

Public Administration and Constitutional Affairs Committee

Oral evidence: [Public bodies, HC 553](#)

Wednesday 7 May 2025

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Members present: Simon Hoare (Chair); Richard Baker; Markus Campbell-Savours; Peter Lamb; John Lamont; Mr Richard Quigley; Luke Taylor.

Questions 1 - 63

Witness

I: Matthew Gill, Programme Director on Public Bodies, Institute for Government.

Written evidence from witnesses:

– [Institute for Government](#)

Examination of witness

Witness: Matthew Gill.

Q1 Chair: Good morning colleagues, and welcome to our first evidence session in our inquiry into public bodies, which have long been and are often talked about, but are sometimes not as deeply understood as they need to be. It is a great pleasure to welcome as our first witness in this first session Matthew Gill, who is the programme director on public bodies at the respected Institute for Government. Matthew, you are very welcome and thank you for joining us today.

Let me start by asking the red top populist question of the morning. Pat McFadden waves a magic wand and abolishes the whole range of public and arm's-length bodies. When does society notice?

Matthew Gill: Pretty quickly. These bodies do a whole range of things. Organisations such as the Post Office—a public corporation—would sometimes be included in that definition, as well as regulators such as the Food Standards Agency, delivery bodies such as DVLA, HM Prison and Probation Service and Met Office, and financial regulators. If those organisations stop performing their functions, you would notice very quickly. What Governments often do, though, is change the governance structures. You see this with the announcement on NHS England, for



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instance: that is not abolishing the NHS; it is moving the governance from arm's length into the Department.

What you then get into is the question: if Government are going to continue to perform a function, how is it best governed? Over time, if there were no arm's-length bodies in this hypothetical, you would have difficulties, for instance, in demonstrating that some functions were being performed independently, that they were taking a sufficiently long-term view of some issues that they dealt with, and, in the case of some financial institutions, that they were dealing credibly with private sector counterparties rather than on behalf of Government. So there are some reasons why that matters.

You would also possibly end up in a situation where Ministers found themselves drowned in operational detail. Whether it is in the structure of a public body or in the way that you structure governance in a Department, it is quite important to think through how second and third-order decisions are delegated away from ministerial private offices. Otherwise, it is very difficult as a Minister to step above that and think about the real political strategy that you are trying to achieve in government.

Q2 **Chair:** Why?

Matthew Gill: We see this in the way private offices work, in that if the Minister is accountable, then there is always an option to escalate to the Minister for decision. That option is often taken and so Ministers are notionally making—or their private offices tend to find themselves making—far more decisions than they could humanly be doing. There are examples where, aside from that volume of decision question, it might also sometimes be difficult for a Minister to make the decision they want to make without a little distance.

Let me give an example. There is an organisation called the Independent Reconfiguration Panel, which was set up in the health infrastructure to decide on the restructuring of hospitals and whether, for instance, a local hospital should be closed. You might have quite a direct tension there between the fact that, as a constituency MP, a politician is going to come under a lot of pressure to maintain the local hospital, and the fact that, in most cases, the clinical results are that outcomes are better if people go to larger regional hospitals, where there are more specialist units able to deal with their problem, rather than to a local hospital.

Q3 **Chair:** But all the experts told us to get rid of community and cottage hospitals, and that is what led to a huge problem of bed blocking in the acute sector. Is the problem here not that, in essence, the doing of politics by politicians has been passported away, to avoid taking difficult decisions; or that because someone has said there is a problem or issue, the best thing is to go and find three or four people who know something about it, set up a body and let them crack on and do something?



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Can one not just argue that the whole landscape has been created as a result of abdication? I am afraid I do not take your point on ministerial time. Ministers find time to do things; the diary is a wide-open prairie, and quite a lot of ministerial time is taken up with things that make not a ha'p'orth of difference but just fill the time when they could actually be becoming experts in things and taking long-term decisions.

Matthew Gill: It is no doubt variable. There is certainly a lot of experience among people working in government, but decisions that are not at the top of the news can take quite a considerable time to progress through private offices; that is true.

Q4 **Chair:** We know that there are around 300 ALBs, but how many public bodies are there?

Matthew Gill: That is a definitional question.

Chair: Thank you, Sir Humphrey.

Matthew Gill: And because it is a definitional question, I cannot give you a clear answer.

Chair: Nobody can.

Matthew Gill: No; a clear answer is not out there. The Office for National Statistics classifies public sector bodies as central Government, local government or public corporations. Within that central Government classification, you get the Cabinet Office doing the classification as arm's-length bodies. That does not include public corporations, which you could easily include.

Q5 **Chair:** When you say public corporations, what are you talking about?

Matthew Gill: The BBC, Channel 4, Post Office, that kind of thing. There is also quite a number of unclassified bodies that either predate the classification framework or have not yet been classified and that the Cabinet Office does not have oversight of. If you go on gov.uk, you get a list of about 580 bodies, excluding Departments, but that includes units in Government that are not ALBs. So you have units in Government, then you have Executive agencies that are part of a Department but institutionally separate, non-departmental public bodies that have a separate legal personality, non-ministerial Departments, and public corporations. Add all that together and you get into the low 400s; add units that the Cabinet Office lists, and you get to 580. There is a strong case for Government looking more closely at that landscape rather than just the 305, but if you go beyond that to devolved Administrations and local government, it is a much bigger number.

Q6 **Chair:** That is nothing to be proud of, is it?

Matthew Gill: Not necessarily. I do not think it is something to be proud or unproud of.



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Q7 Chair: These are things that are using public monies, taking decisions, setting strategies and opining on X, Y and Z. I am not blaming you for the multiplicity of definitions and terminologies, but we are an advanced, mature democracy with a large senior civil service. Let's go back to your bit about hospital reorganisation: the local hospital is under threat of closure, members of the public write to their Member of Parliament, the Member of Parliament writes to the Minister, and the Minister says, "Oh, it's nothing to do with me because it's all passported off to somebody else." There are a lot of folk out there who are working hard, paying their taxes, and just scratching their head in perplexity going, "Well, who governs Britain?" I am not rehearsing the Ted Heath 1974 election thing, but who governs Britain?

Matthew Gill: Quite understandably, it is fair to say the landscape is unnecessarily complex; that is true. It has arisen over a very long historical period—the British Museum and the Bank of England were established hundreds of years ago, preceding many Government Departments—and has evolved gradually.

Since the 1970s, the number of public bodies has been very significantly reduced. Even from 2010, you would have been able to count 800 and according to the Cabinet Office definition it is now down to just over 300. The landscape is certainly complicated. The question you have is: given that long historical development, what to do about it?

A lot of these bodies are set up in legislation, so it is possible to pass a Public Bodies Act, for instance, which would enable the simplification of some of this landscape. It is also possible to say that, functionally, we do not want this to matter very much; we just want to create clarity on each of these bodies—how they are operating, what the role of each is in setting its own strategic or policy framework, whether its board is advisory or fiduciary, whether it is staffed by civil servants or public servants, whether it has a distinct legal personality, and how it bids for and allocates funding, for instance. You can make decisions along these parameters and achieve some consistency in the way that you view the bodies, without necessarily undoing the taxonomy. The Institute for Government has argued previously that taxonomy does not make a great deal of sense and it will be a worthwhile exercise to revisit it, but it is a lot of work.

Chair: I can almost hear somebody writing a submission to a Minister to say there should be a public body to look at public bodies, which would be slightly unfortunate.

Q8 Peter Lamb: We will get into the question of taxonomy and definitions later. It seems like you have set out a very broad potential definition, and we have to accept that there is potentially a greater range of reasons as to why an arm's-length body might exist.

In terms of the much narrower perception, so bodies directly reporting into Government—Natural England, Sport England, and so on—from what



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you have set out, it seems to me there are two explanations of why we might have a public body: it is politically difficult to take a decision, in which case, while I feel a huge amount of sympathy for the Minister, that is actually their job; alternatively, we have come up with a situation where we believe the Ministers do not have the time to do these roles.

