportunity for sponsors to share experiences, best practice and resolve problems.

The network provides the opportunity for structured development and learning through sessions based both on departmental/wider Government initiatives and requests from sponsors. It has also promoted the sharing of information and approaches between departments on a more informal one-to-one basis. The Government also plans to publish by summer 2015 a list of the senior responsible sponsors for all of the ALB’s featured in ‘Public Bodies’. This will better enable navigation of the ALB landscape, increase transparency and enable sponsors to contact each other more easily to share best practice.

Earlier in 2014, Catherine Lee (MoJ Director-General) took on the role of Cross-Whitehall Sponsorship Champion. Her stated aim as Sponsorship Champion is to ‘build effective and supportive sponsorship relationships, strengthen sponsors’ capability, and make best use of our collective talents to help maximise delivery for both ALBs and their Departments.’ Working together with key stakeholders (Cabinet Office, the PCF and the ACE the “Successful Sponsorship” document a “joint approach to sponsorship” that gets the best value from the relationship and maximises both ALB and departmental delivery, was agreed in November 2014.

“Successful Sponsorship” consists of a statement of intent and a detailed plan of actions for key stakeholder groups to take forward over the next twelve to eighteen months. Departments play their part by identifying relevant leads, encouraging attendance at
sponsorship events and seeking to develop open relationships with sponsored bodies. ALBs play theirs by engaging openly with sponsor Departments, working to ensure there is a shared vision for the ALB and identifying and sharing good practice. Progress will be reviewed regularly with Cabinet Office, PCF and ACE colleagues and departmental representatives. The content has also been endorsed by a range of Senior Civil Servants across departments who have sponsorship involvement.

There are many examples of good practice from across government, for example, the Department of Health (DH) has set standards for sponsor teams and requires internal audit periodically to assess performance against those standards. DH has a dedicated sponsor team in place for each of its ALBs and as well as encouraging sponsors to take up relevant Civil Service Learning training. It also provides an in-house development programme to support sponsors develop the necessary skills, expertise and knowledge to perform effectively.

The Government agrees with the Committee’s recommendation that effective training needs to be offered to all sponsors across departments.

In spring 2014, the Cabinet Office designed a bespoke one-day workshop ‘Sponsorship of ALBs’ which provides clear guidance on the fundamentals of good sponsorship. It’s our aspiration to train all sponsors in the fundamentals of sponsorship over the next two years. To date over one hundred sponsors from departments have undertaken the training, most recently attending courses in November and December 2014 and further roll out is already underway for 2015. We have been encouraged by the positive engagement of Chairs and Chief Executives of Public Bodies in these courses.

We further identified a need for additional, bespoke training in distinct areas such as commercial models, advanced financial and efficiency tools and governance to better enable our senior sponsors to service and challenge their ALBs. The Public Bodies Reform Team in the Cabinet Office is currently finalising this programme of further training, ready for roll-out from spring 2015.

**Public appointments**

6. The Cabinet Office, which publishes a list of regulated public appointments, should also publish a list of unregulated public appointments and set out the rationale by which some appointments are regulated and some are not.

In the interests of transparency the Cabinet Office should ensure that the sponsoring department clarifies who is involved in a public appointment, at what stage, and whether they advise or decide. This means publishing new factual information in greater detail than is currently available, including an explanation of the rationale for these arrangements. (Paragraph 54)

The Government is satisfied there is clarity over the public appointments that fall within the remit of the Commissioner for Public Appointments. The full list of regulated bodies is set out in the Schedule to the Public Appointments Order in Council 2014. As part of its commitment to transparency, the Government is committed to updating the Schedule annually.
Since the establishment of the Office of the Commissioner for Public Appointments (OCPA), it has always been the case that the Commissioner’s remit does not extend to all appointments. This includes, for example, judicial appointments, departmental non-executive directors and short term, ad hoc reviewers. There are no plans to alter the Commissioner’s jurisdiction.

