

REFORM

QUANGOCRACY

The future of public bodies

Patrick King

Alice Semark

February 2025

ABOUT REFORM

Reform is established as the leading Westminster think tank for public service reform. We believe that the State has a fundamental role to play in enabling individuals, families and communities to thrive. But our vision is one in which the State delivers only the services that it is best placed to deliver, within sound public finances, and where both decision-making and delivery is devolved to the most appropriate level. We are committed to driving systemic change that will deliver better outcomes for all.

We are determinedly independent and strictly non-party in our approach. This is reflected in our cross-party Advisory Board and our events programme which seeks to convene likeminded reformers from across the political spectrum.

Reform is a registered charity, the *Reform* Research Trust, charity no. 1103739.

ABOUT REIMAGINING THE STATE

After a decade of disruption, the country faces a moment of national reflection. For too long, Britain has been papering over the cracks in an outdated social and economic model, but while this may bring temporary respite, it doesn't fix the foundations. In 1942 Beveridge stated: "a revolutionary moment in the world's history is a time for revolutions, not for patching." 80 years on, and in the wake of a devastating national crisis, that statement once again rings true. Now is the time to fix Britain's foundations.

Reform's new programme, *Reimagining the State*, will put forward a bold new vision for the role and shape of the State. One that can create the conditions for strong, confident communities, dynamic, innovative markets, and transformative, sustainable public services.

Reimagining Whitehall is one of the major work streams within this programme.

ABOUT REIMAGINING WHITEHALL

This paper is part of the *Reimagining Whitehall* work stream. To effectively reimagine the State, major change must occur in the behaviours, processes, and structures of central government. This paper set outs a new model to ensure that public bodies are fit to deliver, including clearer rationale for when they should exist, robust processes for setting up new public bodies, and strengthening how they are overseen and held to account by government and Parliament.

Reimagining Whitehall Steering group

Reform is grateful to the expert members of the *Reimagining Whitehall Steering Group* who provide invaluable insight and advise on the programme. Their involvement does not equal endorsement of every argument or recommendation put forward.

Dr Michelle Clement, Lecturer at the Strand Group

Professor Sir Anthony Finkelstein CBE, President, City St George's, University of London

Claudia Harris OBE, CEO, Makers

Dr Henry Kippin, Chief Executive, North of Tyne Combined Authority

Sir Geoff Mulgan CBE, Former Head of Policy, Prime Minister's Office and former Director of the No.10 Strategy Unit

Professor Jonathan Slater, Former Permanent Secretary, Department for Education

Rachel Wolf, Founding Partner, Public First; Co-Author, 2019 Conservative Manifesto

Acknowledgements

External reviewers

We would like to express our gratitude to Lorna Horton, Deputy Director, Public Bodies Team, Cabinet Office and one other reviewer, who preferred to remain anonymous, for their helpful comments on an earlier draft of this paper.

The arguments and any errors that remain are the authors' and the authors' alone.

Interviews

We would like to thank all 12 interviewees for giving their time and candid insights to support this research paper.

The list of interviewees is as follows:

- Marcial Boo, Chair, Institute of Regulation
- Joyce Frederick, Director of Policy and Strategy, Care Quality Commission
- Matthew Gill, Programme Director, Institute for Government
- Mike Keil, Chief Executive, Consumer Council for Water
- John Kingman, Chair, Legal & General, and former Second Permanent Secretary to the Treasury
- Lorna Horton, Deputy Director, Public Bodies Team, Cabinet Office
- Kirsty Shaw, Chief Operating Officer, Homes England
- Nick Smallwood, Chief Executive, Infrastructure and Projects Authority
- Simon Thurley, Chair of the National Lottery Heritage Fund

and three interviewees, one a senior civil servant, who wished to remain anonymous.

METHODOLOGY

In addition to semi-structured interviews and desk research, this paper draws on responses to Freedom of Information (FOI) requests.

FOI requests

FOI requests were sent to each of the 16 departments listed below on number of staff (headcount) they employ to sponsor arm's-length bodies:

- Cabinet Office
- Department for Business and Trade
- Department for Culture, Media and Sport
- Department for Education
- Department for Energy Security and Net Zero
- Department for Environment, Food & Rural Affairs
- Department of Health and Social Care
- Department for Science, Innovation and Technology
- Department for Transport
- Department for Work and Pensions
- Foreign, Commonwealth & Development Office
- HM Treasury
- Home Office
- Ministry of Defence
- Ministry of Housing, Communities and Local Government
- Ministry of Justice

This request can be found in Appendix 2, published separately on *Reform's* website (reform.uk).

All executive agencies, non-ministerial departments and non-departmental public bodies were sent a second FOI request, on the number of staff they employ in communications, marketing and public affairs, which can be found in Appendix 3.

Finally, *Reform* conducted analysis on the number of appearances public bodies' staff made before the Public Accounts Committee, the Health and Social Care Select Committee, and the Environment, Food and Rural Affairs Committee between January 2021 and December 2024. And separately, whether any Select Committees had completed inquiries specifically focused on the performance and governance of their public bodies over the same period, which can both be found in Appendix 4.

Reform's analysis is based on all responses *Reform* received up until 19 February 2025.

Table of Contents

1. INTRODUCTION.....	9
2. PUBLIC BODIES: AN ACCIDENT OF HISTORY.....	12
2.1 An unclear remit.....	14
2.2 Public bodies as stakeholders.....	15
2.3 The next wave of public bodies.....	17
3. A STRONG RATIONALE FOR CREATING PUBLIC BODIES.....	20
3.1 (The wrong) Incentives to create new public bodies.....	21
3.2 A stricter approach.....	23
4. SETTING UP A PUBLIC BODY.....	26
4.1 Classification of public bodies.....	26
4.2 Legislating for public bodies.....	29
4.3 Formally approving new public bodies.....	30
5. OVERSIGHT OF PUBLIC BODIES.....	31
5.1 Sponsorship.....	32
5.2 Reviews.....	36
5.3 Parliamentary and ministerial accountability.....	39
6. CONCLUSION.....	43
BIBLIOGRAPHY.....	39

Recommendations

Recommendation 1: The first Cabinet Office test – of whether a public body is needed to perform a technical function that requires external expertise – should be scrapped.

The two tests required to create a new public body should be:

- 1) Whether it would perform a function that needs to be, and be seen to be, delivered with political impartiality;
- 2) Whether it would perform a function that needs to be delivered independently of ministers to establish facts and/or figures with integrity.

In place of the first test, the Cabinet Office should provide guidance for creating Specialist Units within departments to perform technical functions, along the lines of the AI Safety Institute, and with the same flexibilities around pay, recruitment processes and branding.

These Units should be seen as sandboxes for working differently to the rest of Whitehall – with freedoms granted, on a case-by-case basis, to circumvent ordinary procurement and spending rules, business case processes, and so on.

Recommendation 2: The Cabinet Office should undertake a classification review to reclassify the public body landscape based on the functions public bodies are responsible for – for example, regulators, inspectorates and funding agencies – rather than the level of independence they have from departments.

Recommendation 3: The Public Accounts Committee should hold a brief hearing each time a new arm's-length body is being set up, to determine whether it has met the two tests described in Recommendation 1. It should call the relevant minister and Accounting Officer for this purpose, to describe any viable alternatives to the creation of a new arm's-length body that were considered and why they were ruled out.

Recommendation 4: Senior sponsors of executive agencies, non-departmental public bodies and non-ministerial departments should be Deputy Director level or above. Where Senior Sponsors are responsible for public bodies that have a high level of political risk, salience or a particularly large budget, this should be considered a full-time role, and departments should explain their reasoning where they have made an exception to this.

The Cabinet Office should set out a baseline of competencies required to work in sponsorship teams, based on the function and associated classification of the public body being sponsored. Departments should then be responsible for determining how these competencies apply to public body sponsorship at different grades, along the lines of the requirements needed to work in functional professions (e.g. project delivery, audit, digital and data, risk management), and for ensuring that these competency standards are met. Departments should also urgently assess the skills mix of their public body sponsorship teams, and where there are gaps, offer dedicated training or make new appointments to fill those gaps.

Recommendation 5: Public body reviews should be published on an online dashboard. The relevant departmental Minister should then be required to write a concise letter (no more than a page or two) to the Chairs of relevant departmental Select Committees on the outcomes of reviews, with recommendations and findings clearly listed in a way that supports Parliamentary scrutiny.

Recommendation 6: A specialist team should be established in the Cabinet Office to coordinate and provide dedicated resource for the completion of public body reviews. Staff recruited to this team should have professional skills that are relevant to the review process (e.g. in data and digital, audit and risk management) and there should be a budget for the team to commission external expertise to support reviews.

It should also work with the Government Lead Non-Executive Director to maintain a list of departmental Non-Executive Directors who could independently Chair public body reviews. This list should be referred to, by default, when choosing who to appoint to lead a review. In the rare case that a suitable candidate from among the current pool of departmental NEDs is not available, an external appointment should be made to Chair the review. Each review team should also include the Spending Principal who is most relevant to that public body from HM Treasury's Public Spending Group. The reviews team should directly report to the Minister responsible for public bodies policy in Cabinet Office.

Recommendation 7: Departments should publish an annual list of their public bodies, which names the minister accountable for each public body, describes its function, and links to each public body's most recent annual Chair letter and to the dashboard of public body reviews.

The Cabinet Office should aggregate these lists to publish an overall, consolidated list of every public body sponsored by government, with a minister named against each.

Recommendation 8: Departmental Select Committees should each hold an annual retrospective inquiry on the outcomes of the previous year of public body reviews, calling relevant witnesses from public bodies, alongside the departmental Senior Sponsor and departmental Accounting Officer, to establish key findings and track progress against recommendations.

1. Introduction

Public bodies are core to how the State functions. Their responsibilities range from regulating healthcare and education quality, operating frontline public services, distributing billions of pounds in government grants, and managing the delivery of major infrastructure projects. Around 60 per cent of day-to-day government spending, and fundamental parts of what the State is responsible for, is dispatched through public bodies.¹

Public bodies constitute any publicly-funded part of the State that is not part of a ministerial department. Arm's-length bodies exist as a subset of public bodies that are classified for administrative purposes by the Cabinet Office.² Incredibly, there is no authoritative list of all public bodies published by government, and it unclear to many in Whitehall what exactly public bodies are for, when they should be set up and with what freedoms. Most importantly to the public, it is not widely understood how far democratically-elected ministers are accountable for their performance, compared to the relatively unknown and unaccountable officials who are usually responsible for the day-to-day management of these bodies.

Meanwhile, the sheer number of public bodies – at least 300 that are classified as arm's-length bodies and many more that do not have this official designation – means that oversight and accountability measures are spread thin, with ministerial attention only haphazardly given to the work of most public bodies, and even then, usually when something has gone wrong. Interviewees for this paper noted the UK is an outlier amongst comparable countries for the complexity and amount of work it attempts to carry out at arm's length from government.³

Despite this, there is no central record of how many people in department are responsible for the oversight of public bodies through designated 'sponsorship teams'. Based on responses to Freedom of Information Requests,⁴ *Reform* estimates that only around 250 civil servants in ministerial departments are responsible for facilitating the accountability and performance management of public bodies that together employ at least 390,000 staff and spend over £350 billion of public money.⁵ The Ministry of Defence, for example, whose public bodies are responsible for functions including designing and manufacturing nuclear warheads, and delivering equipment and support to the military, responded to the FOI stating that while policy teams across the Department work with ALBs, the central MOD sponsorship team is composed of just three full-time equivalent staff.⁶

The Government's Public Bodies Review Programme, which aims to provide independent scrutiny of public bodies, is usually carried out by staff from the very departments that sponsor those bodies, and, as *Reform* has heard in interviews with senior officials, leads to significant

¹ See HM Treasury, 'Public Spending Statistics: July 2023', Webpage, 19 July 2023; Cabinet Office, 'ALB Landscape Analysis 2023', Webpage, December 2023.

² Cabinet Office, *Classification Of Public Bodies: Guidance For Departments*, 2016.

³ See, for example, Sjors Overman and Sandra Van Thiel, 'Agencification and Public Sector Performance: A Systematic Comparison in 20 Countries', *Public Management Review* 18, no. 4 (April 2016).

⁴ See Appendix 2, published separately on *Reform's* website.

