



What lessons can we learn from the UK's next steps agencies model?

Foreword

This report is the work of Andrew Limb, on secondment from the Cabinet Office of the United Kingdom to Statskontoret during 2001. It serves to fill out the picture of how the executive agencies of the UK government are being governed. It answers a whole range of questions but in doing that unavoidably raises new ones. For the time being we have to stop our inquiries here but may get the opportunity in the future to return to this issue. We have prepared this report in order to give perspectives and stimulate discussion on how the independent agencies of the central Swedish government are being governed.

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1 Background

What are the Next Steps Agencies ?

1.1 What sort of activities are delivered by Agencies ?

“Next Steps” Executive Agencies are discrete business units within central government departments that deliver services, either direct to citizens or to business, or to other public sector organisations.

There are 133 Agencies, employing 77 % of the UK Civil Service (around 375,000 staff). They provide services ranging from payment of welfare benefits through regulatory functions such as the Medicines Control Agency to training colleges for public services (a list is included at Annex A).

Although agencies are organisationally within Ministries (and, therefore, ultimately under the control of Ministers) they are given freedom to manage their activities, with the aim of improving efficiency and the quality of service delivery.

Where it is considered desirable for activities to be carried out “at arms length” from the Ministries, they may be delivered by “non-departmental public bodies”, commonly referred to as “QUANGOs” (Quasi-Autonomous Non-Governmental Organisations). There are also a variety of organisational forms such as public corporations (such as the BBC) and nationalised industries such as the Post Office (a fuller list is included at Annex B).

There are also, of course, the central teams, units and functions at the core of Departments, (which perhaps equate to something like Swedish Ministries, but which in the UK form the heart of each Ministerial Department, which also includes agencies – but not non-departmental public bodies) which have not been given agency status, as they do not deliver easily-definable services, and require much greater Ministerial input. These functions mainly involve policy development and advice, and services direct to Ministers.

Origins of Next Steps Agencies

1.2 How and why were they created ?

Next Steps Agencies have been created over the 14 years since Prime Minister Thatcher’s “Efficiency Unit” produced its report on “**Improving Management in Government**”. This is the primary policy statement on the

subject – there was no specific legislation to create “agencies” as a legally defined organisational form. They were created by central departments themselves, identifying activities which would be suitable, as a purely administrative reorganisation.

The key aims were to:

- a) take the delegation of management responsibility and authority further (changes introduced by the Thatcher Government 1979 – ’87 had gone some way towards more clearly defined and budgeted management, and there was felt to be an appetite to go further in this direction);
- b) ensure more senior managers had experience of managing service delivery, and not just policy formulation;
- c) ensure management and performance improvement did not always get overlooked because of short-term political and parliamentary pressures;
- d) address problems of Ministerial overload caused by increasingly complex issues and increased demands for information from Parliament, media and public;
- e) focus attention on results achieved with resources (efficiency), rather than simply the amount of money spent by departments (costs);
- f) create and focus pressure for continuous improvement in performance (to complement unstructured and occasional efforts by the Treasury and the Prime Minister);
- g) break the 600,000 strong civil service down into Units that were more manageable, and more coherent, and which could have organisational structures and management policies more suited to their size, role and responsibilities.

Historical context

1.3 How do they relate to other forms of public sector administrative reform in the UK ?

The “Next Steps” programme built on earlier moves towards modern budgetary control and delegation, moves from an administered to a managed bureaucracy. The **Fulton Report** on the Civil Service in 1968 had recommended such moves to improve the quality of management in the civil service. These reforms had only really started to be put in place, however, with Mrs Thatcher’s **Efficiency Initiative** from 1979, and the **Financial Management Initiative** (which introduced devolved management systems, and budgets linked to objectives) from 1982. Next Steps agencies were a way of increasing management responsibility further down the management chain, to give managers the freedom to develop solutions appropriate to

their own business, and focussed on improving performance and service delivery to their customers.

Subsequent reforms have sought to add a quality dimension to what was initially perceived as a cost-cutting exercise. Next Steps was equated with “**prior options**” reviews and “market testing”, which aimed to identify those activities which might more appropriately be contracted out to the private sector, or should at least be exposed to market forces in a bid to improve efficiency.

The **Citizen’s Charter** programme built on this and sought to bring about a sustained focus on customer service and improved quality in public services, particularly those dealing directly with members of the public. There was a drive for greater openness, and for transparency around performance standards and measures.

Most recently the **Modernising Government** programme has sought to focus on responsive, high-quality and joined-up public services. This means a continued and renewed focus on quality schemes and measures, and a focus on partnerships with stakeholders and fellow-service providers in the wider public sector.

The policy on next steps executive agencies is currently under review, to identify which aspects or forms of the agency model have been most successful in achieving the original aims in which circumstances, what degree of freedom or control is most likely to achieve the stated objectives, what level and form of central control and scrutiny is appropriate, and so on. The aim is to identify and build on good performance, and to ensure that agency policy is working towards achievement of the high-quality, responsive and joined-up services envisaged in the Modernising Government White Paper.

2 Governance of Next Steps Agencies

Constitutional standing

2.1 What (if any) is the legislative basis for agencies ? From where do they draw their powers ? What is the relationship to Parliament ?

Executive Agencies are part of central government, and therefore part of The Crown. They do not usually have their own legal identity. Executive Agencies operate under powers that are delegated from Ministers and Departments. If it is necessary for an Executive Agency to have a legal identity – for instance for control of assets or liability purposes – legislation may be required. Most commonly this will be a “trading fund order”, so that those agencies that are trading funds can continue their trading operations. The Civil Service (Management Functions) Act 1992 clarified the legal position regarding delegation of functions from Ministers to other servants of the Crown, including Agency Chief Executives.

