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Civil Service Chief Operating Officer
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Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

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Dear Chair,

Thank you for inviting me to give evidence to your Committee on central oversight of arm's-length bodies (ALBs) alongside the Permanent Secretaries from the Department for Environment, Food & Rural Affairs and the Ministry of Justice.

I am writing to respond to the findings of the Comptroller and Auditor General's report on this matter and to introduce the Public Bodies Programme.

The National Audit Office (NAO) report on central oversight of ALBs

The NAO's work is helpful in shining a light on the role of the Cabinet Office (CO) and HM Treasury (HMT), also known as 'the Centre', with departments. The Centre's role is to manage the strategic framework in which ALBs are established and operate. Departments manage their own ALBs within that framework, supported by central guidance and advice. This arrangement ensures that Accounting Officers are accountable for their ALBs' expenditure and for the management of ALB risk, as set out in *Managing Public Money* and the *Orange Book*.

The Centre and departments also have different roles in regards to: the landscape of ALBs, the establishment of new ALBs, and public appointments.

CO has taken steps to deliver greater simplicity in the ALB landscape in response to your Committee's twenty-first report of the 2016-2017 session. We have provided a simplified ALB taxonomy in which new ALBs are classified either as Executive Agencies or as Non-Departmental Public Bodies, with the Non-Ministerial Department classification reserved for exceptional cases.

The Centre also provides guidance which sets out that ALBs should be established only as a last resort and where there is an evidenced need for technical expertise, political impartiality, or for ascertaining facts and figures independently. Such proposals must consider costs, benefits, risks, and alternative delivery options. The Centre will continue to assure that a broad spectrum of delivery options have been considered by departments rather than seeing the delivery of a new body as an outcome in itself. CO and HMT Ministers ultimately approve new ALB proposals.

Public appointments are the responsibility of Ministers, who are accountable to Parliament for the appointments they make. CO's role is to provide advice and guidance to departments to support them with the appointments process. It is for departments to ensure that they run appointments processes in line with the Governance Code developed by the CO, including the aspiration that competitions should conclude within three months of an advert closing. CO is developing an online application tracking system to help support the appointments process that will allow access to real-time data on campaigns.

Reform of Public Bodies

The Cabinet Office and HM Treasury launched a new Public Bodies Programme this year ('the Programme') which aims to improve the outcomes delivered by ALBs. The Programme will deliver five workstreams:

1. The overarching strategy for ALBs;
2. Good governance - what good looks like for ALB Boards and how departments sponsor their ALBs;
3. Gateways - improving ALB reviews and the process for establishing new ALB;
4. Data - how we best capture and compare data from ALBs, including the possible use of benchmarking; and
5. Fiscal levers - how we best use fiscal levers (i.e. Spending Reviews) to ensure ALBs are delivering the best possible outcomes for the public.

The Programme's work on ALB reviews and sponsorship is set out in Action 24 of the [Declaration on Government Reform](#).

The NAO finds that the quality of sponsorship varies across departments. Given the role of public money and Ministerial accountability to Parliament, 'sponsoring' an ALB by the department provides a 'golden thread' of accountability. An effective sponsor team can act as a critical 'second line of defence' - spotting issues and escalating where required. As set out in Action 24, we will increase the effectiveness of departmental sponsorship as part of the Programme. This will be achieved by enhancing the capacity, capability and consistency of departmental ALB sponsorship teams. My team has already commenced work to map the existing ALB sponsorship landscape and will then make recommendations to Ministers on appropriate next steps. Next steps could include, for example, service level agreements between the ALB and the department, new standards for sponsorship and developing a new learning and development offer.

Action 24 also sets out our ambition to create new tools and guidance to support departments undertaking ALB reviews. These reviews will be proportionate and risk based. It will be for departments to judge which ALBs should be prioritised for review, based on relevant factors such as the risk that the ALB poses and the date a review was last undertaken.

I welcome the Comptroller and Auditor General's finding that more could be done to benchmark ALB performance. The Programme will carefully consider the recommendations and will review options to better integrate ALB management information. There is potential for performance improvement through the sharing of best practice across Government. The Cabinet Office already plays a role in facilitating the sharing of best practice across the ALB landscape and we will consider how we can further enhance these efforts.

I will write to you separately to respond to the Comptroller and Auditor General's findings on ALB risk management and look forward to providing evidence to your Committee on 5 July.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alex Chisholm', written in a cursive style.

Alex Chisholm

Civil Service Chief Operating Officer & Cabinet Office Permanent Secretary