The ultimate responsibility and accountability for public appointments rests with Ministers who take the final decision on who is appointed to the board of a public body. Ministers are involved at all stages of the process. As part of the process, the OCPA Code of Practice requires that a selection panel is established to oversee the appointments process. All selection panels will include an independent member who will be separate from the department and from the public body. For Chair appointments, selection panels are chaired by an OCPA assessor.

The role of the selection panel is to assess candidates against the selection criteria and determine those candidates that are appointable. It is for Ministers to determine who is best placed to undertake the role from the list of appointable candidates put forward by the selection panel.

7. The Cabinet Office should publish the reasons for ending the presumption in favour of default reappointment and review the wisdom of the new arrangement. To address the issues raised by Sally Morgan, departments must make clear to appointees at the outset whether their appointment is intended to be for one or more than one term. (Paragraph 55)

It has never been Government policy that reappointments to the Boards of public bodies are “default”. In 2005, the Cabinet Office guidance to departments (‘Making and Managing Public Appointments’) clearly stated that “no re-appointment is or should be seen as automatic or a foregone conclusion”. This is in line with the OCPA Code of Practice, which states that appointing Ministers take decisions on all reappointments, which can only be made on the basis of a satisfactory performance appraisal and the relevant legislation relating to the post. It is therefore incorrect to refer to ending the presumption of default reappointment as a “new arrangement”.

Reappointments require the consent of the Minister. They should be considered on a case by case basis and are not automatic.

Opening up a greater number of appointments to fair and open competition provides an opportunity to encourage greater diversity on the boards of public bodies. It also ensures that the particular needs of the body at the time of a potential reappointment are considered and an assessment of the specific skills, ability and experience required of the board as a whole is undertaken. This ensures that the most appropriately skilled and talented individuals are appointed to the boards of public bodies. It remains the case that Ministers are able to make reappointments if they consider this to be the best option for a public body. This may be necessary, for example, to ensure continuity throughout a period of change for a body.

The Government therefore does not believe that it would be appropriate to give an indication to candidates at the outset of an appointment whether they are likely to be reappointed.
8. Organisations making public appointments must take responsibility for seeking out able people from under-represented backgrounds and groups, as well as making the application process straightforward and fair. The Cabinet Office in turn should strengthen its public appointments diversity plan, holding arm’s-length bodies to the same ambitious standards and firm steer as in the Civil Service Talent Action Plan. (Paragraph 56)

The Government agrees with the Committee that to be truly effective public bodies should bring together a mix of people with different skills, experience and backgrounds. Significant steps have already been taken to improve the application process for public appointments to attract a talented and diverse field of candidates, including:

- the use of CVs and covering letters, rather than requiring candidates to complete application forms;
- placing a new emphasis on ability, rather than long standing experience, ensuring roles are open to all those with the skills and ability to do the job in question;
- ensuring that job specifications are concise, simple and as accessible as possible; and
- increasing awareness of public appointments through a central online advertising resource, as well as use of social media.

The Government has an ambitious aspiration that 50% of new public appointments should be offered to women by the end of this parliament. The latest figures show that good progress is being made. New female appointments were at 44% for the first six months of this financial year, this is an increase from 39% in 2013-14 and 37% in 2012-13.

However, the Government is not complacent and agrees that there is more to do in order to increase diversity on the boards of public bodies. It will continue to work with Departments and the Centre for Public Appointments to improve diversity in public appointments.

9. The Cabinet Office needs to demonstrate greater internal consistency, stability and internal collaboration in public appointments. Responsibility for public appointments policy lies in its Propriety and Ethics Division, while responsibility for the governance of public bodies lies in the Efficiency and Reform Group. The Cabinet Office should bring together the role of the Centre for Public Appointments and the Public Bodies Team, to encourage a more coordinated and coherent policy in this area. (Paragraph 57)

The establishment of the Centre for Public Appointments in the Cabinet Office has improved the support and guidance provided to departments across Whitehall who are managing appointments processes. The Centre for Public Appointments has also focussed specifically on diversity and on advising departments of the steps to widen the pool of candidates applying for vacancies. In addition, the Public Bodies Team have a role in advising the Minister on the governance arrangements of public bodies, including the structure, composition and skills of boards.