When a new agency is launched, this is announced to Parliament, along with the targets to be set for the first year of operation. The Framework Document will set out how the agency’s ongoing relationship with Parliament will be managed (for instance responsibility for answering Parliamentary Questions and correspondence from MPs and MEPs¹). It is perfectly possible for the parent Department and Minister to change the aims and objectives of the agency without seeking Parliamentary approval, although a major change might be raised in discussion with a Parliamentary committee.

Political governance

2.2 Who is responsible for what ? Who is accountable to Parliament (for what), and in what ways ?

The relevant Secretary of State is accountable to Parliament for the performance of the Agency. Ministers in the parent department are responsible for answering Parliamentary Questions and will normally

¹ An example, from the Prison Service Framework Document: “Parliamentary Questions on all prison matters will be answered by Ministers. Members of Parliament will be encouraged to write direct to the Director General on matters for which the Director General has delegated responsibility. The Home Secretary will normally ask the Director General to respond to correspondence from members of Parliament on such matters.”

respond to correspondence from Members of Parliament about the agency. Advice on these matters will be provided by the agency to the relevant Minister.

The Chief Executive or Director-General of the Agency is liable to be summoned to appear before the Public Accounts Committee or Parliamentary Select Committees, where he or she can be questioned about the activities of the Agency. It is usual for members of the public and media to attend.

Agencies are required to produce an Annual Report and Accounts statement – these are presented to Parliament after auditing by the Comptroller and Auditor General (the head of the UK National Audit Office).

In general, Agencies are subject to the jurisdiction of the Parliamentary Commissioner for Administration (the Parliamentary Ombudsman).

Recent changes could be seen as a subtle shift back towards greater Ministerial involvement and more direct responsibility – for instance, Senior Ministers report on the performance of each agency in their department in the Executive Agencies Report. This is at least partly in response to Parliamentary concerns about the accountability of agencies, and a perceived lack of clarity over accountability (a blurring of the separation between policy and delivery) exposed in the high-profile cases of the Prison Service and the Child Support Agency. In both cases, the Agency Chief Executives were dismissed by Ministers for policy issues.

Forms of steering

2.2.1 Mapping of control instruments / forms of steering

There is a range of forms of steering, as in Sweden. These can be grouped under the following headings:

- Management by objectives
- Financial management
- Organisational design
- Rules and regulations
- Appointments
- Audit and review
- Informal dialogue

Most important is the combination of **Management by objectives** and **Financial** management detailed in the corporate plan (3 years) and business

plan (annual). These contain the detailed means by which the Agency plans to achieve the broad policy goals contained in the Framework Document which establishes the Agency [*further detail in section 0 below*]. In addition to agency-specific activities, objectives and targets, all agencies are expected to perform and report against six “Whitehall standards” of customer service.

“**Organisational design**” is not a very powerful form of steering – considerable freedom is delegated to managers within the agency to design the organisation and to determine its relationship with stakeholders in the manner most appropriate to its business.

Rules and regulations refers to the guidance and internal rules that the government sets in issues including employment of civil servants, procurement, accounting and financial management, and the use of IT. [*More detail is given in 0 below*].

Appointments (primarily of Agency Chief Executives) have been seen as a more high-profile form of steering, due to the crucial role of leadership in changing and shaping an organisation. Many Chief Executives’ posts are openly advertised now (rather than being filled from the ranks of existing civil servants), in a deliberate attempt to bring in people with a variety of backgrounds, particularly with commercial skills and experiences from the private sector. This is important both in the direct impact these people have, but is also symbolic of the direction the agencies are moving, and might therefore be considered to represent a subtle form of steering. Appointments are formally made by the responsible Minister, sometimes with the approval of the Prime Minister, although the appointment panel may be composed entirely of senior officials. However, depending again on the importance of the agency’s work to the overall department, and its political profile, the Minister may be directly involved in the appointment. At any rate, the Minister must formally ratify the appointment.

Audit and review are familiar forms of steering in that they help to ensure efficiency, good corporate governance, and delivery of results. Review of performance against targets and objectives comes in the annual report, which is audited and presented to Parliament. A more fundamental form of review is the five-yearly or **quinquennial review**. At this stage, the agency’s whole existence, performance, organisation and management is reviewed by the parent Department. [*More detail on quinquennial reviews is attached at Annex C.*]

Informal dialogue is maintained on an ongoing basis, but is institutionalised in some cases for instance by the Chief Executive providing quarterly performance reports to Ministers and attending quarterly performance reviews meetings with Ministers (the frequency / level of such

meetings may vary depending on how important the agency and its activities are to the department as a whole, how “risky” or how high-profile its activities are). By being a member of the parent department’s Management Board (which monitors progress against that department’s overall objectives), the Chief Executive may also be exposed to ongoing and relatively informal steering from his or her senior colleagues. Each department also has an “agency monitoring unit” which maintains a close “watching eye” on each of the agencies attached to their department, and has close and regular informal contact.

To illustrate the very close connection between department and agency one of the ministers for the Home Office is a member of the Additional Strategy Board, designed to counsel the Prison Service Agency. In addition, the Chief executive of the Prison Service is a member of the Home Office’s Management Board for the Prison Service. Every third month the Home Office Secretary of State or one of his ministers meets with the Chief executive of the Prison service.