⁵ Cabinet Office, 'ALB Landscape Analysis 2023'.

⁶ See Appendix 2.

conflicts of interest, containing recommendations that are inconsistently tracked by the departments accountable for their implementation.

Some public bodies do not directly answer to ministers,⁷ including public bodies that are overseen by other public bodies; and some have gone years without having a full board of directors in place.⁸ Parliamentary accountability is patchy at best: *Reform* analysis has found that around 85 per cent of public bodies have not been called before the Public Accounts Committee in the last four years;⁹ and select committees covering many major departments, including the Home Office, Department of Health and Social Care, and Ministry of Justice, have not held a single inquiry dedicated to the performance and effectiveness of the public bodies their department sponsors in the last four years – even if other inquiries covered the performance or effectiveness of these bodies as part of a broader inquiry or via a more tangential theme.¹⁰

These basic weaknesses in the oversight model are not just a disaster waiting to happen, they are a blind spot in governance that in many cases is already unravelling. An independent report into the Care Quality Commission last year found that the health regulator did not have the required expertise to effectively judge the quality of health and care services, or in other words to do its job.¹¹ Reports by the NAO found that consistent failures in the project management of HS2 – which have cost the taxpayer billions in overspends – are directly downstream of failures in the organisational structure and governance of HS2 Limited, a public body.¹² In January, the Chair of the Competition and Markets Authority was removed by government due to reported disagreements about strategy.¹³

The lack of grip that exists over many public bodies – and the governance failures that have emerged as a result – illustrates the underlying tension between the independence granted to public bodies, and the sense of accountability ministers understandably have for their performance. While central government, and particularly Cabinet Office, has a key role to play in setting standards for the oversight and accountability of public bodies, the buck must ultimately stop with departments for these failings, as the organisations which ‘own’ them and should understand their performance.

Against this backdrop, however, the Government is embarking on a new wave of public body creation. From Great British Energy to Skills England, the Government is counting on new public bodies to unleash economic growth and help deliver on its five missions.¹⁴ But until critical weaknesses in the oversight of public bodies are addressed, these new bodies could be more of a hinderance than a help.

⁷ Matthew Gill and Grant Dalton, ‘Public Bodies: Scrutiny and Accountability’, Webpage, Institute for Government, 21 December 2022.

⁸ Sam Freedman, *Failed State: Why Nothing Works and How We Fix It* (London: Macmillan, 2024).

⁹ See Appendix 4, published separately on *Reform*’s website.

¹⁰ See Appendix 4.

¹¹ Department of Health and Social Care, *Review into the Operational Effectiveness of the Care Quality Commission: Interim Report*, 2024.

¹² National Audit Office, *HS2: Update Following Cancellation of Phase 2*, 2024.

¹³ Suzi Ring and Jim Pickard, ‘Ousting of CMA Chair Prompts Warnings of Interference in UK Regulation’, *Financial Times*, 22 January 2025.

¹⁴ Patrick King and Sean Eke, *Mission Control: A How-To Guide to Delivering Mission-Led Government* (Reform, 2024).

Quangocracy sets out a model to ensure public bodies are fit to deliver. This includes having clear criteria for creating new public bodies, which would also allow for the rescoping and reclassification of many existing bodies (Chapter 2); strengthening the processes involved in creating public bodies to make them more robust and ensure that new bodies have the right initial scope (Chapter 3); and improving departments' oversight through sponsorship teams and independent reviews, and their accountability to Parliament (Chapter 4). The Prime Minister has committed to “nothing less than a complete rewiring of the British State”.¹⁵ The work of rewiring public bodies – which many citizens experience as a ‘shopfront’ to the State and which carry some of the greatest political risks – is an essential part of that.

¹⁵ Josh Self, ‘Keir Starmer Says British State Needs “Complete Re-Wiring” as New Top Civil Servant Appointed’, *Politics.Co.Uk*, 2 December 2024.

2. Public bodies: an accident of history

The creation of public bodies has sought to improve government efficiency and effectiveness, based on the theory that operational independence, and particularly distance from the direct control of ministers, is directly related to performance. The failings noted above, as well as the fact that functions such as the UK Border Agency and Jobcentre Plus have been brought back ‘in-house’, suggests this is not universally the case.

Instead, successive waves of public body reform have left a complex, and largely opaque, landscape of public bodies that have very different governance structures, legal status, degrees of autonomy, and relationships with sponsor departments.¹⁶

The Cabinet Office has described the public body landscape as “an accident of history” rather than the result of foresight or coherent strategy.¹⁷ Senior officials interviewed for this paper explained “there is absolutely no logic” to the boundaries between departments and bodies, that the approach to creating new bodies is “totally ad hoc”, and that many public bodies continue to exist “regardless of how useful they are”.

Complexity is perhaps an unavoidable feature of the modern State, but that makes clear channels of accountability, and processes that promote effective performance management, all the more important. The public body landscape has neither.

A brief definition

Public bodies are defined as organisations that “are (at least in part) publicly funded to deliver a public or government service, though not as a ministerial department” (Figure 1).¹⁸ They range from huge, executive non-departmental public bodies like NHS England, which employs more than 14,000 staff and receives over £150 billion in direct government funding, through to small advisory groups like the Low Pay Commission, which has eight full-time equivalent staff and receives less than £1 million in direct government funding.¹⁹

Figure 1: Defining public bodies

Public body: Organisations that are publicly funded to deliver a government service, though not as part of a ministerial department.

Arm’s-length body (ALB): A specific category of public body administratively classified by the Cabinet Office.

Executive agencies, Non-departmental public bodies, Non-ministerial departments: The three types of ALB administratively classified by the Cabinet Office and distinguished by their level of independence from a ministerial department.

¹⁶ Committee on Public Accounts, *Departments’ Oversight of Arm’s-Length Bodies*, HC 488 (London: The Stationery Office, 2016).

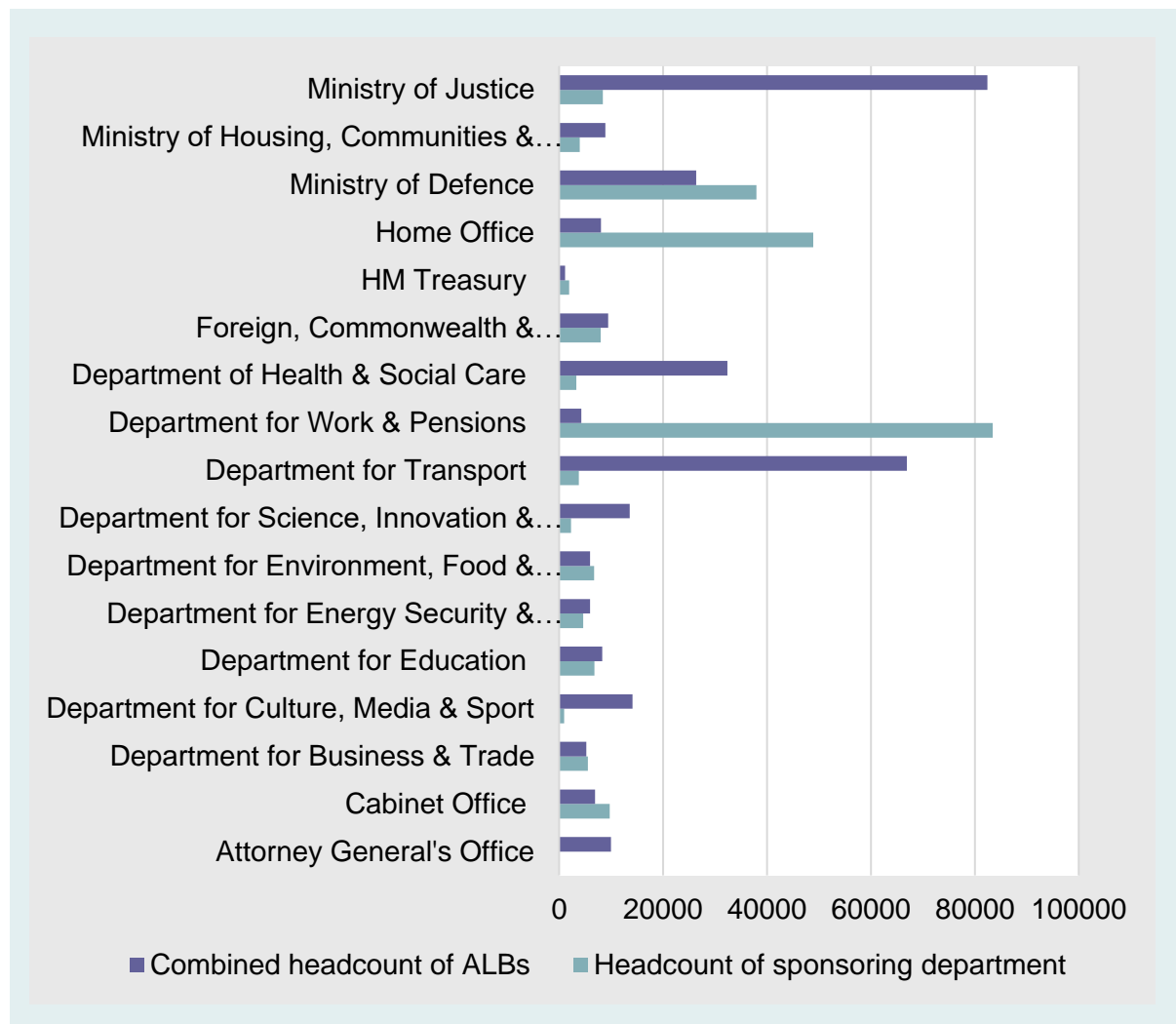
¹⁷ Ibid.

¹⁸ Lucinda Maer, Ray McCaffrey, and Hazel Armstrong, *Public Bodies* (House of Commons Library, 2018).

¹⁹ Cabinet Office, ‘ALB Landscape Analysis 2023’, 2024.

Notably, some departments, like the Department of Health and Social Care, have a smaller headcount (Figure 2) and spend a much smaller budget than the public bodies they sponsor. For these departments, and others, the key metric of success is how well they are able to deliver through their public bodies, and what outcomes their public bodies achieve.

Figure 2: Headcount of public bodies compared to sponsor departments



Source: Cabinet Office, 'ALB Landscape Analysis 2023', 2024; Various departments, 'Workforce management information', 2024.

Due to the breadth of organisations that could be called a public body, some interviewees referred to standard definitions of public bodies as “almost meaningless”. There is no official answer to the question of how many public bodies exist in the UK (only how many of these bodies have been specifically approved as arm’s-length bodies). As the Public Administration Committee pointed out when launching a recent review: “Eyebrows have been raised by the

fact there is no consolidated list of Public Bodies published by the Government, although it is estimated that around 500 exist”.²⁰

These transparency concerns are not new. Eight years ago, Dame Meg Hillier MP, then Chair of the Public Accounts Committee, argued that because there is no “one list, a citizen auditor would have to go and do a bit of digging” just to find out how many public bodies government sponsors or what their “chain of command is”.²¹

For example, the Industrial Strategy Advisory Council has been established by the Government as a non-classified “Expert Committee”, but other advisory groups, such as the Committee on Fuel Poverty or the Social Security Advisory Committee, are formally established as arm’s-length bodies. Similarly, high-profile regulators like the Civil Aviation Authority and Financial Conduct Authority, which are directly answerable to government, are not classified by the Cabinet Office in the same way as other regulators, such as Ofgem or the Office for Students (i.e. as non-ministerial departments, non-departmental public bodies, or executive agencies).

Though there have been waves of reform in the UK altering the number and type of public bodies, UK governments have very rarely considered the landscape in its entirety.²² As one interviewee put it, there has never been a “line in the sand moment” in which government has tried to work out what public bodies are for and what they should deliver: instead there have been “decades of tactical decisions” amounting to the current patchwork landscape.

2.1 An unclear remit

Historically, an important distinction arising from the ‘Next Steps’ reforms of the 1980s, was that departments should be responsible for setting policy, budgets and strategy centrally, with separate “executive agencies” focused on delivery. The reforms aimed to allow ministers with “huge workloads” to take a more detailed interest in policy-making and the “management of departments” – with responsibility for the day-to-day delivery work of government delegated to directly accountable managers in executive agencies.²³

If these agencies did ever support a clear policy-delivery split between themselves and ministerial departments, the distinction has entirely collapsed. Many public bodies have their own, internal policy teams, which set priorities and budgets, and plan how services should be delivered, often duplicating the work of departments.²⁴ To reassert grip, some departments feel they have to effectively “man mark” the work of their public bodies,²⁵ for example the Department of Health and Social Care has teams for urgent and emergency care, medicines,

²⁰ Public Administration and Constitutional Affairs Committee, ‘MPs Launch New Inquiry into Inner Workings of Public Bodies’, Press Release, 16 December 2024.