Officials in the Centre for Public Appointments work closely with the Public Bodies Team to ensure that there is a consistent approach to public bodies. However, the two teams fulfil
different functions and there are no plans to bring them together as this would lose the benefits of their wider working within their respective reporting lines. Both teams report to the Minister for the Cabinet Office.

**Bodies accountable to parliament**

10. Parliament should provide clear information on its website on which public bodies it holds directly accountable. The Information Commissioner and HM Inspectorate of Prisons should be more fully independent of Government and should report to Parliament. The Information Commissioner, Commissioner for Public Appointments and the Chair of the Committee on Standards in Public Life should become Officers of Parliament, as the Parliamentary and Health Service Ombudsman and the Comptroller and Auditor General already are. (Paragraph 64)

The Government thanks the committee for this recommendation. However, the role of Parliament in providing clear information on its website, about which public bodies it holds directly accountable, is a matter for Parliament.

The majority of bodies which report to central government are NDPBs and they are subject to Triennial Reviews which consider whether the Body should continue in its current form or whether another model is more appropriate. In some instances they will include consideration of a direct line of reporting and accountability to Parliament. There are no plans to alter these arrangements.

The Information Commissioner’s Office (ICO) is currently subject to a Triennial Review which launched on 25th November 2014. The review will identify and examine the Offices’ key functions of and consider the best way its functions can be delivered. It will consider to whom the ICO should report, including the option of reporting to Parliament. We cannot pre-empt the outcome of the review.

The Government greatly values the work of HMI Prisons and fully recognises the importance of maintaining independence from the MoJ. The Justice Select Committee Report on the budget and structure of the MoJ (2012) called for particular arrangements to be made to reflect the HMI Prisons’s watchdog status. Ministers listened to the Chief Inspector’s concerns and the following arrangements have been put in place since 2012 to strengthen both the actual and perceived independence:

- a website independent from the Ministry of Justice;
- separate geographical location from the Ministry of Justice following departure from their previous location; and
- greater delegation to recruit staff directly.

We are confident that the governance arrangements now in place adequately reflect the unique watchdog status of HMI Prisons.

The role of the Commissioner for Public Appointments was created by the Public Appointments Order in Council 1995 following recommendations of the Committee on Standards in Public Life (under the chairmanship of Lord Nolan). The Commissioner for
Public Appointments is appointed by the Queen, and is independent of Government. In 2011, Sir David Normington, GCB, was appointed to the dual role of Commissioner for Public Appointments and First Civil Service Commissioner. The Civil Service Commission has been subject to a Triennial Review which has been published. The Government will consider conducting an independent review of the Commissioner for Public Appointments.

The Rt Hon Peter Riddell completed a Triennial Review of the Committee on Standards in Public Life in February 2013. The Review considered the role and status of the Committee, including its relationship with parliamentary select committees, and concluded that it should retain its current NDPB status. This recommendation was accepted by the Government.

11. Many written parliamentary questions are addressed to non-ministerial departments. These should be replied to by the non-ministerial department in the name of the Chair of the relevant select committee. This would increase accountability directly to Parliament and enable the MP answering the question to send a proposed answer back if they consider it unsatisfactory. (Paragraph 65)

The Government does not accept this recommendation. Ministers are accountable to Parliament for the work of all Departments. A minister of that department answers for the Non Ministerial Department’s business in parliament.

The 2006 Public Bodies guidance states that: “Where a question or letter relates to the day to day operation of a sponsored public body, the matter should be referred to the Chief Executive Officer (CEO) of that body for reply. Ministers may therefore respond to PQs by saying they will ask the relevant CEO to write to the questioning MP”.