I was the leader of a local authority for quite a long time. The pressure for things to go to me rather than with officers was because the decision had to be taken at my level. We put a cascading scheme of delegation in place that enabled people to have the confidence to take a decision without having to go to a private office. It does not seem to me to be beyond the wit of man that we could come up with a similar thing within central Government that would enable decisions to be taken at an appropriate level without coming up to Government or having to set up hundreds of additional bodies at great cost to the taxpayer.

Matthew Gill: Great, let us do that.

Peter Lamb: Excellent, I am glad we agree.

Matthew Gill: That is the challenge, is it not? For instance, NHS England being abolished now does not mean that you do not need a structure. You are going to have to rebuild a structure within the Government Department that is going to have delegations, areas of responsibility and directorates. Those things can be less transparent.

If you do not have a board or public KPIs to hold an organisation to account and you just have a division in a Department, in some ways there is closer line management by the Minister—although the extent to which that is true, particularly of executive agencies, is not well understood anyway—but it does not get you out of this question of how to organise the state to say that we no longer want it to be configured as a public body.

Q9 **John Lamont:** In relation to those public bodies that are out of direct ministerial control, do you think the public understand that and that it is not politicians and Ministers who ultimately make the decisions?

Matthew Gill: Certainly not always. This is where some frustration comes from and Ministers find themselves being held publicly accountable for things that they do not feel that they are in direct control of. I have full sympathy with that, and it is a really difficult situation.

There is a question that we may come on to about what to do about that and how to respond to it, but the problem of understanding that the bodies are outside ministerial control is partly that that is not understood, and partly that that is not the case. Ministers do have quite considerable controls over some of these bodies. As I said, executive agencies are directly line-managed by Departments. Arm's-length body chief executives, even if they are not line-managed often, are often accounting officers who report to the principal accounting officer—the permanent secretary in the Department—who is then obviously accountable to the



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Minister. Chairs of public bodies can be summoned to Parliament. As we have seen recently, the positions of leaders of these bodies can become untenable if they are not acting in the way that the Government expect. There are controls, but they are controls with limits.

The details of those in terms of what the escalation process is and who makes which decisions vary by body, and are usually set out in a framework document between the body and the Department. Often, people who are involved do not know those framework documents in great detail, so expecting the general public to is unreasonable, but there are often quite complex provisions as to who makes which decisions in them.

- Q10 **John Lamont:** Does it not just feed the voters' frustration that that it does not matter who you vote for; decisions are being made by people who are ultimately unaccountable, not the MPs, Ministers or even the Prime Minister? Do you accept that it feeds that frustration that decisions are being made by people who are not directly elected?

Matthew Gill: Yes, but you need to work out what your strategy of government is. If we reduced this ad absurdum, you would end up saying that every decision must be made by a politician. Take rail, for instance. Part of the reason for setting up Great British Railways, as I understand it, is that there are hundreds of people in the Department for Transport working on some quite detailed aspects of rail policy—for instance, which entrances to which platforms should be opened at which times at which stations. Some of that is under Government control at the moment.

The question is: do you want elected politicians to make every decision at that level of detail or do you want to delegate? If you delegate, you are delegating either to a civil servant whom the public can be encouraged to mistrust, or to a public body with a leadership and governance structure whom the public can be encouraged to mistrust. What you have to do is tackle that public perception that anybody in government who is not directly elected is illegitimate, and work out what the management structure is from politicians downwards that ensures that government are accountable to politicians to deliver against their objective, but that the system works none the less. If you do not do that, the thing is unworkable.

- Q11 **John Lamont:** I want to talk a little about Scotland. You said it is quite hard to define what a public body is. A freedom of information request was put in to the Scottish Government that revealed there are 130 of these public bodies—or quangos, which is how they were described. Their number has increased by about 10% in the last 10 years and cost the taxpayer £6.6 billion per year.

David Hamilton, whom you may know is the Information Commissioner, recently told the Scottish Parliament's corporate body that he was astonished by the sheer volume of public bodies. He said, "There are literally hundreds and hundreds—if not thousands—of public bodies, and



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we keep finding new ones.” He went on to say that he and Stephen Boyle, the Auditor General, said they played public authority bingo, asking, “Have you heard of this one? Have you heard of that one?” Obviously that is Scotland; I suspect it is very similar for the UK Government, but does it not sound just a little chaotic, out of control and lacking in accountability?

Matthew Gill: I fully agree. Not out of control and lacking in accountability, but chaotic at the level of the taxonomy for historical reasons. The question is what to do about this. We have past experience of exercises that have looked to reduce the number of public bodies as an end in itself; we did that in 2010 to 2015, for instance.

Q12 **John Lamont:** It did not work though; it failed.

Matthew Gill: It worked in the sense that the number of bodies went down, but the functions that Government performed were not significantly reduced. The cost to the taxpayer was reduced moderately. What you risk doing is moving things around and reconfiguring things. There is a very valid point that where you have lots of small bodies—as you describe—it may be possible to either bring them together into a smaller number of larger bodies, or one may be able to achieve the same efficiencies by providing back-office functions or shared services in a way that enables them to run more effectively. Wherever that can be done, it should be done, but having a shorter list is not an end in itself.

Q13 **Chair:** You mentioned that they had accountability. How can an organisation be deemed to be accountable when people do not know it exists?

Matthew Gill: Who does not know it exists?

Chair: Mr Lamont has just quoted public body bingo being played by two people who—

John Lamont: The Auditor General.

Chair: The Auditor General is no wet-behind-the-ears newbie.

Matthew Gill: Polemically I could question, if it is possible for the Scottish Government not to know that a body exists and for it to be performing a set of functions that Ministers are not even aware of, is it really possible for them to directly run that, rather than having it at arm’s length?

Q14 **Chair:** That is a bit of an Alice in Wonderland answer. I am doing something that you did not know needed to be done and I can do it better than you, so let me get on with it.

Matthew Gill: In that situation, if you have identified a body that you did not know existed, you can look at it and say, “Well, that’s doing something pointless; let’s close it.” It is absolutely fine to do that. Or you could say, “I think there’s a failure of accountability here because I didn’t



know it existed; I want to receive more information on it, be briefed on it, or combine it into a body that I do see more regularly so that I see that information.” I imagine in those situations that there will be sponsor teams in the Government Department responsible for that body who are overseeing it, and it has just not escalated up to the Minister’s office because it most probably has been unremarkable. It is perfectly legitimate for the Minister to want to and to ask to know more about anything that is going on in the Department, but that is probably how that arises. It is not necessarily that there is no mechanism of accountability; it is just that nothing has happened to be escalated.

- Q15 John Lamont:** Just to dive back in on that, in the scenario where something went catastrophically wrong by that quango or public body that was undertaking those functions and it had been kept distant from the Minister’s private office, do you think the Minister should have to resign in that scenario, or is there such a distance between those who are carrying out that function and the actual political master that they are safe from accountability?

Matthew Gill: This is very difficult, and there is a lot to say about that. One thing is that you would ideally want the division of labour to be really clear, so that the Minister acting through the Department had set the objectives and the framework that governed that organisation so that it was clear what it should have been doing. If what it should have been doing was completely the wrong way up—it was trying to deliver on a political steer that was clearly not going to work and that was the cause of the blow-up—that is a ministerial issue.

If the body had just failed to deliver against the objectives that it had been set and not escalated the problem or tried to deal with it, then that should be the body’s issue. That level of clarity in terms of what objectives you are setting and how you are holding people to account for delivery is the kind of thing where you absolutely need ministerial involvement and grip on how the system works, and you need that whether it is a public body or a departmental directorate.

In the situation where there is an accident, everybody has tried in good faith but something has gone wrong and you cannot parse that out, then you are in a really crunchy and difficult situation. Ultimately, it is the role of the Minister to take some accountability for that alongside the public body leadership, but you want to minimise the situations in which that is the case.