Appropriation Process

2.2.2 Mapping of appropriation process: who is involved in setting the business plan ? Role of Departments, and Parliament ? Whose approval is necessary ?

The starting point for central government spending and delivery is currently the **comprehensive spending review**. This took place for the first time in 1997-98, and describes what the government plans to achieve over the life of the Parliament. It consists of overall budgets, aims and high-level objectives (priorities) for each Department, as well as more specific targets.

The detail was set out in **Public Service Agreements** with each Department. A new Spending Review was announced in July 2000, covering detailed plans (budgets and objectives) for the three financial years 2001 – 2004. The spending review “white paper” (Government policy statement) shows the resources being devoted to priorities; the Public Service Agreements explain what outputs and outcomes will be delivered in return for these resources; and Departmental “**Service Delivery Agreements**” set out how departments will achieve these outcomes in more detail, and how they will ensure good value for money in their operations.

Once Departments’ Public Service Agreements and Service Delivery Agreements have been agreed with the Treasury (Finance Ministry) they can develop their **departmental business plans**. This breaks down in greater detail how the money will be spent and objectives achieved. The Departmental plan will need to be approved by the responsible Minister, and

the finance ministry and Prime Minister's office will need to receive copies and be kept informed (they also carry out monitoring functions – particularly the Prime Minister's new "Delivery Unit", which will closely monitor progress on improving delivery of key public services).

Finally, each agency in a department develops its own **agency corporate plan** and **business plan** (the corporate plan is the three year, strategic plan; the business plan is a more detailed annual plan of resources, activities and targets). It should be possible to trace a government objective all the way from the comprehensive spending review and public service agreement directly through to the agency business plan. However, in many cases, the Agency will *contribute* to the achievement of PSA and SDA targets, rather than having an entire target incorporated into their plan – either way, there should at least be a clear link between the Government's priorities (as expressed in the PSA) and the Agency's activities and targets.

The agency's corporate plan and business plan need to be agreed with the responsible Minister (in some cases the Permanent Secretary of the department *may* agree the business plan, within the framework of the Ministerially-approved corporate plan).

2.2.2.1 Flexibility to move budgets between agencies within Departments, in-year ?

Ministers are accountable to Parliament for achievement of their Department's Public Service Agreement, and for the use of the appropriation (the "vote"). They have the freedom to move resources within their budget as they see fit to achieve their objectives. So, as priorities change, Ministers can reallocate resources if necessary, perhaps within the 3-year corporate plan cycle. They would need finance ministry (HM Treasury) approval to do this if it meant taking resources from an area which contributed to a Service Delivery Agreement (if the achievement of that SDA target was to significantly be affected). And it would not be possible to move resources between "capital" and "running costs". However, it would be most unlikely for Ministers to move resources from one agency to another during the financial year.

To move money between activities *within* agencies, the Agency Chief Executive has delegated authority to change whatever is necessary, as he has responsibility for the day to day management of the agency. For instance, it would be possible to close regional or local offices if necessary, if this increased the efficiency and effectiveness of the agency. However, the Agency would certainly need to keep the Minister and officials in the parent department informed of such changes.

2.2.2.2 Level of Parliamentary involvement in detail of Departmental allocation [“vote” or “estimates”]

Parliament approves the appropriation (the “estimates”) to each Department, but does not get involved in the detail. Parliament relies on the National Audit Office² to review expenditure, and ensure (retrospectively) that resources were not spent on activity outside that which Parliament approved, rather than going into great detailed scrutiny of the forward proposals. Although Parliament approves estimates for only one year at a time, it is considered unlikely that budgets for (for instance) years two and three of a PSA period would not be approved (this would have impacts on the parent department as well, given that Parliament is unlikely to disrupt Government plans to this extent).

Performance Management – target setting and monitoring

2.3 Performance management

2.3.1 What targets are set ? Who by ? To what extent are they fixed or flexible ? Who can change them, and how ?

The key targets derive from the public service agreement (which is set by Ministers in the parent department, in agreement with the Treasury, for three years). Agency targets are negotiated between the agency and the department, and key targets are agreed on an annual basis.

Targets *can* be changed in-year, but this would need to be agreed with the parent department and with the Treasury, and there would need to be a good reason.

2.3.2 How are they monitored, reviewed and reported ?

The key document for monitoring and reporting achievements against targets and objectives is the **Annual Report**. The Cabinet Office has issued guidance on the content and format of agency annual reports, and this explains which information requirements are mandatory, and which are “best practice”. Mandatory requirements include:

- The Agency’s aims and objectives;
- An annual review of activity;

² The National Audit Office scrutinises public spending on behalf of Parliament. It is totally independent of Government. It audits the accounts of all government departments and agencies as well as a wide range of other public bodies, and reports to Parliament on the economy, efficiency and effectiveness with which Government bodies have used public money.

- Performance against targets;
- A summary of performance against Service First standards (the “Whitehall Standards”);
- Information on commercial activity;
- Information on future strategy.

Agencies will usually monitor their performance (both financial and against objectives and targets) during the business year (April – March). They are then expected to present annual reports to Parliament before the summer recess. Before this happens, the report must be approved by the Minister, and the financial accounts must be audited.

Governance documents

2.4 Which documents describe the governance / steering of the agency, and how do they fit together ? Are there longer-term plans than annual business plans?

The governance of each agency is described in that agency’s “framework document”. This is the key document that explains the role and responsibilities of the organisation, and sets out organisational issues such as management and accountability. It is published and presented to Parliament.