**Transparency**

12. Accountability documents should be free from jargon and set out in simple and graphic form. Each government department must improve its written statements on accountability arrangements, to make them clear, understandable, and up to date. To achieve this, the statements should be written in plain English with simple organisational charts showing lines of accountability. The Cabinet Office should oversee this work and report on progress in its annual reports. (Paragraph 73)

The Government agrees with the Committee that accountability documents should be presented clearly and up to date. The Cabinet Office and HMT have no plans to take on additional reporting requirements. Accountability arrangements are set out in a variety of ways:

A Framework Document is a bilateral statement of the working relationship and accountability arrangements between a department and its arms-length body. Accountability system statements set out a department’s accountability and assurance arrangements over widespread networks, such as exist for health, local government and education.

Departments and other central government bodies are already required to include a Governance Statement within their annual report which covers accountability and
assurance arrangements. All of these documents are normally available on the relevant website.

The Cabinet Office and HMT have policy oversight relating to the governance and financial management of arm’s length bodies, and provide a wide range of guidance to that effect. Departments are welcome to raise any specific queries on framework documents with the Cabinet Office and HMT, who will advise as to best practice (including use of language and clarity of wording). The Government invited PASC to raise any unclear statements with the Cabinet Office and HMT, who will advise on whether they need to be reworked by departments.

13. In the interests of transparency, each public body should publish an up-to-date statement of their accountability arrangements in their annual reports and on their websites, like those published by government departments. The Cabinet Office should oversee and report on progress on this. (Paragraph 74)

The Government notes this recommendation. A statement by Accounting Officers published within the annual report and accounts forms an integral element of the accountability arrangements in place, reporting by way of a governance statement. This statement describes how the Accounting Officer has fulfilled his or her personal responsibility to manage and control the resources in his or her organisation and is prepared with the board’s support.

The Cabinet Office has no plans to take on additional reporting requirements. A large body of information on transparency and accountability is already collated by Cabinet Office as part of its Public Bodies reports. Details as to whether a body publishes annual reports, the date of their last annual report and a link to their website are contained in Public Bodies 2014 (https://www.gov.uk/government/publications/public-bodies-2014).

The Cabinet Office oversees this process and works with departments to encourage the publication of annual reports. 94% of NDPBs now publish a report (as of 30 June 2014).

14. The Administrative Justice and Tribunals Council was absorbed into the Ministry of Justice in August 2013 but nonetheless published an annual performance report for 2013-14. This should be the case for others: the operating units of government departments should produce annual reports and accounts, to enable both ministers and Parliament and the public to hold them to account. The Cabinet Office should ensure transparent information is published on the effectiveness of functions, wherever these functions are performed. With good management information, this should be straightforward. (Paragraph 75)

The Government wishes to correct the Committee on its understanding of the status of the Administrative Justice and Tribunals Council. (AJTC) The AJTC was not 'absorbed' back into the Ministry of Justice; it was abolished on the basis that its functions could more properly be performed by the Ministry. In June 2014, the Ministry of Justice produced a report called the Annual Administrative Justice and Tribunals Performance Report, 2013-2014. This was not an AJTC report, but rather it was a report by the department.

The Government does not accept the Committee’s recommendation that the operating units of government departments should produce annual reports and accounts. The
Government believes this would not be a helpful addition to the existing accountability and reporting arrangements of public bodies as reporting arrangements are already extensive and include all individual ALBs and Trading Funds. Performance reporting on effectiveness is now published in government departments’ annual report and accounts, covering the activities undertaken within the department. Moreover, in line with the recommendations of the Review of financial management in government, the Government is working to further improve management information available to departments. The departmental Minister(s), the Permanent Secretary as Accounting Officer and Senior Responsible Officers for major projects are accountable to Parliament.