- Q16 Chair:** But in the court of public opinion, the voter would automatically presume, rightly so, that it is the Minister who is the head—either practical or titular—who will either sink or swim.

Matthew Gill: Yes, in some extreme cases. Ultimately, that accountability is there. An analogy would be if you are the chair of a large corporate company and you have an underperforming subsidiary somewhere or some crisis blows up—say there is an environmental



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disaster somewhere. Even though you have legitimately delegated responsibility for that thing somewhere, you may still be the person who has to take public accountability. As a leader, you want to minimise the number of situations in which that comes back to you.

My submission to you is that the way to minimise the number of situations in which you are in that position is not to try to micromanage everything that goes on in the multinational—by this example—or in the Government. It is to get the transmission of your political steers, expectations and objectives right through the system, so that in 99.9% of cases things run as they should. There is always a risk of something going wrong and accountability landing where somebody did not have direct agency.

- Q17 **Chair:** But organisations such as the Environment Agency and Natural England can legitimately turn around to Ministers now and say, “Well, that’s frightfully interesting, Minister. Those are not our policies, and effectively, you can’t tell us what to do.” You said earlier that you can make things sound legitimate or illegitimate. In a parliamentary democracy, that cannot be the most legitimate way of dealing with the governance.

Matthew Gill: It depends on the question, and it is ultimately for Ministers to delegate those powers to bodies. If you take the health service, for instance, irrespective of any reorganisation, you would want the decision as to who receives medical care to be out of the hands of politicians. You would not want to make a decision about which individual receives an operation and which does not.

- Q18 **Chair:** No, but you might want Ministers to decide whether certain treatments should be available across the board.

Matthew Gill: Absolutely. In Natural England, as in the examples that have come up, you would be saying, “Do we want that organisation to have a veto on planning applications? Do we want it to have a right to make a submission in planning applications? Do we want it to have a wholly advisory role to Government? What do we want it to do?” In a situation where an organisation such as that has powers that seem to you—

Chair: Self-authored.

Matthew Gill: —or excessive, they can be changed. But the thing to do is to change the powers.

Chair: Ministers have tried.

- Q19 **Luke Taylor:** In the answer to the previous question, it sounded like a lot of it is about comms, explanation, demystifying what the roles and responsibilities are, and where the accountability sits for the decisions that are made. How do you think the Government, the media and bodies such as the IfG can help with better communicating this process and



system of arm's-length bodies to effectively demystify how this huge mush of 300 to an unknown number of groups and bodies fit together to create the governance of so many of our essential services, such as the Environment Agency and NHS England, although it will soon be gone? What can we do better to explain and communicate where decisions sit and mistakes have quite often been made?

Matthew Gill: That communication role is partly about the public narrative. "The bonfire of the quangos" and this sort of language is not helpful and makes people feel hostile towards organisations in government, so I would try to avoid that kind of pejorative language publicly where possible.

On an organisation-by-organisation basis, I would then want to be clear what it is that this organisation is doing for the public and what its roles and responsibilities are, and start the communication from there. In a way, the kind of conversation we are having about the plumbing and governance should be had a little separately from the conversation about what the body as constituted is actually doing and whether or not it is doing it well. So maybe it is a little about separating those two things.

Q20 Luke Taylor: Broadly, the language and the debate quite often degrade into abolishing "these jobsworths who are doing nothing and adding nothing to our process. We need to smash all the quangos." That actually quite directly detracts from the understanding of how they fit together and the roles that they perform.

Matthew Gill: I think so. We have certainly heard from interviews that we have done that it can be demoralising to people working in them because they think that they are viewed as a necessary evil at best. Whereas actually, people come to work in a spirit of public service and want to do good, feel motivated and that they are valued.

Q21 Peter Lamb: We should take a moment just to reflect on the fact that there are many people who work for this Government in those roles who are doing fantastic work on behalf of the public. The challenge here is how that interfaces with the Government in general, particularly with democratic oversight, and this idea that Ministers have control. If you read any biography by any recent Minister, the level of frustration at not being able to take decisions because some onside body apparently has been tasked with doing that is quite palpable.

Theoretically, I suppose you can revoke anything that is in statute using a statute. Natural England is a great example in my mind, because it is creating absolute havoc in my area at the moment and I have dealt with it extensively. If you are a resident in Crawley who is desperate for a house, you might come to see your MP to try to unfreeze the pipeline on getting housing built. He goes to see the Minister, who says, "It's actually not within my purview; it's within the body of the external agency. I don't have direct control over it. We'd need to pass separate legislation that would require a majority of this House."



The level of impact is very much that members of the public exercising their democratic rights have extremely minimal impact through this system, through to things that might affect their day-to-day quality of life, and that is corroding our democracy, to be quite frank. A lot of what we saw on Thursday is knock-on effects of the fact that people are desperately frustrated that they are told these problems are incredibly complicated, have been handed off to these other bodies, and as a result, we cannot do anything about it, whereas they just want the problem solved. My question would be, is genuine value being added by having decision making taken at that level rather than—as you have set out alternatively—it being done in an advisory capacity?

Matthew Gill: It depends on the case. I recognise that it is difficult to change a system once it is in place, which is why it is so important to get these things right when they are set up. There are various examples, but to pick again the example of the Independent Reconfiguration Panel, in a way the panel exists to make outside the ministerial sphere decisions that would be hard for a Minister to make. The political decision is to say we want these decisions to be based on clinical outcome, rather than we want this hospital to be in this place. You are characterising the political decision in a different way and then setting up a body that institutionalises that political decision that you have made. I would characterise that not as Ministers and politicians not making the decision, but as them constraining themselves on a day-to-day basis to achieve a greater good that they aspire to.

You also see this with some investment bodies. Take the British Business Bank or the UK Infrastructure Bank, now the National Wealth Fund, which are set up to make investments. There is a separate point that they need to be credible counterparties in the market and therefore separate from Government, but they are also making investments and decisions that will go well beyond the political cycle in terms of where they invest money. In some respects, you set up those organisations to take the immediate pressure to have a particular investment in a particular short-term way in a particular area off the table of individual Members of Parliament or Ministers, and to align it with a longer-term strategic view that Ministers have signed up to. These should best be conceived as different mechanisms of achieving the political will, but achieving what we want over the long term involves imposing some constraints on the system.

Q22 **Peter Lamb:** Behind the veil of ignorance thing, we would all agree to these concepts heading in and the outcomes, unfortunate as they are for the particular area, as beneficial overall.

Matthew Gill: Right. There will be situations where you do it wrong and you want to unpick it; I am not denying that at all. But in situations where it is working well, you would still expect there to be friction, and you would expect—as an individual Member of Parliament or Minister—to be thinking, “I wish I could decide this because somebody is pressuring



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me at the constituent level to do this thing.” That is not a symptom of the system not working.

Chair: No. With the greatest respect, a Minister would have to recuse themselves from any decision in their own constituency.

Matthew Gill: Or feeling pressure from colleagues, or pressure on the short-term versus long-term point.

- Q23 **Chair:** That is a pretty low assessment of Ministers. Most people will be attracted to join a profession, a vocation, a job of being a Member of Parliament, for, “What can I do? What would be written in my obituary? What have I done?” “Well, I slightly cajoled a couple of public bodies to move this way or the other,” or, “I had regular meetings to be briefed on what they were thinking of doing,” is not exactly something to get the angels singing some sort of celestial hymn of praise. Have the body politic, this place as an institution, and Ministers just lost confidence in themselves to do the job at hand and thought, “Oh, there’s somebody out there who is able to think long term, strategically and dispassionately,” which is all actually part of the ministerial code in any event?

Matthew Gill: I hope not.

- Q24 **Chair:** But we have, have we not? It is a debasing of politics and direct engagement through democratically accountable decision making over time of Governments of all colours.