A framework document would usually cover these issues:

1. Role and Task
 - Aim
 - Objectives
 - Principles
 - Statement of purpose
 - Key performance indicators
2. Management and accountability
 - Role and duties of Ministers
 - Permanent Secretary (the senior civil servant in the parent department)
 - The Departmental management board
 - The role and responsibility of the Chief Executive, his appointment, delegated authority and relationship to Ministers

Relationship with other key senior officials in the department and their roles

Appointment and roles of non-executive directors

Responsibility for financial accountability (“Accounting Officer responsibilities”)

Relationships with key stakeholders, including contractors (how the performance of contracted-out functions will be measured) and Parliament

Relationship with the Parliamentary Ombudsman

Relationship with advisory board, other regulatory bodies, inspectorates etc.

3. Planning, Finance and Support Services

Financial provision

Accounting responsibilities

Internal audit

Internal financial delegations

Investment strategy

Press and publicity

Support services

Information Technology

4. Personnel Matters

Industrial relations³

5. Review and variation of document

(The document may be amended by the Minister at any time).

Annexes may also be produced giving more detail on:

- Key Performance Indicators
- The Financial regime (including reporting arrangements)
- Personnel policies (particularly the relationship with the parent department’s personnel policies and practices, and the level of delegation on these issues)
- Circumstances in which Ministers will require special reports
- Press and Publicity arrangements

³ For instance, from the Highways Agency framework document: “The Chief Executive is responsible for employee relations within the Agency. The Agency attaches importance to consultation with staff and their recognised Trade Union representatives...”

- Provision of Support Services
- Information technology.

The corporate plan sets out the strategic framework, resources and deliverables for a three year period. The annual business plan gives detailed resource, expenditure, activity and objective information for each year within that three year programme.

Rules and Regulations

2.5 What general rules and regulations govern agencies' activities ?

The central departments (the Cabinet Office and the Treasury) produce a vast range of guidance which applies more or less to all departments and agencies. A list of the range of issues covered is included at annex D. Many are simply guidance or "best practice" documents, although some (mostly those relating to financial arrangements, ethics and propriety) are mandatory. A summary is collated by the Cabinet Office in a document simply titled "Civil Service Guidance".

Guidance produced *specifically* for Agencies includes that on setting targets and measuring performance, annual reports and quinquennial reviews.

3 Issues

General vs specific governance arrangements.

3.1 What are the advantages and disadvantages of the UK model of explicitly describing more specific and detailed governance arrangements for each agency [framework documents] ?

The idea of creating organisations whose structure, management and governance were specifically designed to be appropriate to their business needs was a key part of the Next Steps Agencies programme. The advantage was intended to be that managers in each agency would have much greater freedom and **flexibility** to organise and manage the work of the agency in a way that most effectively and efficiently met business needs. It also allows Ministers and parent departments to be very specific in the targets and governance arrangements that are designed for each agency (within a framework of common elements, such as independent, annual reports, key targets and objectives, and so on). Having a rigid standard model would militate against this flexibility, although in practice departments do generally follow the de facto standard format, and this reduces the need to reinvent the wheel.

One possible disadvantage of this approach is that it requires a greater total sum of **bureaucratic effort** to manage this approach. For each of the 130+ agencies to have very detailed and tailored framework documents (and business plans) implies a degree of duplication of effort, compared to the situation that would exist if there was one standard model. A more practical, “human” aspect of this “disadvantage” is simply that some people just prefer to be told what to do, and for agencies to develop appropriate targets, measures, objectives and management systems for themselves, rather than to be given a standard model from the centre, requires a greater intellectual input from those working in the agencies themselves – although this approach gives them freedom, it also demands some input, which some have apparently not always welcomed !

Systematic fundamental review.

3.2 What are the advantages and lessons learned from the UK model of systematic five-yearly fundamental review of each agency (quinquennial review) ?

The system of regular review allows (in fact, demands) agencies regularly to question whether they are providing services in the most efficient and effective way possible. In this way, it reinforces the original aim of agency status, being primarily to drive down costs and drive up the quality of service delivery. More than that, it asks whether these services actually need to be provided at all, and whether (if that is the case) they could more effectively or efficiently be provided by the private sector or contractors. This prevents the situation that is possible in the public sector (protected as it is from market forces and the threat of bankruptcy) of organisations and activities just carrying on as they always have done, regardless of the fact that society (and citizens' requirements, demands and expectations) are constantly changing. Mandatory quinquennial review helps to guard against this, building in a "sunset" to the resource requirement.

The value of this is illustrated by the fact that by 1998, 11 agencies had been privatised, three had been wholly contracted out, 11 had been merged or amalgamated, one had been abolished, one had been transferred to non-departmental status and one transferred back to a central department.

A possible disadvantage has been that the timing has not always been appropriate, if the five year period is rigidly adhered to. So it is more common now to allow more flexibility in the timing of the review. In this way, quinquennial reviews can be combined with "Better Quality Services" reviews (BQS is the guidance for central government departments on the creation of public/private partnerships through market testing and contracting out); or timed to coincide with reviews of similar or partner organisations.

Governance documents.

3.3 What are the advantages of collecting all (legislative) governance documents for each agency in one place ?

This might have the advantage of clarifying "the big picture", for Government as well as for the agency, and help to identify any conflicting, overlapping or missing regulations. For this reason, the UK developed and

maintained central control over governance arrangements in the Cabinet Office.

Advisory Boards

3.4 Why Ministerial Advisory Boards ? Are they boards for the Minister / Ministry ? What is the impact on agency management boards ? What are the advantages of having a bureaucrat equivalent to the politically-appointed “Permanent Secretary” ?