15. As in meetings of local authorities, members of the public should have the right to film, blog and tweet during public meetings of arm’s-length bodies. Ministers in sponsor departments should hold public bodies to account for failing to hold public meetings or publishing the minutes of their meetings, and provide an explanation of how this is being addressed in departmental annual reports. (Paragraph 76)

The Government notes this recommendation, and supports the principles of openness and transparency and encouraging public interest and engagement in decision making. Local authorities are formally mandated to open up their meetings under the Openness of Local Government Bodies Regulations 2014. However, ALBs are not covered by this legislation and as fundamentally different types of bodies are not formally required to do so, however, they are encouraged to open up their meetings in a variety of ways where possible to enhance public engagement and trust.

When ALBs hold public meetings, they should be encouraged to allow filming, blogging and tweeting if appropriate, and provide reasonable facilities to enable them to do so as far as is practical. However, individuals and organisations intending to record and / or report on a public meeting are asked to notify the relevant ALB in advance of the meeting, and when recording or reporting in a meeting should respect any requests from external contributors or members of the public to the meeting to suspend recording while they are speaking and not record them.

Recording would also not be allowed in certain circumstances including:

- when the meeting has agreed to formally exclude the press and public due to the nature of business discussed;
- if there has been a public disturbance or if the meeting has been suspended; and
- if the Chair determines that it has not been possible to obtain informed consent from a person with known learning disabilities or mental health issues: or parental consent for a young person speaking.

The Government further believes further formal reporting mechanisms are unnecessary as the Public Bodies Team in the Cabinet Office already collects regular data on which ALBs currently hold public meetings and publishes its findings as part of ‘Public Bodies 2014,’ a single transparent source of top-level data on all NDPBs, Executive Agencies and Non-Ministerial Departments. ‘Public Bodies 2014’, the most recent publication is available at: https://www.gov.uk/government/publications/public-bodies-2014.
16. Chairs of public bodies should be able to ask for a letter of direction from the relevant minister, in the event that they feel their public body is being required to do something that is not value for money. This should be copied to the Chair of the relevant select committee. (Paragraph 77)

The Government thanks the committee for their recommendation. It is perfectly reasonable for Chairs to challenge policies—particularly on the basis of whether they are capable of being implemented. The Accounting Officer (AO) of a public body must assess whether a proposed course of action represents value for money. Value for money is one of the key tests that AOs must apply in order to fulfil the financial stewardship that is integral to their role as AO. It should be noted that the AO must consider value for money for the public sector as a whole, not just for the organisation in question, otherwise one part of the public sector might be incentivised to benefit at the cost of the whole.

Should the AO of a public body—normally its Chief Executive—take the perfectly proper view that he or she is being required to do something that does not represent value for money (or indeed does not meet any of the other AO tests of regularity, propriety and feasibility), then the AO should approach the sponsor department’s accounting officer (the Principal Accounting Officer—PAO). Should the PAO agree with the AO’s value for money assessment, then a direction should be sought—from the Minister to the AO, if it is a requirement of the Minister, or from the Chair of the public body to the AO, should it be a situation where the Board and the AO have taken differing views. The AO should then proceed to implement the proposal in accordance with the direction. Directions should be copied to the Comptroller and Auditor General (who would normally copy it to the Committee of Public Accounts), and must be published. Managing Public Money provides guidance on Ministerial directions. Directions need not be seen as a nuclear option.
Annex: NHS England accountability arrangements

Accountability to the Department of Health

1. NHS England is accountable to the Department of Health for the delivery of its mandate. The mandate, which is set by the Government every year and developed in consultation with NHS England, defines the objectives that NHS England must seek to achieve.

2. NHS England’s accountability to the Department is formalised in a number of ways.

- Every two months the NHS England Chief Executive and Chair of the Board attend an accountability meeting with the Secretary of State. The meeting is high level and strategic, and covers standard items such as finance as well as focussed discussion on particular services or issues as required. The meetings also consider NHS England’s performance against its mandate objectives, looking at specific mandate objectives in turn. The agenda and minutes of the Secretary of State meetings are published by the Department.