Matthew Gill: This is something I was going to say about this landscape as well. You have to go back to the 1980s to really see a very clear vision for change in the public bodies landscape, with Next Steps and the advent of the executive agency, where there was a clear view across Government that we do not want things more than they have to be at arm’s length in non-departmental public bodies, but we do want to disaggregate delivery within Departments and have people with private sector expertise leading delivery bodies within Departments to do certain functions. That was a clear vision that was driven as to what was needed here.

Since then, there has been quite a lot of drift, both towards a gradual shortening of the arm in some respects and a tendency to want to reduce the number of bodies in other respects. What is missing is a clear strategy as to what we think the role in government of this kind of body is and is not, and that is absolutely for Ministers to provide. They can ask the civil service for input and advice, but that is the level at which there really is a gap and an opportunity for political leadership if people want to take it. Of course, you can also form a principled view that the right approach to this is incrementalist, but you should absolutely be coming to that view clear-eyed and with the full authority of a democratic mandate.

- Q25 **Chair:** It is more sedimentary, is it not? It is just build it, build it, build it. We have the situation where if there is a difficult thing for a Department or anywhere, we will passport it to the Cabinet Office, and the Cabinet



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Office has given us evidence to say that it is now very determinedly pushing back on that. "Oh, there's something coming up that might be a bit tricky. Oh, I know what we'll do. We'll set up an arm's-length body or a quango and that will sort of de-sting it, and then we can say, Well, we're doing something."

Matthew Gill: That is a bad reason for setting one up.

Chair: Yes, but it is just built up, built up. "Oh, well, we have a culture of," without anybody ever pausing, stepping back and going, "Is this fit for purpose?" In some instances it may still be, but not across the piece. Would you agree that it should not be driven by how many scalps? "Oh, we've abolished 52," or, "We've saved £X." Is the correct question that should be asked whether its abolition, change of its terms of reference or reform improve transparency, accountability and governance?

Matthew Gill: Yes, that is absolutely the right question. That does not always mean a direct transmission of individual decisions from Ministers, but yes, that is the right question.

Q26 **Luke Taylor:** We hear quite often—it reflects the opening question—about the red top headline, which is that we have too many public bodies, and that is reflected in the opinions of Government and most political parties as well. We then see Governments forming new ones as they absorb old ones, and a constant flux and flow. Why is it that this is how it always seems to go?

Matthew Gill: There is always some churn, and what you tend to find is that the more recently established bodies are the ones that are most likely to be abolished as well. If you look back to 2010, there have been between two and 12 bodies set up every year—whatever the colour of the Government—because there will be things that come up that they want to do. That was happening even while the headline number was being radically reduced in the early 2010s. In a way, I would look at the fact that there are always going to be a small number being set up to pursue certain policy objectives separately from the review.

Q27 **Luke Taylor:** Is that because many are set up for short-term tasks that they then perform and become redundant? Or is it because they are set up and then decide they are not functioning in the way they are intended to and they want to do it slightly differently? Or a combination of both?

Matthew Gill: It can be a combination of that and others. One case study that we looked at a couple of years ago was the Independent Commission on Civil Aviation Noise, which was established and then abolished within a period of about two years. Part of the reason that happened was because when it was initially established, it was not clear what it was for. Was it trying to manage stakeholders? Was it trying to advise Governments? Was it acting with some authority in this area? Was it trying to achieve a certain policy outcome and legitimise a certain policy outcome? That was never agreed between everybody and therefore it could not deliver against its objectives because its objectives were not



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clear, and then it was found not to have done so, somewhat inevitably. The lesson from that on setting one up is just be really clear what it is for; not just in your own mind, but clear that there is sufficient agreement around it and that that agreement is politically sustainable.

You could take the Trade Remedies Authority, for instance, which has survived but in a different form. Following the controversy on steel in 2021—one of the first cases it looked at—its decision-making authority has been reduced and it is more advisory. You see a need to be realistic about whether this body can perform X, Y, Z function independently and whether that is going to hold or not.

Q28 Luke Taylor: You mentioned the lesson here is that bodies need to be clear on what they are trying to deliver and deliver against those metrics.

Matthew Gill: And Government needs to be clear.

Q29 Luke Taylor: Is there a central body? Is there a set of terms of reference templates that are used to guide the establishment of arm's-length bodies that the individual Departments refer back to? Is there a commissioner of standards for this? What I am trying to get to is how are we learning these lessons? How are they implemented into Whitehall so that when these bodies are spun out, you are not half forming them and dooming them to failure?

Matthew Gill: There is guidance from the Cabinet Office on how to do this, as well as in UKGI. At the Institute for Government, we wrote a paper at the end of last year on how to set up a public body with lessons learned and case studies in terms of how to do this well or badly. I would say there is a gap though. There is certainly space for an ongoing collection of lessons learned, best practice on how to do these things well, and brokering between people who have done it before—be that through mentoring or other connections—and people who are doing it now. It is a specific skillset to get some of these things going with the legislation that may or may not be required, the organisational change, and so on. And there is more that could be done to bring, if you like, expertise together and then deploy it when these things are being set up.

Q30 Luke Taylor: The follow-up point I have here actually fits quite nicely. Is it too easy to establish new arm's-length bodies badly at the moment, and how do we stop that process from continuing to churn out poorly defined groups?

Matthew Gill: There was NAO research a few years ago saying that the business cases for bodies were not always prepared or reviewed properly in the process of doing this. Our solution to that and the way that we have thought about it—we may come on to talk about the three tests later—was to say, actually, sometimes these decisions are made at an earlier stage. By the time you are preparing a very detailed business case and going through all the formal approvals and such that exist within Government—there are quite rigorous processes that these things go through—they are sometimes happening after the fact of the initial



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political decision, or at least steer that this is the direction in which we want to go. You are not going to invest in producing an often very significant business case unless there is a clear steer that that is worth doing.

The thing that matters is making sure that some considerations that we are discussing this morning come into play at that earliest possible stage, so that you make sure you are not just setting up a body to manage a set of stakeholders or to make an issue go away, but doing it for reasons that make conceptual sense. We have proposed some tests that we think will help do that better in future.

Q31 **Mr Quigley:** Following on from that, do you think it is a case that it is just easier and faster to set up these bodies than it is to do it in Department?

Matthew Gill: Usually not. It is often quite a lot more work than people realise to set up the body, for reasons of recruitment, premises, negotiating the mission and any legislation that might be required. It is usually quite a process. There are ways of making that more efficient through shared services and such, but doing something in a Department is usually quicker and easier.

Q32 **Mr Quigley:** In your written submission you have suggested there is scope for a more developed central policy on public bodies. But do you think that would be possible where the Cabinet Office is responsible for overall public bodies' policy, but Departments are responsible for the public bodies they sponsor?

Matthew Gill: It is difficult. In work that we did on public appointments, we found that the Cabinet Office can set up a system to track public appointments and try to speed them up, but it cannot actually make Departments use that system; it can only offer it. That is because individual Secretaries of State obviously have control over their Departments and that is right and proper. The Cabinet Office's role is a convening role across that, and ultimately its authority would have to come from political agreement driven by senior politicians if it were necessary, but it tries to do a lot of its work without the need for that. A lot of its work on public bodies is in that space and there certainly is scope, as I have said, for convening more practical expertise in some areas and developing new tests for when public bodies should exist.

There is potential for it to look at some outdated legislation that exists for bodies. There are some quite striking examples of that going back decades, where bodies are constrained by legislation that there just is not parliamentary time, appetite or the right Bill to be able to sort out. There is also wider data monitoring on the wider range of bodies we discussed at the start: the unclassified bodies, public corporations, as well as the subset of ALBs. Some of that could be done to a greater extent—probably within current structures—but it would require resource and teams in the Cabinet Office doing that, which it does not currently have.



The other question to ask is to what extent you think it is necessary for the Cabinet Office to have a strong view—both in terms of data and policy—across the piece or whether their role is to be really confident that Departments have that. You might say that from the landscape you have observed it is not clear that Departments do and therefore some central co-ordination is necessary, but that is the alternative: for the Cabinet Office to assure itself that Departments are doing this rigorously.