Most Ministers with responsibilities for Agencies have an independent source of strategic advice on an Agency’s performance and that of its Chief Executive. The mechanism chosen to achieve this should be clearly set out in the Framework Document. There are three principal models for this:

- the **Fraser figure** (sometimes called the Senior Departmental Sponsor). Sir Angus Fraser’s 1991 report to the Prime Minister envisaged a senior figure within a department, enjoying the trust of both Minister and Chief Executive, acting as the main source of external advice on the performance of an Agency. The Fraser figure is not a surrogate for a Chief Executive. Neither is the role comparable to that of a Chairman of a company. Because the Fraser Figure role for a given Agency is only likely to be a proportion of the functions of the incumbent, it is important that there are no conflicts of interest with other roles he or she may have in the Department;
- **Ministerial Advisory Board (MAB)**. This will usually comprise senior Departmental officials, the Chief Executive and a number of external members. Typically, a MAB might meet four times a year for which the Chief Executive would produce a quarterly report. Most Agencies within Departments have MABs. Where there is a Fraser figure as well, he or she is usually the chair of the MAB; and
- where there is no Ministerial Advisory Board there is usually a higher composition of **external, independent members** on the Agency management board. These can provide particular business or technical expertise and represent major stakeholders. Some agencies without Ministerial Advisory Boards have up to half the Management Board comprising external members. The responsible Minister normally has a right to consult these members on a personal basis.

These models are not mutually exclusive. For example, Agencies can have a Fraser figure *and* a substantial non-executive presence on their

management boards. Governance arrangements are scrutinised as part of an agency's Quinquennial Review.

It should be noted that none of these arrangements undermine the direct accountability of the Chief Executive, and right of access, to the responsible Minister which is a key feature of the Agency model.

The Ministerial Advisory Board can take over from the Agency Management Board, if the Board is failing to manage the agency adequately. The principal benefit of the MAB is its independence, and the counter-balance it thus provides to the Agency Board and Chief Executive in giving advice to the Minister on the agency's performance.

The Permanent Secretary of the parent department is the Minister's chief adviser, which advises the Minister on all aspects of policy and performance of the department as a whole, including those matters relating to the department's agencies (such as allocation of resources, and performance in meeting objectives). However, the Chief Executive has a direct line to the Minister, and is the principal adviser on detailed issues relating to the agency. Clearly there is some room for tension or overlap in these relationships, but in theory at least, the Permanent Secretary should take the more strategic overview of the agency's contribution to the Department's broader objectives, while the Chief Executive concentrates on the day to day management of his or her own agency.

Key Ministerial Targets.

3.5 What has UK experience of performance measures and targets been ? In what way has UK approach to target-setting changed in recent years ? If UK has moved towards greater focus on outcomes, why, and with what results ? Should targets be more specific or less than at present ? Should they be focussed more on activities, rather than goals and outcomes ?

The UK experience has suggested that setting the right targets is vital, particularly in the new approach of focussing on outcomes that matter to users of public services, and raising standards of service delivery and performance ever higher. Targets can also help concentrate resources and activities on key priorities, and in helping to review the performance of agencies – have agencies achieved what they are there to do, and have they managed to do this efficiently ? They can also increase transparency, for instance to Parliament and the public, and thereby increase accountability.

Targets should be SMART:

- Specific
- Measurable
- Achievable
- Relevant and
- Timed

Crucially, targets must be realistic, stretching and deliverable.

In 1998-99, 1063 targets were set for the 104 agencies in England and Wales. 75 % were met or exceeded, and the remaining 25 % were missed.

UK experience has led to a recent focus on:

- reducing the total number of targets (with a belief that the ideal would be 5 – 8 key targets for each agency);
- concentrating targets on key things that matter to service-users (outcomes rather than inputs or processes / activities);
- concentrating on quantified targets, rather than unquantified targets or milestones (in 1999 82 % of targets were quantified);
- ensuring that user-satisfaction targets are used as part of the service-improvement feedback loop; and
- ensuring that targets are “stretching”, so that they encourage continuous improvement in performance, particularly in key priority areas (but keeping them realistic).

Key targets must also be consistent with longer term strategic goals, and main objectives.

Experience has shown that targets aiming for 100 % accuracy can be unrealistic, and even demoralising, as one small mistake can mean the target is missed. It is now felt better to set targets that allow (and demand) continuous improvement, rather than some notion of perfection.

It is also important to bear in mind “unintended consequences” and “perverse effects” of some targets – for instance, if an agency is handling complaints effectively (learning from them to improve services, and giving clear and timely feedback to those who make complaints) then the number of complaints will probably rise, as customers begin to have more confidence in the complaints and redress systems. This is a healthy sign, so a target to reduce complaints might not always be appropriate (although, clearly, nor would a target to increase complaints !).

Customer satisfaction targets also need to take account of the views of non-users, and the distortions caused by levels of expectation.

Targets on simply processing a % of cases within a certain time limit can be crude and less effective – once the target is missed for that case, there is no incentive to deal with it effectively at all. A better measure, therefore, is an average of the time taken to process all cases.

In summary, experience has helped UK officials to become better at setting targets, i.e. more targets now contain a more subtle balance of quantitative and qualitative measures, or put another way, the quantitative targets now seek to measure a more subtle, balanced basket of outcomes of real importance to service users.

3.5.1 Should there be an additional document, containing an “agreement” to deliver additional specific objectives, for instance relating to internal management change or modernisation / rationalisation of an agency ? Comparison with ACE personal performance agreements ?