²¹ Sue Owen et al., *Oral Evidence: Oversight of Arm’s Length Bodies*, HC 488 (Public Accounts Committee, 2016).

²² Colin Talbot, *Written Evidence, Smaller Government: Shrinking the Quango State* (Public Administration Committee, 2010).

²³ Diana Goldsworthy, *Setting up next Steps: A Short Account of the Origins, Launch and Implementation of the Next Steps Project in the British Civil Service* (London: The Stationery Office, 1991).

²⁴ Patrick King, *An Efficiency Mindset: Prioritising Efficiency in Whitehall’s Everyday Work*, 2023.

²⁵ Tom Gash et al., *Read Before Burning: How to Increase the Effectiveness and Accountability of Quangos* (Institute for Government, 2010).

and life sciences that directly parallel policy teams in NHS England. Equally, Ministers have brought functions that are essentially delivery focused back in-house – as in the case of Jobcentre Plus, which used to exist as an executive agency but is now within the Department for Work and Pensions.²⁶

At the same time, interviewees explained that departments can lack the expertise needed to directly shape policy in key areas, leading them to defer to the advice and recommendations of public bodies in ways which then shape what politicians believe is possible.

It is clear that there is a tension between government setting up new bodies to tackle some of the most technically challenging work of government, but also ensuring that democratically elected ministers set the direction of travel and remain accountable. One senior official described this approach of creating new public bodies but then “resenting their independence” as completely incoherent.

For example, “man marking” creates confused lines of accountability, avoidable inefficiencies, and in some cases conflict between departments and public bodies. During crises, tensions can escalate into counterproductive blame games, with departments and public bodies pointing the finger at each other for poor performance, obstructive or inappropriate decision-making, or for not respecting the other’s remit.²⁷

Meanwhile, with policymaking now dispersed across so many different bodies, government’s ability to focus on a small number of priorities, such as this Government’s ‘missions’, is constrained. Interviewees argued that the different priorities of public bodies, and the fact that many have an excessively narrow remit, is a real obstacle “if we care about the public sector delivering as one”. Indeed, the Government has already revisited the remit of environmental public bodies to accelerate housing and infrastructure development, in the face of criticism that several actively hindered the Government’s own development plans.²⁸

Of course, the strict, non-negotiable independence of some public bodies is crucial to them performing their statutory function: as a check on executive power, to establish facts independently of government, or perform an important public function such as financial regulation in a way that is politically impartial.

However, interviewees described more pernicious examples, of “pure, delivery public bodies” pursuing policy aims that are tangential to their core purpose, or even misaligned with what government as a whole is trying to accomplish (Figure 3).

Several interviewees gave examples of public bodies taking on vanity projects well beyond their initial remit. As one official put it, “They want to grow, find new opportunities and set their own exam questions”, which leads to “complete strategic nonalignment”. They explained that there is a strong incentive for public bodies to “do creative stuff, they want to do policy” even when their scope is a narrow, technical one, and at the same time “the service they’re supposed to be providing doesn’t get better”.

²⁶ House of Commons Work and Pensions Select Committee, *The Role of Jobcentre Plus in the Reformed Welfare System*, 2014.

²⁷ Matthew Weaver, “The Blame Game”: Revelations from Health Officials at UK Covid Inquiry’, *The Guardian*, 2 November 2023.

²⁸ Oliver Wright, ‘Labour Strips Environmental Quangos of Powers to Delay Housebuilding’, *The Times*, 21 January 2025.

2.2 Public bodies as stakeholders

As public bodies develop distinct cultures and priorities from their sponsor departments, they also develop more complex or questionable ways of interacting with government.²⁹ Even public bodies with a narrowly-defined, delivery-focused remit can become stakeholders that must be brought on side with government policy, rather than agents that work according to the priorities of the Government of the day. Reflecting this, many public bodies now employ large public affairs, communications and external engagement teams that seek to influence government decision-making, shape public debate, and expand the public body's areas of responsibility and influence.

For example, the British Business Bank has seven public affairs staff, whose responsibilities include “cultivating and maintaining relationships with Secretaries of State, Ministers, Special Advisers (SpAds) ... think tanks and key influencers”, and enhancing the Bank’s “reputation and brand”.³⁰ Network Rail has a public affairs team of 18; the Pensions Regulator employs 12 public affairs staff, while the Gambling Commission employs six; even the British Library has employees dedicated to public affairs, including a Head of Public Policy.³¹

Roles in public affairs cover a broad range of responsibilities, and so staff employed for this purpose could, for example, be working to secure the support of important, non-government stakeholders within their sector (such as charities, trade associations and unions); to ensure strategic alignment between the public body and its sponsor department, and more generally, to amplify the public body's profile and communicate its policy work to the public.

Clearly, effective communication and public engagement are an essential part of what many public bodies do, and completely in keeping with what they have been set up to deliver. For example, the communications team in NHS England engages patients on national health risks, health advice and how to best access services; while Network Rail regularly communicates travel updates, scheduled maintenance and weather warnings.³²

Nevertheless, the fact that many public bodies employ staff whose role is, to various degrees, about managing their relationship and reputation with government, developing a brand identity, and trying to influence the policy decisions taken by ministers, reflects an underlying tension in how public bodies use their independence. While there is a role for public affairs in helping public bodies develop a strong relationship with government, this has sometimes crossed into the more questionable practice of working to secure particular policy outcomes or spending decisions from government.

For example, a recent job advert to work in the British Business Bank's public affairs team promises a budget of £100,000, as well as a separate contract specifically to commission “Government Reputation Research” from YouGov.³³ The same ad refers to the key outcome of achieving “positive outcomes” for the Bank at “fiscal/policy announcements”.³⁴ An advert for

²⁹ Aveek Bhattacharya, ‘Why Is There a £40 Million Quango to Persuade People to Eat Meat and Dairy?’, Blog, Social Market Foundation, 22 January 2025.

³⁰ British Business Bank, ‘Job Description, Public Affairs’, Webpage, October 2024.

³¹ See Appendix 3, published separately on *Reform*'s website.

³² Network Rail, ‘Media Centre’, Website, 2024.

³³ British Business Bank, ‘Job Description, Public Affairs’.

³⁴ Ibid.

a Director of Policy position at the Natural History Museum, a public body, meanwhile calls for experience “using influencing to deliver policy outcomes where no direct power is held” and lists the key responsibility of “increas[ing] our sphere of influence to inform actions and policy in government”.³⁵

Overall, a *Reform* Freedom of Information (FOI) request sent to public bodies listed on GOV.UK found that around 5,000 staff work in communications, external engagement and public affairs in public bodies:³⁶ more than the total headcount of the Department for Culture, Media and Sport or the Treasury.³⁷ Over 100 public bodies either did not respond to the FOI request within the statutory timeframe of 20 working days, did not hold the relevant data or were unable to release it, meaning this is also in fact likely to be a significant underestimation of the total number of staff employed to perform these functions.

It would seem a questionable use of taxpayers’ money to have parts of the State employing teams of staff to petition government for a favourable funding settlement and specific policy asks.

Figure 3: The AHDB: misaligned with government objectives

In 2008, the Agricultural and Horticultural Development Board (AHDB) was set up with four statutory purposes: a) increasing farmers’ efficiency; b) improving their marketing efforts; c) improving their services to the community; d) helping them contribute to sustainable development.

The Board is funded through a statutory levy on farmers, which is proportionate to the size of their farms and raises £40 million a year. The funding mechanism also means that the Board is relatively insulated from Treasury scrutiny regarding how its budget is spent, and has allowed the AHDB to develop a direction of its own. Over time, the AHDB has become increasingly dominated by the interests of meat and dairy farming which together account for around three quarters of its budget.

Reflecting this, the AHDB’s recent activities have included a marketing campaign to promote “the taste, flavours and nutritional benefits of lean meat and dairy”; producing resources for schools on the importance of cattle, sheep and pig farming and meat production; lodging complaints about adverts for plant-based products; and remarkably, successfully defeating a motion in North Devon Council to switch to plant-based food catering.

Simultaneously, the Climate Change Committee is clear that meat and dairy consumption must be reduced over time (by between 20 and 40 per cent) for the UK to stay within its carbon budget. The aims of one public body are directly at odds with another, and with the Government’s overall objective of reaching Net Zero by 2050.

Source: Aveek Bhattacharya, ‘Why is there a £40 million quango to persuade people to eat meat and dairy?’, 22 January 2025.

³⁵ Public Affairs Networking, ‘Director of Policy, Natural History Museum’, Webpage, 2021.

³⁶ See Appendix 3, published separately on *Reform*’s website.

³⁷ Cabinet Office, ‘Statistical Bulletin - Civil Service Statistics: 2024’, Webpage, 20 August 2024.

2.3 The next wave of public bodies

Through its manifesto and the King's Speech, the Government has committed to a new wave of public body creation. Public bodies like the National Wealth Fund and Great British Energy have already appointed boards of directors and begun to recruit staff.³⁸ Others, including an Independent Football Regulator, Fair Work Agency, and Great British Railways will be established in primary legislation, through bills currently passing through Parliament.³⁹ It was reported in November that government is “creating or overhauling at least 17 public bodies, a move which is likely to come at high cost”.⁴⁰

However, it is not yet clear how many will be classified as arm's-length bodies and operate independently of departments. Some will be formed through the merger of existing bodies (such as the Infrastructure and Projects Authority and the National Infrastructure Commission coming together to form NISTA),⁴¹ or by reconstituting bodies that already exist (the National Wealth Fund will replace the UK Infrastructure Bank, for example).⁴²

Even so, those announced so far represent a significant expansion in the public body landscape (Figure 4), and it is clear that in many priority areas, government sees the creation of new public bodies as a key part of the solution.

Potential risks

This approach has significant risks. First, it is unclear how public bodies will identify better solutions than ministerial departments, or be able to better deliver on them at arm's length from government.⁴³

Some of these issues, such as how to scale renewable energy infrastructure while securing the buy-in of local communities (Great British Energy) or reduce regulatory barriers to innovation (Regulatory Innovation Office), are unavoidably political in nature, and relate to bigger questions about the appropriate role of the State and how best to resolve trade-offs that will inevitably create winners and losers.

Second, many of the processes involved in setting up a new body – agreeing its scope and securing sign-off from central government, appointing a sufficiently experienced board, and ensuring the necessary corporate functions are in place – are time-consuming, and build in significant opportunity costs by delaying implementation.⁴⁴

Third, there is a risk that in making the public body landscape more complex, it will become harder for ministers to know how to achieve outcomes through public bodies, especially as they find their feet, than it would have been to create the same capabilities in departments.

³⁸ Department for Energy Security and Net Zero, ‘Great British Energy’s Start-up Board Appointed’, Press Release, 17 January 2025; HM Treasury, *National Wealth Fund: Mobilising Private Investment*, 2024.

³⁹ Matthew Gill and Shivani Chivukula, ‘Tracker: The Government’s Proposed New Public Bodies’, Webpage, Institute for Government, 21 November 2024.

⁴⁰ Rowena Mason, ‘Labour’s New Public Bodies Are Likely to Come at a High Cost, Thinktank Finds’, *The Guardian*, 21 November 2024.

⁴¹ HM Treasury, ‘New Body to “Get a Grip” on Infrastructure Delays’, Press Release, 10 October 2024.

⁴² HM Treasury, *National Wealth Fund: Mobilising Private Investment*.

⁴³ Patrick King, ‘Winning Power to Lose It’, Blog, Reform, 2 July 2024.

⁴⁴ Matthew Gill and Maddy Bishop, *How to Set up a Public Body* (Institute for Government, 2024).