Q33 Mr Quigley: You mentioned new tests. The current tests are whether the role they perform is highly technical or requires a degree of objectivity or political impartiality that warrants being put at some distance from their sponsor Department. How consistently are those tests applied and what would you want the new tests to be?

Matthew Gill: The tests are well known. They are certainly quoted in the review programmes that public bodies go through, and public bodies are asked to justify themselves against those tests each time they are reviewed. However, even when those tests were first set up, the predecessor of this Committee—the Public Administration Committee—expressed doubt that they had been properly thought through or were capable of clear definition. You see that in the technical function test. When is the expertise that it is describing external? How do you really disaggregate the two impartiality and independence tests? It seems to me that it is very difficult to apply them consistently because they are not all that clear.

Then you have a choice to say, “Well, let’s just not have the test; let’s rely on a business case.” I would argue against that because the business case comes too late. It is important to have a rough, if you like, proxy for a business case at the earliest stage of decision making. Our proposal for reframing the test is really from that perspective to say, “How can we have three tests that give you the best rule of thumb proxy to a business case when you have that first initial meeting or discussion of whether to set up a body?”

The tests that we proposed were about effectiveness. Would this body perform the function more effectively, or would it make Government as a whole more effective to have this in the body? Is independence from ministerial decision making important for the particular decision this body is making? And then cost efficiency: in the long term, can it be shown to be cheaper when you consider the transition and steady state to do things at arm’s length rather than to do it in the Department? If not, is there some clear justification for that cost being incurred?

That is designed really to replicate the thought process you would go through producing a business case in very truncated form, and to allow for situations where you might want to do things at arm’s length—long-term decision making in the case of the railways, the hospitals example we have discussed, interaction with private sector counterparties in the case of the banks, and sometimes even a route to potential privatisation, so you want to test an incubator function and then spin it off into the



private sector, as happened with the Green Investment Group, for instance.

Alongside that, there is a criterion that sits alongside the three tests, which is that public bodies should be a last resort. In the past, that has led to some misguided abolitions; you could quote the Audit Commission, UK Border Agency, arguably PHE, certainly in terms of timing, if not structure. I would remove those criteria but instead use those three tests that I have described as a way of disciplining what is being done.

Q34 Mr Quigley: Do you think public bodies help or hinder the Government's mission-led approach?

Matthew Gill: It is too early to say. The question there is probably what level of authority they have across Government, because some missions are quite cross-cutting across Departments. If you have a body set up to pursue a mission, the question is probably going to be how effectively it can work across Government, what levers are there, and whether it is reliant on its Department to engage in negotiations across the piece. That would probably be quite important.

Q35 Chair: There is a mission to deliver more housing, and you have a number of public bodies that will have a say, influence or whatever: Natural England is a statutory consultee, the Environment Agency is another, Homes England, and a whole raft of others in terms of health providers and so on. It is "quite easy" to get that non-siloisation of the government approach. How likely is it to see a similar approach in certain missions where there are a number of public bodies with elements of responsibility to either frustrate or resist delivery?

Matthew Gill: It can be hard where you have a more complex range of bodies. There are certainly examples of public bodies and regulators working together. The Digital Regulation Cooperation Forum is often cited, where some big regulators in the digital space work together on how they are going to operate. The way the FCA, PRA and Treasury work together is another example. It is possible for these organisations to have very close working relationships.

In the example you gave of housing—where you have bodies that have only a tangential interest in housing but quite a significant impact on whether it actually happens—you can consider changing the objectives of those organisations. So instead of saying, "Well, they should have regard to X, Y, Z," which is the kind of thing the Government are doing more broadly when they say that regulators should have regard to the growth objective, for instance I would ask the body that question: how is it going to make that work? If the answer is, "We're not going to make that work," that is not acceptable. If the answer is, "Our legislation, terms of reference or objectives don't allow us to make that work," then change them. It can be quite granular and just needs working through.

Q36 Chair: I suppose it depends whether they see themselves as servant of



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Government or some sort of keeper of the sacred flame, or conscience of Government. We are there to keep you on the straight and narrow, or we are here to flex and bend to meet the fluctuations of Government aspiration.

Matthew Gill: Public bodies will usually be sincerely trying to do the latter—or should be—but they will have it in mind that, ultimately, their legal obligations, if it is in legislation, is to pursue their objectives. So if they have been set up with particular objectives, they will pursue those and try to adapt to a political steer to the extent that that is consistent with those objectives.

- Q37 **Chair:** Is that of itself a hindrance to fleetness of foot—rapidity, if you will—in response where you have important organisations constrained by legislation that only legislation, Governments and Ministers can alter, particularly though not exclusively at a change of Government moment? They want to reset the clock, set off in a new direction and find themselves constrained by, “Well, we would love to be able to help you on this, but we’re awfully sorry, we can’t because our legislative remit doesn’t allow us to do so. You as legislators will have to go back and do it?” By the time you have done that, the opportunity has come, gone and been exploited by somebody else or missed.

Matthew Gill: The challenge then is how can you design organisations and legislation that are more nimble or changeable? If the revealed preference over time is that successive Governments are likely to want to make changes to bodies, then it becomes a question of designing them in such a way that those changes are easier to make. That could be from the point of view that the legislation is one thing, but there is a lot of work that could be done to make that easier if that is desirable. For example, common terms and conditions of staff, and platforms for finance, HR and IT that are interchangeable so that you can reconfigure organisations more easily than at present.

- Q38 **Chair:** In setting up these organisations or reviewing their existence, is it in any way desirable to remove the policy-constraining, response-constraining, legislative straitjacket and make them more accountable to Ministers and Parliament? Effectively being able to be given a fresh set of marching orders by a Minister on an agreed public policy and saying, “You’re now responsible for delivering whatever it is.”

Matthew Gill: The downside of doing that would be you are probably taking power away from Parliament and putting it towards Ministers if less is in legislation.

Chair: That will not be a shock to anybody who has spent any time on the backbenches.

Matthew Gill: No, but particularly where there are bodies that oversee Government—the OBR or the NAO—you would want there to be ultimate parliamentary accountability and control over those organisations as distinct from Ministers and Departments.



I would also refer back to the point about long-term decision making, and there are two aspects of this. First, it is a legitimate political decision to try to enable the state to take decisions that go beyond the electoral cycle. Secondly—this is the chicken and egg of the point about making things easier to reconfigure—it can be really costly and disruptive to reconfigure stuff. A disincentive to that is not always an unhelpful thing because the evidence as to whether performing functions inside Government Departments or at arm's length works better is varied case by case.

It is clear that things at subscale are less efficient, but once you get beyond a certain scale, there are examples both ways. But what is always clear is that when you make the change from one to the other, senior leadership gets embroiled in that for a considerable period of time and it takes a lot of bandwidth and causes a lot of distraction. The one clear finding from our work is that the disruption and change are problematic.

Q39 Chair: But there is also the question whether stability has had any particularly distinguished upturns. Speaking back to a point that you were talking about earlier about long-term strategy, we know that we have a crisis in terms of reservoir capacity. We know that the grid is just about managing, and we have seen risks to it in terms of inhibiting development or economic expansion and so on. If everything under the current governance operational model was working like a finely tuned Formula 1 racing car, one might be saying, "Well, it's all working perfectly. Leave it all alone." But it seems that neither way is working particularly well.

Matthew Gill: No. In the question that you raised, which was about investment in infrastructure, you would look back over the last couple of decades and say that there was a lot of focus on keeping consumer bills down and introducing competition in markets. In a way, the regulatory expertise that you need to do those things is not the same as perhaps the prudential expertise you would need to spot the potential incentives in markets to extract value from companies or the risks if the energy market moved in a particular way. You can look at the problems there and say, "Should we have been more savvy about how the private sector was going to respond to those kinds of investment opportunities, or should we have brought in—alongside our price objective—a much stronger sustainability of supply or capacity type objective?" The way you would do that in a Government Department versus independent regulators would have—

Q40 Chair: Ofwat and Ofgem could have done that.