All of an agency’s targets or agreements with a Ministry are usually contained in a single document, the business plan (except, perhaps, for capital investment). The Agency Chief Executive’s Personal Performance Agreement will be based on the Key Ministerial Targets. So there is not really a UK model for such an “additional” agreement, as the question implies.

ANNEXES

Annex A: List of Executive Agencies in the UK (July 2000)

Note:

"TF" denotes Trading Fund; and

"*" denotes Agencies which are Departments in their own right.

Secretary of State for Education and Employment

Employment Service (to be merged with Benefits Agency in 2001 to form the Working Age Agency)

Secretary of State for the Environment, Transport and the Regions

Driver & Vehicle Licensing Agency

Driving Standards Agency

Highways Agency

Maritime and Coastguard Agency

Vehicle Certification Agency

Vehicle Inspectorate TF

Ordnance Survey TF (From 1.4.99)*

Planning Inspectorate

QEII Conference Centre TF

Rent Service

Secretary of State for Health

Medical Devices Agency

NHS Estates

NHS Pensions

Medicines Control Agency

NHS Purchasing and Supply Agency (Launched 1.4.00)

Meat Hygiene Service (Agency of the Food Standards Agency, also responsible to the devolved administrations in Northern Ireland, Scotland and Wales⁴)

⁴ The Food Standards Agency, (not, despite its name, itself a Next Steps Executive Agency) was established by the Food Safety Act of 1999. It is a Government Department and answers to Parliament through Health Ministers.

Secretary of State for Social Security

Appeals Service Agency (launched 1.4.00)

Benefits Agency (to merge with ES 2001 to form the Working Age Agency)

Child Support Agency

War Pensions Agency

Secretary of State for Trade and Industry

Companies House TF

Insolvency Service

National Weights and Measures

Patent Office TF

Radiocommunications Agency

Small Business Service (launched 1.4.00)

Employment Tribunals Service

Secretary of State for Foreign and Commonwealth Affairs

Wilton Park

Minister for the Cabinet Office

Central Office of Information* TF

Government Car and Despatch Agency

Chancellor of the Exchequer

Office for National Statistics*

Royal Mint* TF

National Savings*

Debt Management Office

The Buying Agency TF (OGC)

Property Advisors to the Civil Estate (OGC)

Central Computer & Telecommunications Agency (OGC)

Valuation Office (Agency of the Inland Revenue)

Secretary of State for Agriculture, Fisheries and Food

Central Science Laboratory

Centre for Environment, Fisheries and Aquaculture Science

Farming and Rural Conservation Agency

Pesticides Safety Directorate

Veterinary Laboratories Agency

Veterinary Medicine Directorate

Intervention Board* (will form part of new CAP Payments Agency in 2001)

Secretary of State for Culture, Media and Sport

Royal Parks Agency

Attorney-General

Treasury-Solicitors Department*

Lord Chancellor

Court Service

HM Land Registry* TF

Public Record Office*

Public Trust Office

Secretary of State for Northern Ireland

Compensation Agency

Forensic Science Agency

Northern Ireland Prison Service

Secretary of State for the Home Department

The Fire Service College TF

Forensic Science Service TF

HM Prison Service

United Kingdom Passport Agency

Secretary of State for Defence

Army Base Repair Organisation
Armed Forces Personnel Administration Agency
Army Personnel Centre
Army Training & Recruitment Agency
British Forces Post Office
Defence Analytical Services Agency
Defence Aviation Repair Agency
Defence Bills Agency
Defence Clothing & Textiles Agency
Defence Codification Air Logistics Documentation
Defence Communications Services Agency
Defence Dental Agency
Defence Estates (launched 1.4.99)
Defence Evaluation and Research Agency
Defence Geographic and Imagery Intelligence Agency
Defence Housing Executive (launched 1.4.99)
Defence Intelligence and Security Centre
Defence Medical Training Organisation
Defence Procurement Agency (launched 1.4.99)
Defence Secondary Care Agency
Defence Storage & Distribution Agency
Defence Transport & Movements Agency
Defence Vetting Agency
Disposal Sales Agency
The Duke of York's Royal Military School
Logistics Information Systems Agency
Medical Supplies Agency
Meteorological Office TF
Ministry of Defence Police
Naval Bases and Supply Agency
Naval Manning Agency
Naval Recruiting & Training Agency
Pay & Personnel Agency

Queen Victoria School
RAF Personnel Management Agency
RAF Training Group Defence Agency
Service Children's Education
Ships Support Agency
UK Hydrographic Office TF

AGENCIES OF THE DEVOLVED ADMINISTRATIONS

Agencies of the Northern Ireland Executive

Business Development Service
Construction Service
Driver and Vehicle Licensing Northern Ireland
Driver and Vehicle testing Agency
Environment and Heritage Service
Forest Service
Government Purchasing Agency
Health Estates
Industrial Research Technology Unit
Land Registers of Northern Ireland
Northern Ireland Child Support Agency
Northern Ireland Statistics and Research Agency
Ordnance Survey of Northern Ireland
Planning Service
Public Record Office of Northern Ireland
Rate Collection Agency
Rivers Agency
Roads Service
Social Security Agency
Training and Employment Agency
Valuation and Lands Agency
Water Service

Agencies of the Scottish Executive

Fisheries Research Services

Historic Scotland

Scottish Agricultural Science Agency

Scottish Court Service

Scottish Fisheries Protection Agency

Scottish Public Pensions Agency

Scottish Prison Service

Student Awards Agency for Scotland

Registers of Scotland

National Archives of Scotland

Forest Enterprise (Responsibility shared with MAFF and Welsh Office. Part of Forestry Commission)

Forest Research (Responsibility shared with MAFF and the National Assembly of Wales. Part of Forestry Commission)

Agencies of the National Assembly of Wales

Cadw: Welsh Historic Monuments

What are Trading Funds?