The powers departments have to direct public bodies and change their scope over time varies significantly according to how they are set up and on what statutory basis.⁴⁵

Figure 4: New public bodies established or being set up by the Labour Government

Public bodies	Status
National Wealth Fund	Established as a non-departmental public body
National Infrastructure and Service Transformation Authority (NISTA)	Not yet established, unclear how it will be classified
Skills England	Currently being established as an Executive Agency
Regulatory Innovation Office	Currently being established, unclear how it will be classified
Border Security Command	Established as an Executive Agency
Industrial Strategy Advisory Council	Established as a non-classified public body (an Executive Committee)

⁴⁵ Gash et al., *Read Before Burning: How to Increase the Effectiveness and Accountability of Quangos*, 2010.

3. A strong rationale for public body creation

In 2010, recognising that in the past “too many public bodies have been established without proper thought”, the Cabinet Office introduced three tests for setting up a public body.⁴⁶ According to Cabinet Office guidance, a proposed body can only be established if it meets one of the following tests:⁴⁷

Figure 5: Cabinet Office’s three tests

1. Is this a technical function, which needs external expertise to deliver?
2. Is this a function which needs to be, and be seen to be, delivered with absolute political impartiality?
3. Is this a function that needs to be delivered independently of ministers to establish figures with integrity?

All business cases proposing a new public body must include an assessment against these three tests.⁴⁸ It is also government’s stated policy that public bodies should only be created “as a last resort”, i.e. when “consideration of all other delivery mechanisms”, such as delivery in a department, through an existing public body or by commissioning services from the private and third sector, “has been exhausted”.⁴⁹

In practice, neither the three tests nor the “last resort” criterion are consistently adhered to, and the Cabinet Office regularly engages departments where the decision to set up a public body has already been taken. The business case process is regularly used to “retrofit decisions”.⁵⁰

In fact, senior officials told *Reform* that they had never heard of a formal case put forward to the Cabinet Office for a new public body that had not been approved. This is despite the National Audit Office (NAO) finding that the processes for approval often lacked rigour. Of the business cases for new public bodies reviewed by the NAO in 2021, “none ... provided all the details required” and two did not even address the three tests.⁵¹

Inconsistency in how the three tests are applied reflects the fact that the motivation to create a new public body is often political or directly relates to the challenge of scaling a complex

⁴⁶ Ian Cruse, *Public Bodies Bill 2010-11* (House of Lords Library, 2010).

⁴⁷ Cabinet Office, *Public Bodies Handbook - Part 2; the Approvals Process for the Creation of New Arm’s-Length Bodies: Guidance for Departments*, 2018.

⁴⁸ National Audit Office, *Central Oversight of Arm’s-length Bodies*, 2021.

⁴⁹ Cabinet Office, *Public Bodies Handbook - Part 2; the Approvals Process for the Creation of New Arm’s-Length Bodies: Guidance for Departments*.

⁵⁰ National Audit Office, *Central Oversight of Arm’s-length Bodies*, 2021.

⁵¹ Ibid.

function within a department. Correspondingly, the final decision to approve a public body is rarely made on the basis of whether a function can only be delivered at arm's-length from government.

3.1 (The wrong) Incentives to create new public bodies

Incentives in Whitehall mean that the trend of creating more public bodies over time, adding to the complexity of the public body landscape, is likely to continue. Rather than applying the Cabinet Office criteria, public body formation is often the knee-jerk response to a 'stuck' policy challenge; to send a political signal following a crisis; or to circumvent pay constraints, recruitment processes, or the insularity of Whitehall.

In many cases, setting up a public body is seen by many departments as the easy option to a short-term problem or the way of avoiding the hard work of fixing existing delivery systems. Needless to say, as well as creating unnecessary delay and costs, these are the wrong reasons and, as detailed above, make it more likely that a public body will cause issues for government rather than help realise their original goal.

3.1.1 'Stuck' policy challenges

Public bodies are often seen as a fix to policy challenges that have become 'stuck' – where existing institutions are underperforming, progress is disappointing, or no obvious or acceptable answer has come to the fore.

Independent reviews and commissions, for example, regularly recommend the introduction of a new public body, to address a systemic failure or a range of problems that appear to have no obvious, 'silver bullet' solution.

The first report of the COVID-19 inquiry recommended introducing a UK-wide public body for "whole-system civil emergency preparedness and resilience", in response to evidence that an array of systems and public services do not adequately plan for, and build in resilience, to civil emergencies.⁵²

The Grenfell Inquiry concluded that the regulation of a number of areas of building safety and standards is subpar, and recommended the introduction of a construction regulator to act as a "focal point" for "driving much-needed change".⁵³

Dame Carol Black's review of drugs found many, independent drivers of drug use and deaths, requiring a "whole-system approach".⁵⁴ It recommended that this approach be coordinated by a new "Drugs Unit" that would monitor progress and independently hold departments to account (implying that it should be set up as a public body).

3.1.2 As political signals

⁵² Baroness Hallett, *Module 1: The Resilience and Preparedness of the UK* (UK Covid-19 Inquiry, 2024), 1.

⁵³ Rt Hon Sir Martin Moore-Bick, *Report of the Public Inquiry into the Fire at Grenfell Tower* (Grenfell Tower Inquiry, 2019).

⁵⁴ Department of Health and Social Care and Home Office, *Government Response to the Independent Review of Drugs by Dame Carol Black*, 2021.

The introduction of a new public body is often seen, particularly in manifesto writing, as a clear signal to voters that an issue is being taken seriously and that political capital and resources should be invested in something. In the last election, the Labour, Conservative and Liberal Democrat manifestoes all committed to introducing new public bodies.

Labour, for example, promised to introduce Skills England, to coordinate local approaches to skills policy;⁵⁵ while the Conservatives promised to create Intertrade UK, to promote trade within the UK,⁵⁶ and the Liberal Democrats a new Net Zero Delivery Authority.⁵⁷

The Office for Tax Simplification and the Office for Budget Responsibility – signals of the importance of tax reform and fiscal credibility, respectively – were promised by the 2010 Conservative manifesto and both established later that year.⁵⁸

3.1.3 To circumvent Whitehall constraints

Public bodies, depending on how they are established, offer significant flexibilities that are not ordinarily available in Whitehall: for example, to attract specialists and experts on higher salaries, or operate outside of central government processes and norms.

Many of the functions carried out by public bodies rely on professional competencies – for example in law, tax, project management, and regulation – that it is difficult to attract based on civil service pay bands. At a senior level, of the roughly 650 officials who earn more than £150,000, the vast majority (~500) work in public bodies.⁵⁹

At delegated grades, public body staff regularly attract salaries that are significantly higher than the equivalent grades in a sponsor department. For example, the pay band minimum for an SEO role in the National Crime Agency is £53,232, compared to a pay band minimum of £44,720 for SEOs in the Home Office (19 per cent more);⁶⁰ SEO-equivalent roles at Ofsted can pay £57,497, compared to a typical pay range of around £41,500 to £47,500 for an SEO in the Department for Education (at least 21 per cent more).⁶¹ Meanwhile, an SEO role in the Health and Safety Executive can pay between £45,954 and £64,890, compared to a typical pay range of £42,614 to £58,347 for SEO roles in the Department for Work and Pensions (around 8 per cent more at the bottom of the bracket and 11 per cent more at the top).⁶²

Alongside this salary premium, public bodies take a different approach to Whitehall in how they hire. While government departments primarily use Success Profiles for recruitment, which test for high-level competencies, and are susceptible to gaming,⁶³ it is much more common for public bodies to require professional accreditation or specific qualifications, and to recruit based on pre-existing knowledge and experience in a specialist area.

⁵⁵ Labour Party, *Change: Labour Party Manifesto 2024*, 2024.

⁵⁶ Conservatives, *The Conservative and Unionist Party Manifesto 2024*, 2024.

⁵⁷ Liberal Democrats, *For a Fair Deal: Liberal Democrat Manifesto 2024*, 2024.

⁵⁸ Conservatives, *Invitation to Join the Government of Britain*, 2010.

⁵⁹ Cabinet Office, *Cabinet Office Senior Officials 'high Earners' Salaries*, 2023.

⁶⁰ GOV.UK, 'Civil Service Jobs', 2025.

⁶¹ Ibid.

⁶² Ibid.

⁶³ Joe Hill and Sean Eke, *Making the Grade: Prioritising Performance in Whitehall*, 2024.

Public bodies are also sometimes set up as a workaround to the bureaucratic restrictions of Whitehall. For example, ARIA, a public body that funds high-risk, high-reward scientific research, has a single business case for its entire spending programme, and so does not need sign-off from the Treasury every time it embarks on a new, risky or contentious project.⁶⁴ Though in practice, ARIA's arrangements are highly unusual, and many public bodies import the same administrative processes from Whitehall into their own management.

3.2 A stricter approach

The Cabinet Office's three tests, which are meant to provide strategic clarity for when public bodies are created outside of ministerial departments, are trying to achieve two distinct aims at once.

On the one hand, they are a way of ensuring entities that need to operate or be seen to operate without political interference – for example, Ofsted and the CQC as independent regulators of the quality of education and health services respectively, or various appeals tribunals – are strictly independent. They also enable the creation of agencies, such as the Met Office and the UK Statistics Authority, whose credibility is inseparable from their ability to produce reliable, independent information.

On the other hand, the first test, “Is this a technical function, which requires external expertise to deliver?”, means judging what kinds of delivery function it would be feasible to set up within a department, and therefore uses independence as a way of overcoming specific constraints of Whitehall (i.e. to attract specific kinds of expertise). Marginal calls are made in creating public bodies like the Crown Commercial Service, which supports better procurement across the public sector, or Active Travel England, which promotes walking and cycling in England, neither of which strictly rely on their independence to operate or be seen to operate with political impartiality.

Creating public organisations that are independent of ministers, who in the eyes of the public are ultimately responsible for the performance of the public sector, is not a decision that should be taken lightly. Independence, where it is needed to guarantee political impartiality, is an important and necessary aim. However, the fact that new bodies are regularly created due to a lack of relevant expertise within Whitehall creates a perverse incentive to move an increasing share of the work of government (via the first test) away from departments and democratically accountable ministers over time. The test of whether a function is ‘technical’ and requires external expertise to be delivered is a particularly broad one.

Direct accountability to ministers should not be sacrificed merely to overcome the constraints of Whitehall. There should instead be a stronger incentive to change how Whitehall works, to build more technical expertise in-house through more a flexible approach to workforce recruitment and remuneration, or create specific sandboxes for innovation, before defaulting on public bodies as the solution.

There are also pockets of Whitehall that show that it is already possible to deliver a technical function within a department. The AI Safety Institute, for example, has been able to develop a highly specialist team of research scientists, software engineers, and operational leads, using significant pay flexibility and different hiring practices, and creating a different brand from the

⁶⁴ King and Eke, *Mission Control: A How-To Guide to Delivering Mission-Led Government*, 2024.

rest of the department, without being set up as a public body.⁶⁵ It is very likely the AI Safety Institute would have met the Cabinet Office's first test – but, despite benefitting from technical and external expertise, retains close oversight from the Department for Science, Innovation and Technology, and did not require setting up separate governance channels. In less than 18 months, it has already made significant contributions to AI Safety.⁶⁶

In the long-term, recruitment, pay and grades within the Civil Service should all be overhauled to enable Whitehall to attract the specialists and subject experts it needs within departments. *Reform* has previously published research on creating specialist development pathways in Whitehall and improving aspects of recruitment, such as the Fast Stream.⁶⁷ In the meantime, however, the first test for public body creation should be scrapped and Cabinet Office should instead provide guidance for establishing new 'Specialist Units' – along the lines of the AI Safety Institute – within departments, to perform technical functions and attract external expertise.

These Specialist Units should have the same flexibilities around pay scales, recruitment processes and branding afforded to the AI Safety Institute, set out in a letter from the Chancellor of the Duchy of Lancaster when a new Unit is established. As a result, accountability to the public would be much clearer for functions that are primarily about 'delivery' – and do not rely on their independence to avoid the perception or reality of political control. And ministers would be able to more effectively oversee a simpler, more coherent system of public bodies, while having better 'grip' over Specialist Units within their departments.

Over time, this could also facilitate a rationalisation of the existing public body landscape – bringing us in line with international comparators, which interviewees told us typically have far fewer agencies at arm's-length.