- Every month the senior departmental sponsor at the Department meets with the counterpart directors at NHS England for a routine accountability discussion on current work and areas of risk, and in addition to this there are weekly meetings at official level.

- NHS England is also held to account for the delivery of a number of Prime Ministerial priorities which pre-date the mandate, and progress on these is reported and discussed with the Department on a monthly basis.

Accountability to Parliament

3. NHS England is held to account directly by parliamentary select committees. These scrutinise the Government and its arm’s length bodies to see whether they provide effective public services which give good value for public money. NHS England is required to give evidence of its plans and activities relating to inquiries set up by the Public Accounts Committee, the Health Select Committee, the Public Administration Select Committee, and any others with inquiries involving the commissioning of health services in England. NHS England is also required to respond to select committees’ recommendations to show how and when they will implement them as appropriate, and implementation is monitored through HM Treasury and DH regular assurance processes.

4. NHS England also provides replies to parliamentary questions and to other MP correspondence, and its performance is monitored regularly, including formally once a quarter by the Department of Health.

Publication of annual report

16. NHS England produces a set of consolidated accounts, which incorporates the results of all clinical commissioning groups. In turn, the Department of Health produces consolidated accounts incorporating all of its arm’s length bodies (of which NHS England is the largest), and, therefore, all NHS bodies (including clinical commissioning groups), in the Department of Health Group Accounts.
17. Under the National Health Service Act 2006 (as amended), the Department of Health has directed NHS England to prepare for each financial year financial statements in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of NHS England and of its net expenditure, changes in taxpayers’ equity and cash flows for the financial year.

18. In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual issued by HM Treasury and in particular to:

- observe the Accounts Direction issued by the Department of Health, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual issued by HM Treasury have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

19. NHS England also produces an annual report which is published alongside its annual consolidated accounts. The annual report sets out NHS England’s assessment of the extent to which it has met the objectives set out in its mandate and business plan, and how it has discharged certain statutory duties, particularly those around inequalities, patient involvement in planning its commissioning arrangements and service quality improvement.

20. The document is laid before Parliament and is subject to parliamentary scrutiny which can include that by select committee. NHS England’s Annual Report and Accounts for 2013/14 were laid before Parliament and published on its website on 22nd July 2014. NHS England is required to hold an Annual General Meeting (AGM) when the public may hold it to account on the content of the document.

21. The Secretary of State is also required to conduct an annual assessment of NHS England, and to lay this before Parliament. This was done for the first time for 2013/14, and laid before Parliament in July 2014.

**Accountability to National Audit Office**

22. On an annual basis, the Comptroller and Auditor General of the NAO audits the Financial Statements of NHS England, as well as the information in the Remuneration Report. This involves auditing, certifying and reporting on the Financial Statements in accordance with the Health and Social Care Act 2012. Through the audit, assurance is provided that the statements are free from material misstatement. Sufficient evidence is also gathered to give reasonable assurance that the expenditure and income recorded have been applied to the purposes intended by Parliament and the financial transactions recorded in the statements conform to the authorities that govern them.
23. The NAO services the Public Accounts Committee by carrying out studies into public services which may inform subsequent hearings. These may focus on the value for money of specific services, follow ups to earlier studies to check progress, or wider landscape studies and cross-government overviews which may include NHS England as a case study. These provide the means for NAO to undertake detailed scrutiny areas of NHS England’s work, to analyse work in progress and its impact on patient outcomes and to suggest areas for the Public Accounts Committee to examine.

**Accountability to patients and the public**

24. In everything it does NHS England considers how its plans and actions will affect the patients and the public whom it serves, particularly with the aim of improving their outcomes and experiences of healthcare. Engagement with the public is very important and demonstrated for instance through:

a) holding Board meetings in public with a live stream on the NHS England website;

b) convening a regular Citizens’ Assembly as well as the AGM; and

c) being committed to transparency and openness about plans and actions.