Matthew Gill: There is a balance between their objectives that has been struck on that. You would have to look at that and say, "Could Ofgem or Ofwat have just brought that expertise in and thought of those things independently? Is it something that Government could or should have done, or some combination of the two?" But yes, there were certainly perspectives that were missed on that. Even if they were not missed, the



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other way of arguing it would be to say that a short-term focus on consumer prices might have squeezed out some other considerations, even if people were aware of them.

Chair: Something has gone terribly wrong when nobody can ever think strategically. Here is our strategic thinker, Mr Baker.

Q41 Richard Baker: Thank you, Chair; kind praise indeed. I am not sure if that will be realised in my course of questions.

We have covered some of this ground already to an extent, but we are keen to understand your views around the latest review into public bodies that was announced last month by the Government. We would like to know why previous review programmes have not successfully simplified and rationalised the public bodies landscape more. You have talked about that as being a significant reduction in the number of public bodies since 2010, but that has plateaued since 2017. Why has there not been greater rationalisation and simplification around the number of public bodies we have?

Matthew Gill: Since 2017? One could probably say that a lot of the low-hanging fruit had been picked; some bodies that were cut at an earlier stage were advisory, non-departmental public bodies, quite small and easy to get rid of. The lower the number becomes, the harder it is incrementally to find more to remove. There was also some need for public bodies to do more as powers were repatriated post-Brexit in 2016; so there were extra responsibilities in place as well.

What is potentially really positive about the current review programme is that the letters to Departments could enable the reviews to look across a field—environmental regulation, for instance—rather than body by body, which has tended to be the approach of the previous ones. That would be the opportunity: to look at it holistically at a departmental level.

However, in general, the current approach is more reminiscent of the letters that Jacob Rees-Mogg sent in 2022 asking Departments to identify bodies to merge or close than the previous iterations of a full-scale public bodies review programme. Announcing that you are going to have a really quick and dirty exercise and you are looking for bodies to merge or close rather prejudices the outcome that you are pursuing. I am nervous that the Government will have boxed themselves into a position where they are looking for a particular set of outcomes from this process and looking for them very quickly.

Q42 Richard Baker: Given that there has been such a minimal reduction in the number of public bodies in this eight-year period, is it not right to say that we have too many and need to look at how many there are? You did say that the savings might be moderate but that there have been savings in terms of reduction of the number of public bodies.

Matthew Gill: It is always worth looking; I would never argue against it, but we have been around this many times. Where people have not found



it easy to grasp is working out which functions should be eliminated. If you are able to look at the functions that public bodies are performing and say, "The state no longer needs to do this thing," then that will give you a material reduction in cost. But historically, these exercises have yielded very few of those examples; they have tended towards the reorganisation or restructuring of what is already there.

Q43 Richard Baker: It could be that the state needs to do these things but it should not be done by a public body; it should be taken directly under control of Ministers.

Matthew Gill: Right, and that is absolutely fine where that is likely to be helpful. The three tests are an attempt at it, but the Government need to have a view of what they want and do not want to do at arm's length. It seems to me that less is not necessarily an answer; that is not a principled explanation for when you think a public body is appropriate and that kind of governance helps you or does not help you.

Q44 Richard Baker: You said the three tests should be revised in terms of their approach to this process and the Government have raised potential legislation around this, which would give Parliament a great opportunity to consider the strategic approach around what the role of public bodies should be in the future. But they have said there will be four principles that will guide their approach. What is your view on those principles? It would perhaps seem to be a bit unfair just to compare it to Jacob Rees-Mogg saying, "Search and destroy a public body in your area," when the Government have said, "No, we will have an approach which is informed by four principles in terms of the futures of public bodies."

Matthew Gill: The principles are helpful. Clear accountability and oversight procedures should be in place. If they are not found, there is then a question as to whether the first response to that should be to abolish the body or establish clear accountability and oversight procedures. Eliminating waste, inefficiency and duplication could be done either by shared services between existing bodies, merging bodies together or bringing bodies back into Government. There are various ways of doing that, but it is definitely a valuable objective. Avoid ALBs set up to manage stakeholder groups; that definitely should not be what they are for, so I would agree with that. I am not sure that I have many examples in mind that fit that category, but they may well be out there. Clarifying and testing the need for independent regulation and oversight makes absolute sense. There is nothing in there that is unhelpful, but I do not think that those four criteria add up to a strategic view as to when you think something should be in a public body and when it should not.

Q45 Richard Baker: Although it seems to me some would do. For example, Mr Lamont talked about the proliferation of public bodies in Scotland over a period of time when the numbers in the rest of the UK reduced, certainly in England. I would say stakeholder involvement would be one area of that where a body is created to—as the Chair put it—solve a political problem in bringing a group of stakeholders together. Surely—I



think you also said—that should not be a reason to create a public body, and if there are examples of that out there then that is something Government should address.

Matthew Gill: An interesting area that you could look at—probably outwith this exercise but related—is the world of ombuds-schemes or complaints bodies. They do not receive the same kind of scrutiny as the public bodies landscape, and it is not clear where policy on those is owned in Government. But if you were going to look for organisations that may come closer to meeting that criteria, that would be where I would start.

- Q46 **Richard Baker:** That is helpful advice. Do you think the four principles that Government have set up are likely to bring about more closures of public bodies than in previous reviews? How successful do you think they are likely to be in achieving that outcome?

Matthew Gill: I do not know. I would be reluctant to measure success in that way. I would measure success on: have accountability and oversight improved? Is there less waste and inefficiency? Are we sure we know why independent regulation and oversight are in place? That is how I would measure success, not in terms of whether the numbers have been cut.

- Q47 **Peter Lamb:** What you are saying is very interesting. Fundamentally, the question seems to be not whether an arm's-length body should exist, but how we undertake these processes that they are currently tasked to do. Once they are already established—as has already been covered—there is a level of tendency to forget about their existence. Do you think that Departments should be required to review the public bodies that they sponsor?

Matthew Gill: Yes, absolutely. These sequential review processes led by the Cabinet Office are quite important. Over time, we have seen that they have become less comprehensive and more targeted. In the last iteration, there was an initial self-assessment within Departments before you decided whether you were going to do a full review. That makes sense because some processes do take quite a lot of time and resource to do, but Departments should absolutely be looking at the bodies.

The other way of approaching that question would be to ask, should it be Departments or somebody more independent looking at this?

Peter Lamb: An arm's-length body.

Matthew Gill: Or an independent reviewer. The previous review programme would have independent lead reviewers, but you would often have the sponsorship team heavily involved in establishing the terms of reference and supporting the reviewer. The review should certainly happen. From a resource perspective, it is inevitable that Departments and sponsor teams that are close to the body are going to be heavily involved. But making sure that the review does not just look at the body, but also looks in a clear-eyed way at the Departments; the relationship



between the Department and the body and whether that is working properly as a whole is really important. For that, you need the expert—the independent reviewer—to have a significant role in it.

As I said before, there is sometimes a risk with those reviews that it is body by body, whereas in terms of the kinds of decision making we are describing here, it is really the function that you want to look at. Trying to work out a way of reviewing, function by function, whether the functions are necessary or there is duplication and how they could be made more efficient would be helpful.

- Q48 Peter Lamb:** It feels that one of the risks of a unitary Government is that we have categorised an awful lot of organisations—certainly in your initial opening comments around this—as potentially falling into the definition of being an arm’s-length body. The BBC would struggle very heavily against any notion that it had any involvement directly with Government whatsoever, as we have spent quite a lot of time trying to do ourselves.

Similarly, local and devolved government or bodies reporting to those would feel it was inappropriate to have their particular arm’s-length bodies attached to the overall definition of arm’s-length bodies in relation to national Government. Attempts have been made to try to standardise the various types of arm’s-length bodies according to the type of function they perform. How successful do you think this has been?