Several of the Government's proposed public bodies should be set up in this way, including Skills England, the Regulatory Innovation Office, the National Centre for Policing, and Great British Railways.⁶⁸

In total, of the executive agencies, non-ministerial departments and non-departmental public bodies listed on GOV.UK, removing the first Cabinet Office test would allow for at least 100 public bodies to be reconstituted as Specialist Units, merged into existing organisations, or declassified as arm's-length bodies.⁶⁹

Most advisory councils, for example, could become non-classified Expert Committees, even under existing Cabinet Office guidance.⁷⁰ Delivery agencies, such as Defence Equipment and Support and Building Digital UK, could become Specialist Units.

⁶⁵ Anastasia Bektimirova and Herbie Bradley, 'The Codemakers', Blog, The Entrepreneurs Network, 31 January 2025.

⁶⁶ Ibid.

⁶⁷ Hill and Eke, *Making the Grade: Prioritising Performance in Whitehall*; Patrick King and Joe Hill, *Full Stream Ahead: The Future of the Fast Stream*, 2024.

⁶⁸ See Appendix 1, published separately on *Reform*'s website.

⁶⁹ See Appendix 1.

⁷⁰ Cabinet Office, *Classification Of Public Bodies: Guidance For Departments*.

Similarly, many cultural institutions which receive significant amounts of public funding, such as the British Museum or the British Film Institute, have been set up as public bodies: though other charities that receive sizeable grants from government, including other museums and galleries, are not public bodies. Some could be declassified as public bodies altogether, while retaining some kind of constitutional role for government, for example through public appointments to their Boards or establishing these bodies with a different, more remote legal status from government.

Special attention should also be given to ALBs responsible for delivering major projects and infrastructure. ALBs responsible for delivering and maintaining critical national infrastructure, such as Network Rail, Highways England or Sellafield LTD could be declassified as ALBs but remain wholly in state ownership, for example as public corporations (distinct from other ALBs, whose functions can only be performed effectively if they are strictly political impartial). Like other public corporations, these bodies could then continue to have publicly appointed Chairs, and similar to the BBC (a public corporation) could be audited by the National Audit Committee and be directly answerable to Parliament.⁷¹ Crucially, they would have greater flexibility around pay and terms of employment than departments, to attract the technical talent required for project delivery, and should be set up with clear objectives for what success looks like, and robust governance and accountability structures.

In each case, the principle for ALB classification should be whether political independence is inseparable from the function the ALB performs: for example, to regulate services effectively or establish independent facts. Public bodies whose work involves significant political risks, or different operational practices to the rest of the public sector, should not automatically be classified as ALBs.

However, the way they are established should continue to be informed by the level of oversight and ministerial involvement required. For example, interviewees pointed to governance failures at the Post Office, which may have been exacerbated by the fact that it was set up a greater distance from its department (the Department for Business and Trade) than other public bodies, and with less clear accountability arrangements than other bodies.

⁷¹ BBC, 'About the BBC: Audit Arrangements', Webpage, 2025.

Recommendation 1: The first Cabinet Office test – of whether a public body is needed to perform a technical function that requires external expertise – should be scrapped.

The two tests required to create a new public body should be:

- 3) Whether it would perform a function that needs to be, and be seen to be, delivered with political impartiality;
- 4) Whether it would perform a function that needs to be delivered independently of ministers to establish facts and/or figures with integrity.

In place of the first test, the Cabinet Office should provide guidance for creating Specialist Units within departments to perform technical functions, along the lines of the AI Safety Institute, and with the same flexibilities around pay, recruitment processes and branding.

These Units should be seen as sandboxes for working differently to the rest of Whitehall – with freedoms granted, on a case-by-case basis, to circumvent ordinary procurement and spending rules, business case processes, and so on.

4. Setting up a public body

Clarity of purpose is paramount for new public bodies. Every part of a public body's design – including the legislation which underpins it, its remit and relationship with its sponsor department, and how it is practically set up and governed – should be coherent with its purpose.

Unfortunately, interviewees explained that inconsistent, poorly applied standards mean that many public bodies are set up to fail. Several described the process of establishing a new public body as “a complete mess”. One interviewee said that knowledge about public bodies is so dispersed that “no one knows how to set up an arm's-length body” from start to finish. Worse still, a senior official observed that if a public body does fail, it is very difficult to close down: instead, government tends to just “spin up another bit” to plaster over this failure.

There should be a consistent template, classification system and legislative process to set up public bodies with checks built-in to ensure that new bodies are only green lit once they have been assured in these areas. Interviewees said there is currently “no cross-Whitehall model” in place and that public bodies are created “in a random way sector by sector”. Departments should take much greater responsibility for defining a clear purpose for the public bodies they intend to set up, including through carefully drafted framework agreements and legislation,⁷² and once they have been set up, through annual letters to the Chairs of their ALBs.

Of course, the fact that some public bodies, such as the new Independent Football Regulator, are set up to work in areas that were not previously the responsibility of the State, or that require entirely new forms of expertise – such as Ofsted's new responsibility for online safety – makes it difficult to provide enduring, ‘one-size-fits-all’ requirements for new public bodies. However, it is especially important in this context to strive for greater consistency in classification and set up. As things stand, for example, new regulators could belong to any ALB classification, or have very broad or narrow powers defined in primary legislation.

4.1 Classification of public bodies

In 2016, a new system was introduced to streamline how bodies are classified based on the “degree of freedom that body needs from ministerial control to perform its functions”.⁷³ This followed a classification review which found that the previous system was unfit for purpose, “lacked clarity, was unnecessarily complex and difficult to understand”.⁷⁴

The system set out three categories of arm's-length body (ALB), down from 11, aiming to define them in a way that would “comprehensively cover the central government ALB landscape” (Figure 6). Interestingly, within this new system, employees of non-departmental public bodies (NDPBs) are typically considered public servants, not civil servants, which some interviewees suggested may create additional incentives to establish NDPBs – as a way of

⁷² Department of Health and Social Care, ‘Framework Agreements between the Department of Health and Social Care and Its Arm's Length Bodies’, 21 March 2024.

⁷³ Cabinet Office, *Classification Of Public Bodies: Guidance For Departments*.

⁷⁴ Maer, McCaffrey, and Armstrong, *Public Bodies*.

increasing the headcount supporting a department without adding to the total number of civil servants.

The system introduced in 2016 is not comprehensive of the ALB landscape and has failed to create clarity around how individual public bodies have been classified. Interviewees told us that some departments intentionally set up groups that, to all intents and purposes, resemble other ALBs but have not gone through the Treasury and Cabinet Office's approval process and are therefore outside the classification system. Meanwhile, the changes have not made ALBs comparable across or within classifications. It is possible to find public bodies with an almost identical function that belong to each of the three categories and therefore have very different levels of independence, governance structures and accountability channels (Figure 6).

While some regulators, inspectorates and funding agencies may require very different levels of independence from their departments, in the absence of any justification for why they belong to different categories, the classification system is not supporting more effective governance.

Moreover, some public bodies belong to none of these three ALB categories and instead, despite requiring some degree of independence from ministers to perform their function, exist within a department (e.g. the Infrastructure and Projects Authority), as a public corporation (e.g. the Civil Aviation Authority), or a "Special health authority" (e.g. NHS Resolution).⁷⁵

Figure 6: The three categories of arm's-length body

	Least freedom from minister Most freedom from minister		
	Executive Agency	Non-departmental public body	Non-ministerial department
Status	Part of sponsor department	Independent organisation (sometimes has company and/or charity status)	Department in its own right
Governance	CEO supported by a board	Independent board led by a non-executive Chair	Permanent secretary supported by a board
Established through	Administrative action (usually straightforward)	Usually bespoke legislation	Administrative action, usually supplemented by primary legislation
Ministerial accountability	Minister in sponsor department makes key decisions for the agency	Minister in sponsor department can decide whether to adjust functions, wind up or replace the agency	Minister rarely involved in decision-making
Funding	Supply estimates and/or fee income	Grant(s) from department(s) and/or income from fees and levies	Supply estimates and/or fee income
Employees	Civil servants	Typically public servants	Civil servants

Source: Adapted from HM Treasury, 'Managing Public Money', 2023.

⁷⁵ GOV.UK, 'Departments, Agencies and Public Bodies', Webpage, January 2025.

Figure 7: Inconsistent system of classification

	Executive Agency	Non-departmental public body	Non-ministerial department
Regulator	MHRA, Pensions Regulator	Office for Students, Care Quality Commission	Office of Road and Rail, Competition and Markets Authority
Inspectorate	-	Ofsted	HM Inspectorate of Prisons
Funding agency	Education and Skills Funding Agency, Rural Payments Agency	UKRI	National Savings and Investment

Source: Authors' analysis, GOV.UK, 'Departments, Agencies and Public Bodies', 2025.

As a starting point, to enable the centre of government to track when public bodies are created, and support departments in this process, there should be consistency in how bodies are classified. This should be based on the function of public bodies – for example, whether they are a regulator, inspectorate or an agency that allocates funding – rather than their level of independence from departments.

Crucially, this would mean that accountability and governance arrangements are decided based on the level of political oversight and accountability required of a function, not the level of independence a public body has been set up with – overturning the implicit assumption that 'independent' should mean 'less accountable to government'.

As a result, public bodies with a high level of independence from departments, such as HM Inspectorate of Prisons, would be subject to the same accountability arrangements as equivalent bodies – in this case, other inspectorates – that are more proximate to their department. Policies relating to public body oversight could then focus on the more useful work of determining what kinds of processes and expectations are in place for different types of public function, rather than what kinds of oversight are possible in the context of independence.

Recommendation 2: The Cabinet Office should undertake a classification review to reclassify the public body landscape based on the functions public bodies are responsible for – for example, regulators, inspectorates and funding agencies – rather than the level of independence they have from departments.

4.2 Legislating for public bodies

The remit of individual public bodies is often defined in primary legislation. Where this legislation has been poorly drafted, it can be very difficult for public bodies to adapt according to changing government priorities, yet going back and rewriting the initial legislation is rarely

a priority given tight constraints on Parliamentary time. As one senior official put it, “the mother of all spring cleans” is needed to modernise the functions of public bodies and create even a baseline level of consistency between them. Policy teams responsible for drafting ALB legislation in departments should be much clearer on the objectives public bodies will be responsible for, what powers will be delegated to them or continue to be held by the Secretary of State, and on their overall level of independence.

For example, interviewees were complementary of the legal basis for Homes England – the 2008 Housing and Regeneration Act – which they said allows “plenty of room for manoeuvre” and for Homes England to evolve as priorities change. By contrast, several commented that the remit of the Care Quality Commission (CQC), defined by the Health and Social Care Act is “very narrow”, which has been a “nightmare” for its department and has led to misaligned expectations around the work it should be doing. In the case of the CQC, this risk was flagged more than a decade ago. As Anna Dixon MP, then at the King’s Fund, argued, criticisms of the organisation tend to go “well beyond its remit” as defined in legislation.⁷⁶

As the case of the CQC highlights, the fact that the remit of so many public bodies is defined in inflexible ways in primary legislation is not just a technical concern, or something that has a marginal impact on effectiveness. It creates substantial political risks, affects the core, delivery work of public bodies, and risks the State losing the trust of key sectors and the public.

4.3 Formally approving new public bodies

A 2021 report by the National Audit Office confirms that nearly half (46 per cent) of business cases for new public bodies submitted between 2016 and 2020 “did not adequately consider the risk of delivering through their chosen model”, and a quarter made no assessment of the costs and benefits of setting up a new public body.⁷⁷

Rarely, when new public bodies are created, is there any transparency around the approval process or public consultation on viable alternatives.

Going forward, the Public Accounts Committee should hold a brief hearing each time a new arm’s-length body is being set up, to determine whether it has met the two tests described in Recommendation 1. It should call the relevant minister and Accounting Officer for this purpose, to describe any viable alternatives to the creation of a new arm’s-length body that were considered and why they were ruled out.

Recommendation 3: The Public Accounts Committee should hold a brief hearing each time a new arm’s-length body is being set up, to determine whether it has met the two tests described in Recommendation 1. It should call the relevant minister and Accounting Officer for this purpose, to describe any viable alternatives to the creation of a new arm’s-length body that were considered and why they were ruled out.

⁷⁶ Anna Dixon, ‘Are We Expecting Too Much from the Care Quality Commission?’, Blog, The King’s Fund, 4 April 2012.

⁷⁷ National Audit Office, *Central Oversight of Arm’s-length Bodies*.