Trading Funds were introduced by the Government Trading Funds Act 1973 (as amended by the Government Trading Act 1990) which provides the general enabling powers to establish them. Some 18 Agencies have been set up as Trading Funds. These include the Defence Evaluation and Research Agency, Medicines Control Agency, Meteorological Agency and Driving Standards Agency.

A Trading Fund is a financial framework under which accountable units of Government, such as Agencies, operate outside the annuality of vote finance. A Fund is granted standing authority to meet its outgoings from receipts and there is no detailed advance approval by Parliament of its gross income and expenditure; but in voting to set up a Trading Fund, Parliament sets the financial framework.

A Trading Fund has the power to borrow money from its parent Department, at commercial interest rates, to fund investments or short term deficits. It is also allowed, within set limits, to carry forward cash reserves of surplus funds to be used for investment or protect against future losses. None of these changes would affect the Forensic Science Service' (FSS) status as part of the Home Office and its employees would remain civil servants.

Control of Trading Funds

Trading Fund cannot be established without the approval of Parliament. In addition, a number of statutory and administrative conditions have to be met before the Fund is established and the Act allows that appropriate persons may be given the opportunity to make representations. Ministers consider that because of the significant part the FSS has in supporting the administration of justice, it would be appropriate to offer its current customers and others, such as providers of forensic services and bodies within the Criminal Justice System, the opportunity to make representations. Hence this formal consultation paper.

All Trading Funds have to prepare corporate and business plans, which have to be approved by the Ministers of their parent Department. Ministers are also responsible for setting strategic objectives and targets in respect of financial performance and standards of customer service etc. This is effectively how the FSS already operates.

A Trading Fund is set an external financing limit (EFL) which is a cash limit on the fund, i.e. any new loans from the parent Department less repayment of the principal on any loans. This represent the difference

between the Fund's requirements for capital investment, increased working capital etc. and its self generated funds.

Together, the controls over their establishment, the setting of financial and service standards and the EFL provide a framework of controls under which the Trading Funds operate. These are essentially strategic level controls with the operational level controls being devolved to the Fund's management. The Fund's Accounting Officer (normally the Chief Executive) is responsible for the operational efficiency and effectiveness of the Fund and may be summoned before the Public Accounts Committee.

Annex B: **Other forms of governmental bodies**⁵

1. **NHS Bodies**

This group includes special health authorities, local Trusts and certain other public bodies, each of which needs to be considered in the context of the national health service (NHS) as a whole. In each case there are statutory and other arrangements for regular scrutiny and monitoring overseen by the Department of Health.

2. **Non-Departmental Public Bodies**

“A body which has a role in the processes of national government, but is not a Government department or part of one, and which accordingly operates to a greater or lesser extent at arm’s length from Ministers.”

The full list of NDPBs is published annually in the Cabinet Office publication, *Public Bodies*.

There are four types of NDPB:

- (i) **Executive NDPBs:** These bodies carry out a wide variety of administrative, regulatory and commercial functions. **They generally operate under statutory provisions**, employ their own staff (approximately 112,900 in March 2000) and have responsibility for their own budgets (e.g. the Environment Agency);
- (ii) **Advisory NDPBs:** **These are generally set up administratively** by Ministers to advise them and their departments on matters within their sphere of interest. Some Royal Commissions are classified as advisory NDPBs, but departmental committees of officials are not (see Annex A). Advisory NDPBs are normally supported by staff from within the sponsor department, and do not incur expenditure on their own account;
- (iii) **Tribunal NDPBs:** This category of NDPB covers bodies with jurisdiction in a specialised field of law. **Tribunals generally operate under statutory provisions** and, independently of the Executive, decide the rights and obligations of private citizens towards a Government department or other public authority or

⁵ These bodies generally exist outside the normal definition of central government, although they receive their allocations in the same budget as all other government agencies and departments, and almost all of the staff they employ are not civil servants.

towards each other. In general, tribunals are serviced by staff from the sponsor department. Tribunals vary widely in the kind and amount of work they do, and so does the administrative support they require; and

- (iv) **Boards of Visitors:** These comprise boards of visitors to penal establishments in England and Wales, and boards of visitors and visiting committees in Northern Ireland.

Not all bodies fit neatly into a single category, for example, some bodies, such as English Nature, have both executive and expert advisory functions.

3 Nationalised Industries (such as London Regional Transport) and Public Corporations (such as the BBC)

These should be looked at as industrial or commercial enterprises, not as adjuncts to Government. Other arrangements exist for financial control and to ensure accountability for the use of public funds. The NDPB regime would not be appropriate because of these bodies' unique arrangements, and their position in the market place, which demands freedom from political interference.

4. Police Authorities

Police authorities are independent bodies, responsible for the oversight of local policing. They were specifically created to provide local, rather than national, democratic oversight. Their legal status, roles and responsibilities are formally set out in the Police Act 1996. Their consultations with local people, which they are statutorily required to perform, provide an important, transparent link between the police and the public they serve. There are normally seventeen members, nine of which are municipal councillor members. These are appointed from the relevant council or councils within the police authority area and must reflect the political balance of the parties on the council. Three magistratemembers are appointed by a panel which covers the whole police authority area. There are five independent members selected from applicants responding to newspaper adverts for the posts.