Matthew Gill: From the previous conversation, somewhat successful. There was an exercise in the mid-2010s that reduced the arm’s-length body taxonomy down from 11 to the three that we were describing earlier. The problem is that there were still a lot of legacy bodies in the other categories, and not everything that has been set up since has been classified. That is some narrow progress but there is a lot more to do. It would be beneficial to conduct an exercise to try to tidy that up but it would be a lot of work.

The other way around that would be almost to sideline the taxonomy a little and to say, “As Government, we do not necessarily want to focus on whether a body is in a particular category, but on the decisive aspects of its independence or operations that we think matter, such as whether it sets its own strategic framework, whether its board is fiduciary or whether it is staffed by civil servants.”

The problem with the current taxonomy is that you now have a reduced number of cookie-cutter structures that you are trying to impose on the operations of a body, whereas actually what you are really looking at is a few parameters along which you need to make a decision about how the funding, staffing and legislation works and so on. What would be helpful in a way is to clarify what those parameters are and where each function should sit.

Peter Lamb: More of a matrix.



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Matthew Gill: I think so. You have the legacy of the taxonomy with the flaws that we have already discussed in place for existing bodies, but if you laid that matrix over it, you would be able to talk in more common-sense terms about why public bodies have particular characteristics and others do not.

Q49 **Peter Lamb:** Would it be better then to do it on a case-by-case basis, trying to come up with a clear definition of what it is? Or to have standardised definitions that we are trying to put them all into?

Matthew Gill: That would be an argument for doing it on a case-by-case basis. But in a way selecting from a menu in that matrix form.

Q50 **Peter Lamb:** Do you think all public bodies should be categorised and possibly standardised rather than just arm's-length bodies?

Matthew Gill: Yes. The only caveat to that would be the administrative effort of doing that. If you go out from central Government into devolved and local particularly, there is a lot of opacity as to what is there. It would be a major exercise to draw that together, question whether that is something you want the Cabinet Office to devote the amount of resource that would be required to do it, or again, whether you are happy that somebody in the system knows what is going on there. But yes, ideally, one would have a greater understanding of what was out there.

Q51 **Peter Lamb:** I cannot say I have ever seen one of these framework documents involved in setting up an arm's-length body so I do not really know what goes into it. Given the ministerial biographies that I have read of late, I would imagine that a number of them would be quite keen to understand the structures much better themselves.

You have Tony Benn's five questions about power, and I was wondering if they really fit into one of these documents. What power do you have? Where did you get it from? In whose interest do you exercise it? To whom are you accountable? How can we get rid of you? I suspect the last of those would be the most interesting one for a Minister who is feeling the limits of their power in dealing with one of these bodies. Are these the kind of concepts that are set out in one of these framework documents?

Matthew Gill: Most of them, yes. How it can be abolished—I am not sure whether that is in the framework document or just given. If the body is legislated for, abolishing can require legislation. If it is not legislated for, it can be just a matter of ministerial decision. This was interesting in the abolition of Public Health England. Ministers laboured for a while under the assumption that they needed legislation to abolish it and then discovered that they did not and just did it. In a lot of cases, Ministers can abolish bodies more easily than they think.

Q52 **Peter Lamb:** One last question from me. How effective is departmental oversight over the public bodies they sponsor?

Matthew Gill: As you have probably heard me say a few times already this morning, it is variable. There is some very good practice. The



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sponsorship function of the team in the Department that looks after the body is not just about oversight; when it is done well, it is also about opening doors around Government, integrating the body into the activity of Government so that it understands what it is supposed to be doing, has the necessary access to the Minister when it needs it, and is able to really deliver on its objectives in lockstep with Government. It is not just an oversight compliance-type function that they perform.

From what we have seen, it depends on the size and profile of the body. Sometimes you can see Government Departments almost building shadows to the body in the Department and overseeing them very intensively. Some smaller bodies can be neglected. Earlier, you gave the example of a body that the Minister was not aware of. There is a risk that those teams can end up duplicating functions that are performed inside the body over time in an effort to check and, if you like, second-guess it. That is where you end up with some inefficiency and the Department feeling, "I do not have enough confidence in what the body is doing. I need to do the same work to make sure that I am happy with what is happening in the body." And that is obviously a cause of inefficiency when it happens.

In general, it is variable, but it needs to try to avoid being just like compliance-type oversight. There needs to be the right degree of senior oversight from people in the Department. You sometimes see where sponsorship is concentrated in a dedicated team in a Department rather than happening in the relevant policy teams. You can have one director responsible for multiple bodies, and that can mean that they are too thinly spread over the bodies that they are looking at, so that can sometimes be a risk.

There is also a bit of a need to talk up the value of good sponsorship in Government. It is not always seen as a premier destination for a civil servant to work in the sponsorship team, whereas making that relationship between the body and Government work smoothly in the interests of ministerial objectives is a really difficult and important role that should be highly valued.

Q53 Peter Lamb: Should there be a bit of standardisation or some guidance around how Departments should be relating to their arm's-length bodies?

Matthew Gill: There already is some. There is a guidance code on sponsorship that Departments will look at. It is more a question of prioritising that and being disciplined about keeping the sponsorship at a high level.

Q54 Chair: I want to ask two grit-in-the-oyster type questions, which slightly pick up on what Mr Lamb has been asking. It is quite easy to mark your own homework and give yourself an A* every time, so by definition a sponsoring Department, at official level at least, is going to strike up a good relationship with officials working in the arm's length or public body, and likewise, potentially Ministers with senior people in that organisation,



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too. That does not necessarily provide the critical friend when it comes to review, does it? Nor does it give any sense of parity of assessment across HMG PLC. Is there not arguably some considerable merit, although it has capacity demands, that in actual fact it is Cabinet Office that reviews how that operational matrix is working between the sponsoring Department and that body it is sponsoring and therefore notionally accountable for?

Matthew Gill: I would not underestimate how frictional the relationship between the sponsorship team and the body can sometimes be, given the sort of frustrations that you articulated at the beginning of this session around how Ministers can feel when a body does not do what they want it to do. That tension is experienced day to day in the relationship between the sponsorship team and their counterparts in the body, so there are often tensions there, as well as the good working relationships that you would expect.

But I agree with you, there is always a risk to an organisation marking its own homework. That is why the role of the Independent Reviewer is important. The risk of just getting the Cabinet Office to do it is that they are not close enough to what the body does to really understand what is happening, so you need to involve the sponsorship teams to some extent.

Q55 **Chair:** Yes, there is merit in that, is there not?

Matthew Gill: Yes.

Q56 **Chair:** Because then they actually have to make their case in very clear terms, rather than the, "Well, you know how we do it".

Matthew Gill: I absolutely agree with you. The revealed outcome of this is that because they take up a lot of bandwidth and have not been able to be completed to a timetable, fewer reviews have been done and have had to be prioritised over the years.

My worry is that without a very significant change in resource and structure, saying, "We are no longer going to ask the Departments to do this, we are going to ask the Cabinet Office to do all x-hundred of them", would create an unmanageable situation. I agree with what you are saying, and the pragmatic response to that is to say, "What steps can be taken at Cabinet Office level to ensure the independence and robustness of the reviews that are taking place?" So, I am wondering whether there are incremental steps from where we are to where you are describing.

Q57 **Chair:** Yes I take that, and it is quite interesting how you defaulted to presuming that my question was about a sort of friendly and cosy relationship between the sponsoring Department and the body, and therefore things would just sort of rub along. If there is an antagonistic relationship, there could be a, "Who will rid me of this troublesome priest?" type approach; that no matter what they do and how well they do it, they are an irritant so they have to go. That might have an upside or it might have a considerable downside, which is why that dispassionate set of eyes from one Department is needed. If one thinks about the



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Cabinet Office, it has evolved to be, in effect, the key holder to managing delivery: the Prime Minister says this, the Chancellor is then given the job of making sure that this turns into reality across Government.

I do not say this as a direct criticism of you, but I get slightly worried when what is said is, "Yes, we can see the merit in doing this particular job in this particular way, but it would take up an awful lot of time and we might have to hire four new people to do it." My question is that, even though it might take time and actually require some investment to save, this should not be a precluder from doing the right job properly, should it?