5. Oversight of public bodies

There is no inherent contradiction between independence and accountability. Public bodies should have the level of independence they need to dispatch their functions effectively (Chapter 4), and equally, departments should ensure they are accountable for clear outcomes and performance standards. As one senior official put it “independent does not mean unaccountable”, yet they also noted there has been a counterproductive culture emerging in which some public bodies believe “they can do whatever they want”.

Several channels exist to provide oversight and hold public bodies accountable for delivery. First and foremost, departments have sponsorship teams to promote and maintain effective working relationships with public bodies.⁷⁸ They are the day-to-day point of contact for public bodies and create a vital link with strategy and policy in the sponsor department, “facilitating accountable, efficient and effective services”.⁷⁹

This could include agreeing strategy with public bodies and setting objectives; assuring key outcomes are being met; financial oversight; risk management; and admin tasks to promote strong governance and accountability, such as monitoring board meetings and aggregating performance information.⁸⁰ In reality, interviewees told us that the work of sponsorship teams is heavily skewed towards administrative and financial issues, rather than monitoring the actual work done by the bodies they sponsor.

Second, the Cabinet Office manages a programme of public body reviews, which are carried out by departments with an independent, lead reviewer, and are aimed at providing robust challenge to public bodies and “assurance on the continuing need for individual organisations”.⁸¹ The reviews evaluate governance, the form and functions of public bodies, efficiency, effectiveness, and the relationship public bodies have with sponsor departments.⁸² Aside from one-off reviews and inquiries, they are the main way of establishing a comprehensive view of public bodies’ performance.

Finally, in principle, all public bodies classified by the Cabinet Office should have an Accounting Officer (usually their Chief Executive) who is directly accountable to Parliament in the same way as Accounting Officers of ministerial departments (in practice, interviewees told us there are occasional exceptions to this, including public bodies that have a limited, advisory role).⁸³ This means that Select Committees can formally call the Accounting Officers of public bodies and their Chairs to give evidence.

The accountability gap

⁷⁸ Cabinet Office, *Arm’s Length Body Sponsorship Code of Good Practice*, 2022.

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*

⁸¹ Cabinet Office, *Tailored Reviews: Guidance on Reviews of Public Bodies*, 2019.

⁸² *Ibid.*

⁸³ House of Lords Constitution Committee, *The Accountability of Civil Servants*, HC 61 (London: The Stationery Office, 2012).

Interviewees argued that all of these channels are undervalued and underpowered, meaning accountability is, in many cases, unclear. Others suggested that public bodies' independence has sometimes been used as a "convenient excuse" by departments or the bodies themselves to avoid answering difficult questions about public bodies' performance and effectiveness.

As one senior official explained:

"We say that arm's length bodies are independent. If you're a senior official looking for an excuse, that's a good excuse".

Likewise, interviewees observed that in delegating responsibility for complex or risky delivery areas to public bodies, departments create a convenient line of cover to avoid accountability when something goes wrong. One senior official argued that there is a strong incentive to delegate to public bodies so that delivery challenges are "out of sight, out of mind", adding that "no one really knows who's accountable for these things".

5.1 Sponsorship

Though the sponsorship link between departments and public bodies is key to oversight and performance management, it has been consistently under-prioritised.⁸⁴ It was for this reason that the 2021 Declaration on Government Reform promised to "increase the effectiveness of sponsorship underpinned by clear performance metrics and rigorous new governance and sponsorship standards".⁸⁵

The Cabinet Office has since implemented a sponsorship "code of good practice" which sets out different stages of sponsorship "maturity" departments should strive for and some of the markers of reaching each stage.⁸⁶ However, interviewees argued that the persistent challenge in sponsor teams is a lack of seniority, capacity and capability – not necessarily the quality of central guidance.

Senior Sponsors are the civil servants responsible for a department's day-to-day oversight of public bodies and, with the support of a sponsorship team, act as a "golden thread" between departments and those bodies.⁸⁷ In appointing a Senior Sponsor, the Cabinet Office stipulates that permanent secretaries should consider "how many ALBs it would be appropriate for a single senior sponsor to oversee", based on the "budget, risk profile or political significance" of ALBs, as well as the Senior Sponsor's other responsibilities.⁸⁸

In practice, interviewees observed that the grade Senior Sponsors are appointed at varies considerably, sometimes irrespective of the type of ALB they sponsor, as does the amount of time they can dedicate to executing their sponsorship responsibilities compared to other aspects of their role. A number of Senior Sponsors are employed in policy and other roles, and work on sponsorship part-time – others work in sponsorship on a full-time basis.⁸⁹

Seniority

⁸⁴ National Audit Office, *Central Oversight of Arm's-length Bodies*.

⁸⁵ Cabinet Office, *Declaration on Government Reform*, 2021.

⁸⁶ Cabinet Office, *Arm's Length Body Sponsorship Code of Good Practice*.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

A number of interviewees pointed to the mismatch in the seniority of most sponsorship teams and the people they are holding to account in public bodies.

A civil servant with experience working in multiple sponsorship teams commented that:

“Sponsor teams are underpowered and underskilled ... the grade mix is very low ... it’s SEOs and HEOs dealing with people [in the public body] at Deputy and Director level. They’re not going to be able to compete on par”.

Officials in public bodies similarly recounted working with junior staff in sponsorship teams to agree budgets and policy decisions. One said their budget had always been “signed off at a very junior level” and that departmental oversight amounted to “quarterly check-ins and that’s about it”.

Though staff in some public bodies had more positive experiences of working with Director or Deputy Director-level civil servants in sponsorship teams, interviewees argued that incentives in Whitehall mean this is the exception not the norm. Roles in sponsorship are often seen as less interesting, with a lower impact on career progression than, for example, positions in policy-focused teams or private office.⁹⁰ As the Chief Executive of a public body explained:

“Who in the civil service wants to progress their career by going into sponsorship? Nobody. That’s not where they’ll get promoted. It’s not people who are future stars”.

There is also a lack of interest in heading up sponsorship teams once people reach the later stages of their careers. Interviewees argued that the majority of senior civil servants want to work in prestigious, policy-oriented roles, not overseeing delivery through public bodies. One argued:

“There is genuinely a lack of curiosity and a lack of interest from leadership ... The priorities of the senior civil service are completely out of touch with the delivery work of government [which is why] we can’t deliver services for shit”.

Capacity

In addition to the low grade mix of sponsorship teams, most departments have very few staff working in sponsorship overall, including those that sponsor a large number of high-spend, high-headcount public bodies. In response to a Freedom of Information request, *Reform* found that four departments have fewer than 20 FTE staff working in sponsorship teams, and six have fewer than 30 staff FTE (Figure 8).⁹¹ The Cabinet Office, which sponsors 12 public bodies, including the Equality and Human Rights Commission, the Infected Blood Compensation Authority and the UK Statistics Authority, did not hold information about how many of its staff work in sponsorship.⁹²

Strikingly the Ministry of Defence, which sponsors 16 public bodies with an overall headcount of over 25,000 and expenditure of around £2 billion, has only three full-time equivalent staff in its central sponsorship team (though other staff in the department work with ALBs in separate

⁹⁰ Social Mobility Commission, *Navigating the Labyrinth*, 2021.

⁹¹ See Appendix 2, published separately on *Reform*’s website.

⁹² See Appendix 2.

policy teams).⁹³ In interviews, *Reform* heard examples of Directors responsible for major policy briefs who are also employed as the Senior Sponsor for multiple public bodies.

Worse still, the capacity of sponsorship teams is split between the core work of sponsorship, managing performance, and promoting accountability – and running the public appointments process for Chairs, Chief Executives and Board members for those public bodies. The head of one sponsorship team estimated that their staff spend around “20 per cent of their time on sponsorship and 80 per cent on public appointments”, and added that adhering to best practice on the former “is so impossible that sponsorship teams don’t try”.

Another reflected that the complexity of public appointments ends up absorbing far more time than the more important work of ensuring public bodies are well governed:

“These bodies do not all need [publicly appointed] boards. It’s an absolute industry. We keep [coming back to] private office to get public appointments through”.

As a result, interviewees told us that even very basic sponsorship processes, such as issuing letters from departments to the Chairs of public bodies on a minister’s priorities (a key way in which departments ensure alignment with their public bodies), do not occur on a consistent basis. It is a stark reflection of how seriously the core work of sponsorship is taken that government would treat it as a part-time responsibility.

⁹³ Appendix 2.

Figure 8: Headcount of department sponsorship teams compared to public bodies

Department	Number of full-time equivalent staff in sponsorship teams	Number of public bodies sponsored by department	Combined full-time equivalent staff in public bodies sponsored by the department	Combined expenditure of public bodies sponsored by the department
Cabinet Office	Do not hold information	12	6,901	£599,159,033
Department for Business and Trade	55 (headcount)	14	5,251	£374,574,080
Department for Culture, Media and Sport	70 FTE	35	14,150	£1,677,313,000
Department for Education	40 (headcount)	15	8,317	£69,310,454,098
Department for Energy Security and Net Zero	Did not respond	10	5,969	£540,528,300
Department of Health and Social Care	42 (headcount)	16	25,456	£160,702,955,989
Ministry of Housing, Communities and Local Government	25.3 FTE	12	8,881	£720,901,658
Department of Health and Social Care	42 (headcount)	16	25,456	£160,702,955,989
Department for Science, Innovation and Technology	26.65 FTE	10	13,554	£391,508,281
Department for Transport	41 FTE	14	66,912	£11,337,221,605
Department for Work and Pensions	27 FTE	6	4,248	£415,937,066
Foreign, Commonwealth and Development Office	14 FTE	7	9,451	£938,478,548
HM Treasury	17 (headcount)	9	1,170	£280,279,101
Home Office	41 (headcount)	15	8,056	£891,045,809
Ministry of Defence	3 FTE	16	26,374	£2,099,792,181
Ministry of Housing, Communities and Local Government	25.3 FTE	12	8,881	£720,901,658
Ministry of Justice	8 (headcount)	23	82,436	£9,352,369,072

Source: Various departments, 'Freedom of information disclosures', 2025; Cabinet Office, 'ALB Landscape Analysis 2023', 2024.

Capability

There are clear, specialist capabilities that support oversight of public bodies and can help improve how they function – including in finance, risk management, and digital and data. The boards and sponsorship teams successfully combine these capabilities to add value to the work of public bodies. Despite this, departments are not intentional about the specific professional competencies or experience required of people who work in sponsorship teams, and at a junior level sponsorship is mostly carried out by generalist, non-experts. Interviewees consistently argued that sponsorship is not seen as a distinct area of competency. As one senior official put it:

“It’s a complete mess. It’s not resourced, there’s no technical expertise. The government should be pretty ashamed of itself. We don’t have a coherent framework for operating at all. At all”.

This undermines the value that sponsorship teams could bring to public bodies and, at worst, is actively counterproductive, with inexperienced sponsors requiring their public bodies to complete burdensome and unnecessary data requests. One senior official described an

“amateuriness that runs through” public body sponsorship, which has led to a “triumph of activity over outcome”.

The skill of understanding the work of public bodies in detail and communicating their performance to departments is crucial – allowing comparisons to be made between public bodies, establishing better measures of value for money and efficiency, and helping track developments in the public body landscape over time

Instead, interviewees told us that even monitoring the headcount growth of public bodies over time is a challenge (despite the Cabinet Office’s ALB landscape analysis now including FTE workforce figures for public bodies that are classified).⁹⁴ A 2021 report by the NAO found that in a fifth of cases, departments did not formally set out regular reporting arrangements expected of bodies – concluding that “differences in departments’ approach to measuring performance makes it harder to determine where oversight is effective”.⁹⁵

Effective oversight of public bodies is core to public service performance and value for money: meaning departments should be investing in sufficiently experienced Senior Sponsors, resourcing sponsorship teams properly, and codifying a baseline of capabilities needed to work in these teams at different grades. Equally, where departments are failing to prioritise sponsorship (or the training required to build capability in sponsorship teams), they are, in effect, also failing in their responsibility to provide effective oversight of public bodies, and they should be held publicly accountable for this (see Recommendation 5).

Recommendation 4: Senior sponsors of executive agencies, non-departmental public bodies and non-ministerial departments should be Deputy Director level or above. Where Senior Sponsors are responsible for public bodies that have a high level of political risk, salience or a particularly large budget, this should be considered a full-time role, and departments should explain their reasoning where they have made an exception to this.