Matthew Gill: I agree with that. Maybe the solution is to have the self-assessment process that they had under the last arrangement, with the Independent Reviewer supported by the Department as an option, but where you have the resource and you see the priority, you have it staffed as well as led from somewhere else. That would certainly give us a more independent perspective on what is happening but if you are going to do that, the important thing would be to make sure that you resource it properly, otherwise the risk is that people will skate across the surface because they do not have the background or ability to go into the depth of what is actually happening.

Q58 **Chair:** The Cabinet Office could ask some legitimately probing questions. I was asked a question at the weekend by a North Dorset farmer, to which I did not have an answer and still do not, which is: why do we have both Natural England and the Environment Agency operating under the auspices of DEFRA? I am not picking on DEFRA per se; DEFRA might not ask that question because it has always been, for as long as operational living memory can recall. I can remember when we still had the National Rivers Authority, for example.

But Cabinet Office, alert and alive to its responsibilities of delivering missions in the current Government iteration—it will be called other things by other parties in different times—can ask the fundamental question from a starting point of, "Why was this created? What problem was it established to find a solution to? Has it done it, and has it now just grown like Topsy to justify its own existence, or was there a knee-jerk reaction to a problem? We had something needing to be done, let us create something." Without actually going back and going, "Well actually these three organisations all have powers and remit to do that," but no, let us just create something new.

I suppose my open-ended question is, how much merit is there of having one set of administrative senior eyes over this whole piece of work? Because we are all understanding that there is a piece of work that needs to be done, and if there is merit, is it best to have it co-ordinated and delivered by the Cabinet Office?

Matthew Gill: My understanding is that, at the fairly high level at which this is happening, that is what is what is happening. Departments are sending in their responses to the Cabinet Office, which is looking at them,



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forming a view and then going out to others to formulate that. So yes, that is right, that it should take a view.

- Q59 **Chair:** We had Cat Little before us last week, and as a Committee we were quite keen to try to establish who ticks the ultimate box and, Caesar-like, either puts the thumb up or the thumb down. We got to a stage where, if the Cabinet Office took a different view to a Secretary of State and a Permanent Secretary, there would be private conversations to seek to persuade, of course. Then, if there is a logjam or an impasse, there seems to be nobody who could say, "No, my decision is X", apart from the Prime Minister, I suppose. Is there not a danger of this just being a little too chummy and not strategic?

Matthew Gill: The ultimate decision-maker on the DEFRA bodies, for instance, will be the Secretary of State for DEFRA, and it would be better to take a view that is entirely abstract from DEFRA to form a view on those bodies. I know that even previous Secretaries of State for DEFRA have looked at these bodies and been thinking about how they might reconfigure that. Because those bodies are all in DEFRA, the Secretary of State has an opportunity and a remit to think across them. It is harder where you have bodies that are across different Secretaries of State: food, for instance, which would be relevant to DEFRA but also to health and, to some extent, DBT. So making decisions on those can be harder in that departmental structure.

But my formal understanding of it is that the Secretaries of State are the final decision-makers, unless they are politically overruled or there is a write-round that agrees on a certain course of action across Departments. It may be that you could do a review in Cabinet Office. Some individual Departmental Secretaries of State might disagree with the overall outcomes of the review, but there will be a write-round and a negotiation on the review as a whole on which bodies were going to be changed or merged, and then a negotiation over the details which then would come out with a plan to be implemented. But it is not straightforward.

- Q60 **Chair:** But does that not speak to something which has been thematic in this session: that so much of our national life has become decision-taking averse? "This is my decision, we are going to do it this way. This is the argument that I am deploying to advocate for that position. I hope we will be successful, it may fail." We heard from the Chancellor in another session that he is quite keen to encourage failure, if you will, or that the fear of failure should not be a prohibitor for trying something—negotiation, write-rounds, cosy chats at the Athenaeum—whatever may be done.

Surely to improve productivity, delivery and value for money, we just need some democratic accountability, active citizenship, people thinking the Government are on their side and, to take Mr Lamb's point, they can elect them or they can kick them out. We have evolved a system which is the absolute antithesis of that: that we keep the ball bouncing up and



down, and very few people want to take a decision in case it is the wrong one. Am I being overly cynical, or overly critical?

Matthew Gill: I do not know if this is a good example or not, but there is a recent point about Ofgem floating differential charging for customers on different incomes, which is an outgrowth of a long-standing worry it has had about vulnerable customers and being responsible for maintaining supply to them, but not really having a steer from Government as to how to handle that.

You could look at that in two ways: either it is thrusting itself into a distributional question that is not its business, or it is feeling obliged to take distributional decisions because it does not think that Departments or Ministers are taking the decisions they need to take. I raise that as an example because it illustrates that it is not necessarily the delegation of energy regulation at Ofgem that causes that decision not to be made; there are sometimes situations where public bodies are alive and waiting for a steer that does not necessarily come. You can see it, for instance, where we have the current desire that regulators will think about growth and the growth objective. That is actually quite difficult for a lot of them because it is not clear what kind of growth they are necessarily pursuing: is it clean growth? Is it short-term growth? Is it any particular sectors?

Q61 **Chair:** They might just say any growth.

Matthew Gill: Any growth, but sometimes that might be contradictory, depending on where you invest. There is definitely scope for strategic decisions to be made on those kinds of things and for a more decisive approach to some of those issues, if you want to put it like that. If that is made at that level that is actually helpful for public bodies which are then trying to deliver the objectives in the context of that policy environment.

Q62 **Chair:** Let us just look very briefly at water; I am conscious of time and PMQs are starting. You have mentioned a couple of times we have a shortage of arm's length bodies and public bodies taking long-term strategic, non-political, the-big-picture type decisions. The key pressure is to keep water prices down for the consumer. We have the cleanest drinking water in the world for, on average, about 11p per day, and there is no commodity elsewhere that is as reasonably priced. But keeping water prices down has fundamentally contributed to a lack of strategic decision-taking with regards to reservoir expansion and capital investment by the water companies, which of course has led to what is a great hue and cry about how we manage domestic pollution, storm drains and so on.

We have this idea that these bodies can take strategic long-term decisions but if they are fettered by keeping prices down at all costs—the cost of living crisis and so on—that just goes out of the window. So a system that seems to me to have been architected to do one thing in theory can, but more often than not either does not for want of appetite, or cannot because of decisions being taken higher up the food chain.



It seems we are in a very complex, messy landscape where, to give voice to a common theme during the general election campaign last year, nothing seems to work. This then means you have to ask yourself the question: is it because those bodies which are charged with making things work are not of themselves working in the way which was initially envisaged? I suppose that is the essay question.

Matthew Gill: In a way the only thing I can say to that is that we are planning some research on infrastructure investment and how to encourage it. So that is coming.

Chair: We look forward it.

Matthew Gill: With the significant benefit of hindsight on this example, one can certainly look back and say that the objective to keep prices low was overweighted relative to other objectives, in terms of the sustainability of supply. It is not clear to me whether that came from Government or from Ofwat, and I am not in a position to answer that question.

Q63 **Chair:** I doubt that anybody is and therein speaks quite a lot of the problem about accountability for decisions taken. Who took them and why? How were they questioned about it in this place, and so on?

Matthew Gill: I am not sure that is unanswerable, I just personally do not know the answer.

Chair: Okay, go away and put a cold flannel on your head and think great thoughts—have a two-pipe solution, as Sherlock Holmes might have advocated—and if you want to drop us a note on it with further thoughts you are very welcome. Colleagues, I am conscious of the time, does anybody else want to chip in at this stage? No. Thank you very much indeed.

Mr Gill, thank you for giving us lots of food for thought. In the words of the song, there are probably more questions than answers, but that is not your fault and it is not a surprise on the first session of an inquiry which is going to be in-depth and, hopefully, considered. But thank you all very much indeed.