The Cabinet Office should set out a baseline of competencies required to work in sponsorship teams, based on the function and associated classification of the public body being sponsored. Departments should then be responsible for determining how these competencies apply to public body sponsorship at different grades, along the lines of the requirements needed to work in functional professions (e.g. project delivery, audit, digital and data, risk management), and for ensuring that these competency standards are met. Departments should also urgently assess the skills mix of their public body sponsorship teams, and where there are gaps, offer dedicated training or make new appointments to fill those gaps.

⁹⁴ Cabinet Office, ‘ALB Landscape Analysis 2023’.

⁹⁵ National Audit Office, *Central Oversight of Arm’s-length Bodies*.

5.2 Reviews

In 2011,⁹⁶ the Cabinet Office launched its first major review programme of public bodies, known as “triennial reviews” promising, as the name suggests, that public bodies would be reviewed “at least once every three years, starting in 2011 to 2012”.⁹⁷

In 2016, the Cabinet Office began conducting “tailored reviews” based on the relative level of risk of different public bodies and functional reviews for cross-cutting areas like regulation.⁹⁸ Both review programmes aimed to assess the functions of public bodies, reclassify those with an inappropriate status and determine which should continue to exist. The Cabinet Office also committed to review every public body by 2020 (theoretically, the end of the Parliament).⁹⁹ By its own admission, this objective was “overly ambitious”, and two-thirds of reviews were not completed by December 2020.¹⁰⁰

The new review programme, which began in 2022, has not made faster progress (though it now aims to review 125 ALBs by March 2025, focused on those that are most strategically important to government), reviewing less than 10 per cent, on average, a year.¹⁰¹ While many public bodies receive very little government funding and are supported by small secretariats, such as advisory non-departmental public bodies, there is still a question of whether reviewing less than half of public bodies over a Parliament is the correct level of comprehensiveness. Moreover, in 2024, several departments did not make plans to review any of their public bodies, including the Cabinet Office and Department of Environment, Food and Rural Affairs, which has the second most public bodies of any department (35).¹⁰² Several departments only had plans to review one public body.¹⁰³

In most cases, the staff carrying out a review are provided by the department which sponsors the public body.¹⁰⁴ A reviewer who is independent of the public body and sponsor department is then chosen by a minister (with the Cabinet Office recommending a pool of candidates, primarily made up of senior civil servants and non-executive director or chairs of public bodies).¹⁰⁵ If the minister is not satisfied with the recommended pool of candidates, they can also choose their own independent reviewer, with relevant experience, to lead the public body review.¹⁰⁶

⁹⁶ Matthew Gill and Grant Dalton, *When Should Public Bodies Exist?* (Institute for Government, 2023).

⁹⁷ Cabinet Office, ‘Collection: Triennial Review Reports’, Webpage, 28 November 2016.

⁹⁸ Committee on Public Accounts, *Departments’ Oversight of Arm’s-Length Bodies*.

⁹⁹ National Audit Office and Cabinet Office, ‘Central Oversight of Arm’s-Length Bodies’, 23 June 2021.

¹⁰⁰ Ibid.

¹⁰¹ Cabinet Office, ‘Public Bodies Review Programme’, Webpage, April 2024.

¹⁰² Cabinet Office, ‘List of Public Bodies for Review in 2024/25’, Webpage, May 2024.

¹⁰³ Ibid.

¹⁰⁴ National Audit Office, *Central Oversight of Arm’s-length Bodies*.

¹⁰⁵ Cabinet Office, ‘Template 1: Lead Reviewer Role Specification’, Webpage, 25 April 2024, 1.

¹⁰⁶ Callum Parris, ‘The Public Bodies Review Programme’, Blog, Institute for Government, 29 November 2023.

Though public body reviews are published by respective departments, they are not aggregated or made easily available to the public, for example through a dashboard or equivalent. Nor are their recommendations and findings summarised in a format that could be used to support other forms of accountability, such as accountability to Parliament. Going forward, public body reviews should be published much more transparently, on a public dashboard alongside the Cabinet Office's new, ALB landscape analysis. The relevant departmental minister should then be required to write a concise letter (no more than a page or two) to the relevant Select Committee Chair when a new public body review is published, with recommendations and findings clearly listed.

Recommendation 5: Public body reviews should be published on an online dashboard. The relevant departmental Minister should then be required to write a concise letter (no more than a page or two) to the Chairs of relevant departmental Select Committees on the outcomes of reviews, with recommendations and findings clearly listed in a way that supports Parliamentary scrutiny.

Quality

Besides achieving limited coverage of the total public body landscape, the quality of reviews varies considerably, and despite Cabinet Office guidance, departments do not take a consistent approach.¹⁰⁷ The NAO finds that many reviews focus “too narrowly on governance arrangements” and do not address wider, more important priorities such as delivery or how effective the public body is overall.¹⁰⁸ Only a fifth of reviews sampled by the NAO carried out benchmarking against other public bodies and only two organisations tracked progress against the recommendations of a review.¹⁰⁹

Interviewees also pointed to significant variation in review quality and resourcing, with similar bodies taking “18 months and a full-time team of ten” to review in one case, and “6 months with one full-time equivalent official” in another. Many argued that there is no strategic clarity about what the review programme is even for and they are not well utilised by departments, so recommendations usually “go nowhere”.

Interviewees explained that very few departments have standing review teams, and instead most have “an SEO or a Grade 7 who is ... supported by a random selection of people from the deployment pool of a department” who are generally “very junior” and “not very good”. It is also common to appoint lead reviewers without an audit background and with little experience of the public sector, meaning, as interviewees said, that recommendations often take the form of “with more money you do more”, or name-checking minor governance changes that are about number “50,000 on the priority list” for a department. Or as the NAO put it, recommendations are structured as a long-list of suggestions, ranging from “high-level strategic considerations to previously identified, minor actions to improve governance”.¹¹⁰

¹⁰⁷ National Audit Office, *Central Oversight of Arm's-length Bodies*.

¹⁰⁸ National Audit Office and Cabinet Office, ‘Central Oversight of Arm's-Length Bodies’.

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

Clearly, for reviews to be useful and improve how public bodies function, the programme in its current form must change.

Conflict of interest

Interviewees raised concerns about sponsor departments putting forward the resourcing and staff for independent reviews, and the perceived possibility and reality that departments could be marking their own homework when making and implementing recommendations.

Reform heard particularly worrying examples of people working in the sponsorship team of a public body also being called to write chapters for an independent review of the body they sponsor – in effect, directly commenting on the performance of the public body they sponsor in an official capacity.

There is also a risk that public body reviews carried out by the sponsor department are not used for their intended purpose – of providing critical oversight – but as a “stick” to challenge the independence of a public body. One interviewee said that reviews have sometimes been used as an implicit threat when the sponsor department did not agree with the public body on a substantive policy issue (unrelated to its performance). The interviewee, working in the executive team of a public body, was told during a meeting:

“Shut up or we’ll shut you down ... we do reviews of bodies like yours every so often”.

Even where there is not a direct conflict of interest, interviewees said that it is much harder to “say the difficult thing” about a public body your department is responsible for sponsoring, or to say it with sufficient heft for senior decision-makers to take action.

The NAO similarly heard from some of its interviewees that the review programme should be conducted by an external team to add “objectivity and rigour” to assessments.¹¹¹ This could create stronger incentives to track the implementation of review recommendations, particularly those that relate to the department-public body relationship.

A review team, based in the centre of government, could more easily draw on specialist skills including in government professions, and external expertise through specific contracts, to carry out public body reviews. Interviewees argued that some form of central unit is perhaps “the only way” to improve how things work, enabling recommendations to be kept and tracked in one place.

To assure the independence of reviews, and improve accountability for implementing their recommendations, a specialist team should therefore be established in Cabinet Office, to provide dedicated resource for the completion of reviews, and should recruit staff with skills relevant to the review process (e.g. in data and digital, audit and risk management). The team should also have a budget to commission external support for reviews where necessary.

¹¹¹ National Audit Office, *Central Oversight of Arm’s-length Bodies*.

The team should work with the Government Lead Non-Executive Director to maintain a list of Non-Executive Directors (NED) who could independently Chair reviews. This list should be referred to by default when choosing who to appoint to lead a review, based on which NED has experience most relevant to the public body in question. This would be an improvement on the status quo, by increasing the likelihood that independent reviewers have a strong, working understanding of public sector organisations, and have relevant experience providing critical challenge on governance and accountability questions through their role as a NED.

Recommendation 6: A specialist team should be established in the Cabinet Office to coordinate and provide dedicated resource for the completion of public body reviews. Staff recruited to this team should have professional skills that are relevant to the review process (e.g. in data and digital, audit and risk management) and there should be a budget for the team to commission external expertise to support reviews.

It should also work with the Government Lead Non-Executive Director to maintain a list of departmental Non-Executive Directors who could independently Chair public body reviews. This list should be referred to, by default, when choosing who to appoint to lead a review. In the rare case that a suitable candidate from among the current pool of departmental NEDs is not available, an external appointment should be made to Chair the review. Each review team should also include the Spending Principal who is most relevant to that public body from HM Treasury's Public Spending Group. The reviews team should directly report to the Minister responsible for public bodies policy in Cabinet Office.

5.3 Parliamentary and ministerial accountability

Departments' accountability to Parliament and the public – through ministers and permanent secretaries (Accounting Officers) – is well-rehearsed, and includes regular interaction with Commons and Lords Select Committees, answering oral and written Parliamentary questions and formal correspondence.¹¹² In principle, the same channels are used to hold public bodies to account, since they have the 'delegated authority' of departments; and most public body Chairs and Chief Executives can be directly called by Select Committees.¹¹³

In practice, non-ministerial departments (such as the Government Legal Department, Ofsted and the ONS), do not directly answer to ministers and so their accountability to Parliament is unclear.¹¹⁴ The level of interaction other types of public body have with Parliament and ministers also varies significantly.¹¹⁵ In some cases, public bodies seem to sponsor other public bodies – for example, the relationship between the CQC and Healthwatch England – leading to even less clarity regarding accountability.

Given the crucial functions of public bodies, and the political risks of delivering through them, accountability to ministers and Parliament should both be taken seriously.

¹¹² Catherine Haddon, 'Ministerial Accountability', Webpage, 16 September 2020.

¹¹³ Gill and Dalton, 'Public Bodies: Scrutiny and Accountability'.

¹¹⁴ Gill and Dalton.

¹¹⁵ Public Administration Committee, *Who's Accountable? Relationships between Government and Arm's-Length Bodies*, HC 110 (London: The Stationery Office, 2014).

Ministers

Secretaries of State are accountable to Parliament for the performance of public bodies their department sponsors, though can delegate this responsibility to junior ministers.¹¹⁶ More prominent public bodies are often name-checked in the briefs of junior ministers: for example, the Minister for Care has sponsorship of NICE, MHRA and NHS England as a core responsibility,¹¹⁷ and the brief of the Minister for Housing and Planning includes sponsorship of Homes England and the Planning Inspectorate.¹¹⁸

Reflecting the ambiguity of the way public bodies are classified, the level of interaction a minister has with a specific public body has much more to do with its political salience than its level of independence. Interviewees pointed to non-ministerial departments (the most independent), which regularly interact with ministers and executive agencies (the least independent) that rarely meet with ministers. For example, senior officials said that regular interaction with a minister for some public bodies is “twice a year” – and described these meetings as “all slightly performative”.

Clearly, some public bodies are so small (with ten or fewer staff), or their remit so narrow, that more regular oversight is not a priority. However, *Reform* heard more worrying examples of public bodies mistaking their independence for being less accountable to ministers. A civil servant working in sponsorship recalled being asked by a public body whether their chair is even “allowed to meet with the minister”.

As discussed previously, the Public Administration Committee (PAC) has drawn attention to the fact that as there is no “consolidated list” of public bodies published by government, it is unclear to the public “where the buck stops” for performance. At a minimum, the public should expect to be able to access a definitive list of all public bodies sponsored by government, with a minister named against each.

Recommendation 7: Departments should publish an annual, list of their public bodies, which names the minister accountable for each public body, describes its function, and links to each public body’s most recent annual Chair letter and to the dashboard of public body reviews.

The Cabinet Office should aggregate these lists to publish an overall, consolidated list of every public body sponsored by government, with a minister named against each.

Parliament

One way of strengthening Parliament’s oversight of public bodies would be to create an explicit link between the Public Bodies Review Programme and hearings by Select Committees.

Reform analysis found that the Public Accounts Committee, responsible for examining the value for money of public spending, called witnesses from 22 ALBs, on average, a year (from

¹¹⁶ Cabinet Office, *Arm’s Length Body Sponsorship Code of Good Practice*.

¹¹⁷ GOV.UK, ‘Minister of State for Health (Secondary Care)’, Webpage, 2025.

¹¹⁸ Ibid.

2021-24), or around 5 per cent of all public bodies.¹¹⁹ Of course, there are a subset of large, delivery bodies and regulators that PAC is more likely to call regularly (such as NHS England or Ofgem). However, across the four years sampled, PAC only called witnesses from around 15 per cent of ALBs – heavily skewed towards those with the most spending – though still excluding many that have high levels of political risk and/or responsibility, such as the Health Research Authority, British Transport Police Authority, Pensions Regulator and the British Council.¹²⁰

Meanwhile, over the same period, eight departments, including the Home Office, Department of Health and Social Care and Ministry of Justice, did not hold a single inquiry focused on the performance and effectiveness of one of the department's ALBs – even if other inquiries included these bodies as part of a broader inquiry or via a more tangential theme.¹²¹

Select Committees responsible for departments with a large number of ALBs, such as the Health and Social Care Committee and the Environment, Food and Rural Affairs Committee, often have a similarly narrow focus. *Reform* analysis found that since 2021, the former did not call a single witness from two thirds of the department's ALBs (16 out of 24); while the latter only called witnesses from eight of its 35 ALBs (23 per cent).¹²² As things stand, the findings of public body reviews have no formal relationship with the work of departmental Select Committees, meaning that even where these reviews highlight valuable areas for improvement, there is not Parliamentary scrutiny of whether any action is taken.

Going forward, departmental select committees should each hold an annual retrospective inquiry on the outcomes of the previous year of public body reviews, calling relevant witnesses from public bodies to establish key findings and track progress against recommendations. In deciding on the balance of witnesses, it should consider the breadth of functions they are responsible for (e.g. regulation, inspection, funding allocation) and call witnesses from public bodies that are a range of different sizes.

Recommendation 8: Departmental Select Committees should each hold an annual retrospective inquiry on the outcomes of the previous year of public body reviews, calling relevant witnesses from public bodies, alongside the departmental Senior Sponsor and departmental Accounting Officer, to establish key findings and track progress against recommendations.

¹¹⁹ See Appendix 4, published separately on *Reform*'s website.

¹²⁰ Appendix 4.

¹²¹ Appendix 4.

¹²² Appendix 4.

6 Conclusion

Public bodies now account for around 60 per cent of day-to-day government spending, providing some of the most important and high-risk services. Despite this, departments are unclear on the power they have over public bodies and the main channels for holding them to account are underpowered, under resourced or simply ineffective. While Cabinet Office issues guidance on the oversight of public bodies, it is ultimately departments who are responsible for ensuring that best practice is followed and that public bodies are delivering according to their priorities. This is not happening.

Increasingly, the creation of more public bodies is seen as the answer to policy challenges that are deemed too difficult to address in Whitehall. But this is not supported by the evidence, which finds that the creation of public bodies can reduce the Government's ability to deliver its priorities, and can create inefficiencies and a democratic deficit in the accountability of government to Parliament.

In practice, the creation of new public bodies often stems from a political desire to “do something” in a crisis, rather than any analysis of whether it is the best approach. If a part of the system is broken, government should fix it, not establish a new entity outside of it.

The UK has been left with a system that tries, and increasingly fails, to deliver much more of its work at arm's length from government than comparable countries.¹²³ Without a smaller and much clearer public body landscape, which has dedicated resources for accountability and scrutiny, focused on public bodies that require oversight the most, governance failures of the past – the mismanagement of HS2 or failures in the CQC – are likely to repeat themselves while the State's capacity to do anything technically or politically challenging will continue to diminish.

We must address the symptom and the cause. Departments should be empowered with the capabilities they need to effectively performance manage public bodies, and also undertake specialist delivery work without resorting to the creation of new ones. And there should be a reorganisation and reclassification of the public body landscape, based on the functions that only they can perform – bringing greater consistency and transparency.

Citizens expect responsive and accountable public services and however the State is configured, see ministers as responsible for achieving that. It is in the interests of departments and the public bodies they sponsor to ensure this perception is the reality.

¹²³ See, for example, Overman and Van Thiel, ‘Agencification and Public Sector Performance: A Systematic Comparison in 20 Countries’.

Bibliography

Baroness Hallett. *Module 1: The Resilience and Preparedness of the UK*. UK Covid-19 Inquiry, 2024.

BBC. 'About the BBC: Audit Arrangements'. Webpage, 2025.

Bektimirova, Anastasia, and Herbie Bradley. 'The Codemakers'. Blog. The Entrepreneurs Network, 31 January 2025.

Bhattacharya, Aveek. 'Why Is There a £40 Million Quango to Persuade People to Eat Meat and Dairy?' Blog. Social Market Foundation, 22 January 2025.

British Business Bank. 'Job Description, Public Affairs'. Webpage, October 2024.

Cabinet Office. 'ALB Landscape Analysis 2023'. Webpage, December 2023.

———. *Arm's Length Body Sponsorship Code of Good Practice*, 2022.

———. *Cabinet Office Senior Officials 'high Earners' Salaries*, 2023.

———. *Classification Of Public Bodies: Guidance For Departments*, 2016.

———. 'Collection: Triennial Review Reports'. Webpage, 28 November 2016.

———. *Declaration on Government Reform*, 2021.

———. 'List of Public Bodies for Review in 2024/25'. Webpage, May 2024.

———. *Public Bodies Handbook - Part 2; the Approvals Process for the Creation of New Arm's-Length Bodies: Guidance for Departments*, 2018.

———. 'Public Bodies Review Programme'. Webpage, April 2024.

———. 'Statistical Bulletin - Civil Service Statistics: 2024'. Webpage, 20 August 2024.

———. *Tailored Reviews: Guidance on Reviews of Public Bodies*, 2019.

———. 'Template 1: Lead Reviewer Role Specification'. Webpage, 25 April 2024.

Committee on Public Accounts. *Departments' Oversight of Arm's-Length Bodies*. HC 488. London: The Stationery Office, 2016.

Conservatives. *Invitation to Join the Government of Britain*, 2010.

———. *The Conservative and Unionist Party Manifesto 2024*, 2024.

Cruse, Ian. *Public Bodies Bill 2010-11*. House of Lords Library, 2010.

Department for Energy Security and Net Zero. 'Great British Energy's Start-up Board Appointed'. Press Release, 17 January 2025.

Department of Health and Social Care. 'Framework Agreements between the Department of Health and Social Care and Its Arm's Length Bodies', 21 March 2024.

———. *Review into the Operational Effectiveness of the Care Quality Commission: Interim Report*, 2024.

Department of Health and Social Care and Home Office. *Government Response to the Independent Review of Drugs by Dame Carol Black*, 2021.

Dixon, Anna. 'Are We Expecting Too Much from the Care Quality Commission?' Blog. The King's Fund, 4 April 2012.

Freedman, Sam. *Failed State: Why Nothing Works and How We Fix It*. London: Macmillan, 2024.

Gash, Tom, Ian Magee, Jill Rutter, and Nicole Smith. *Read Before Burning: How to Increase the Effectiveness and Accountability of Quangos*. Institute for Government, 2010.

Gill, Matthew, and Maddy Bishop. *How to Set up a Public Body*. Institute for Government, 2024.

Gill, Matthew, and Shivani Chivukula. 'Tracker: The Government's Proposed New Public Bodies'. Webpage. Institute for Government, 21 November 2024.

Gill, Matthew, and Grant Dalton. 'Public Bodies: Scrutiny and Accountability'. Webpage. Institute for Government, 21 December 2022.

———. *When Should Public Bodies Exist?* Institute for Government, 2023.

Goldsworthy, Diana. *Setting up next Steps: A Short Account of the Origins, Launch and Implementation of the Next Steps Project in the British Civil Service*. London: The Stationery Office, 1991.

GOV.UK. 'Civil Service Jobs', 2025.

———. 'Departments, Agencies and Public Bodies'. Webpage, January 2025.

———. 'Minister of State for Health (Secondary Care)'. Webpage, 2025.

Haddon, Catherine. 'Ministerial Accountability'. Webpage, 16 September 2020.

Hill, Joe, and Sean Eke. *Making the Grade: Prioritising Performance in Whitehall*, 2024.

HM Treasury. *National Wealth Fund: Mobilising Private Investment*, 2024.

———. 'New Body to "Get a Grip" on Infrastructure Delays'. Press Release, 10 October 2024.

———. 'Public Spending Statistics: July 2023'. Webpage, 19 July 2023.

House of Commons Work and Pensions Select Committee. *The Role of Jobcentre Plus in the Reformed Welfare System*, 2014.

House of Lords Constitution Committee. *The Accountability of Civil Servants*. HC 61. London: The Stationery Office, 2012.

King, Patrick. *An Efficiency Mindset: Prioritising Efficiency in Whitehall's Everyday Work*, 2023.

———. 'Winning Power to Lose It'. Blog. Reform, 2 July 2024.

King, Patrick, and Sean Eke. *Mission Control: A How-To Guide to Delivering Mission-Led Government*. Reform, 2024.

King, Patrick, and Joe Hill. *Full Stream Ahead: The Future of the Fast Stream*, 2024.

Labour Party. *Change: Labour Party Manifesto 2024*, 2024.

Liberal Democrats. *For a Fair Deal: Liberal Democrat Manifesto 2024*, 2024.

Maer, Lucinda, Ray McCaffrey, and Hazel Armstrong. *Public Bodies*. House of Commons Library, 2018.

Mason, Rowena. 'Labour's New Public Bodies Are Likely to Come at a High Cost, Thinktank Finds'. *The Guardian*, 21 November 2024.

National Audit Office. *Central Oversight of Arm's-length Bodies*, 2021.

———. *HS2: Update Following Cancellation of Phase 2*, 2024.

National Audit Office and Cabinet Office. 'Central Oversight of Arm's-Length Bodies', 23 June 2021.

Network Rail. 'Media Centre'. Website, 2024.

Overman, Sjors, and Sandra Van Thiel. 'Agencification and Public Sector Performance: A Systematic Comparison in 20 Countries'. *Public Management Review* 18, no. 4 (April 2016).

Owen, Sue, Claire Moriarty, Richard Heaton, and John Manzoni. *Oral Evidence: Oversight of Arm's Length Bodies*. HC 488. Public Accounts Committee, 2016.

Parris, Callum. 'The Public Bodies Review Programme'. Blog. Institute for Government, 29 November 2023.

Public Administration and Constitutional Affairs Committee. 'MPs Launch New Inquiry into Inner Workings of Public Bodies'. Press Release, 16 December 2024.

Public Administration Committee. *Who's Accountable? Relationships between Government and Arm's-Length Bodies*. HC 110. London: The Stationery Office, 2014.

Public Affairs Networking. 'Director of Policy, Natural History Museum'. Webpage, 2021.

Ring, Suzi, and Jim Pickard. 'Ousting of CMA Chair Prompts Warnings of Interference in UK Regulation'. *Financial Times*, 22 January 2025.

Rt Hon Sir Martin Moore-Bick. *Report of the Public Inquiry into the Fire at Grenfell Tower*. Grenfell Tower Inquiry, 2019.

Self, Josh. 'Keir Starmer Says British State Needs "Complete Re-Wiring" as New Top Civil Servant Appointed'. *Politics.Co.Uk*, 2 December 2024.

Social Mobility Commission. *Navigating the Labyrinth*, 2021.

Talbot, Colin. *Written Evidence, Smaller Government: Shrinking the Quango State*. Public Administration Committee, 2010.

Weaver, Matthew. "'The Blame Game': Revelations from Health Officials at UK Covid Inquiry'. *The Guardian*, 2 November 2023.

Wright, Oliver. 'Labour Strips Environmental Quangos of Powers to Delay Housebuilding'.
The Times, 21 January 2025.

REFORM

ISBN: 978-1-910850-77-0



@reformthinktank



@reformthinktank@bsky.social



www.reform.uk