5. “Local Public Spending Bodies”

These include further and higher education bodies (including universities); learning and skills councils; and Registered Social Landlords. These bodies are not regarded as part of national Government. Sources of information on these bodies are as follows:

- each Further Education College publishes a prospectus, available from the College direct;
- the Higher Education Funding Councils for England and Wales publish Annual Reports and directories of Universities and Colleges of Higher Education⁶;
- Universities and Colleges also publish their own prospectuses, available from these institutions direct;
- each Training and Enterprise Council publishes a summary of its Business Plan, an Annual Report and audited statements of accounts; and
- a Directory of Registered Social Landlords is published annually by the Housing Corporation.

6. Parliamentary Commissioner for Administration and National Audit Office

These are “servants of Parliament”. Special provisions have been made for their financial control and accountability.

7. Agricultural Marketing Boards and Port and Harbour Commissions

These are essentially self-regulating bodies. Ministers appoint a minority of their members and have only limited influence over their activities. The NDPB regime would not be appropriate (because it implies a greater degree of formal – Ministerial – control than would be necessary or appropriate).

8. Advisory committees

Departmental or inter-departmental committees consisting mainly of civil servants, concerned with the internal management or co-ordination of Government business do not need special accountability arrangements.

⁶ Profile of Higher Education Institutions, Higher Education Funding Council for England

Members serve *ex officio* and are accountable to their employing organisations. These are relatively informal and flexible groups, which do not spend money or make appointments etc. in their own right, and so do not require special governance arrangements.

9. Working Groups

Working groups with members drawn from the wider public service, e.g. comprising civil servants and representatives of local Government, the NHS, the fire or police services are not classified as NDPBs and have the same arrangements as at paragraph 8 above.

10. Ad hoc Advisory Bodies and Task Forces

Ad hoc advisory bodies, set up to report within a year of being established, are not classified as NDPBs and are not subject to the NDPB regime. Similarly, the large majority of Task Forces, which are set up to report in a short period of time, are not subject to the NDPB regime. However, a few Task Forces, such as the Disability Rights Task Force and the Football Task Force, are standing bodies and as such have been classified as NDPBs.

Annex C: The key features of quinquennial review

(from “How to review agencies and non-departmental public bodies to improve the quality and effectiveness of public services”)

(i) Regular reviews: Reviews should take place at least every five years. Where it makes sense, reviews may be brought forward, for instance to fit in with the timing of the public spending review; or be delayed, for example, to allow the results of other work to inform the review. In such cases, prior approval of Cabinet Office and Treasury Ministers is required for Agencies, and for large NDPBs with staff of 100 or more. In addition, it is open to Agencies and NDPBs to fulfil their commitment to Better Quality Services reviews through their quinquennial review. In most cases, where the Agency or NDPB is not too large, quinquennial reviews can be structured to achieve this.

(ii) The bigger picture: Agencies and NDPBs do not exist in isolation from the rest of Government; they contribute to the delivery of wider departmental and governmental objectives. In thinking about how an Agency or NDPB fits into what the Government wants to achieve more widely, the starting point is likely to be the departmental and cross-cutting Public Service Agreements (PSAs) which set out the aims and objectives of each department along with the targets identified in order to achieve them.

(iii) All options should be considered: Agency reviews should consider all options including: abolition, continued Agency or NDPB status, market testing, merger or rationalisation, privatisation and strategic contracting out. Each of the organisational options should be assessed equally on its merits. The new guidance changes the previous assumption that there should be a hierarchical approach, although it is likely to make sense to consider the question of abolition early on in the interests of the efficient handling of the review. The arrangements for NDPBs are different. Reviews will continue to be required to consider first whether the function is required at all, and if it is, whether an NDPB is the best option for its delivery. This reflects the Government’s view that we should seek to reduce the number of NDPBs. In practice, it may sometimes be the case that the best means of delivering services and functions in the future will be a combination of more than one of the options mentioned above. Where appropriate

Public Private Partnerships and Joint Ventures should be considered.

(iv) **Joined-up Government:** The starting point for reviews will remain the single Agency or NDPB. But the new guidance makes clear that there may be occasions when it makes more sense to look at a number of organisations at the same time, either as part of the same review (joint) or using two or more reviews running concurrently (parallel). In addition, each review will consider the scope for closer working between different parts of the public sector (e.g. central and local government) as well as with the private sector.

(v) **New focus on future improvements:** the guidance makes clear that if Ministers agree that continued Agency or NDPB status is the right organisational structure, the second phase of the review should be forward-looking, providing a much greater emphasis on how services and functions can be provided more effectively in the future, including the use of new technology.

The guidance sets out in some detail how reviews are to be carried out. Key points include:

(i) **A two-stage approach:** in line with the new emphasis on Agencies' performance, the guidance provides for a two-stage approach for Agencies (NDPB reviews are already undertaken in two stages), under which the organisational options are considered first and then if Agency or NDPB status is confirmed, a forward-looking examination should take place as to how to improve performance. This replaces the previous three-stage approach for Agencies. In practice, there is likely to be some iteration between the two stages.

(ii) **Shorter reviews:** the scale of a review should be commensurate with the job to be done. Larger Agencies and NDPBs, and those with more complex activities will naturally require more work than smaller and simpler organisations. In addition, those with an interest must be given sufficient time to contribute. But long running reviews are counter-productive for the staff working in the Agency/NDPB, and delay service improvements. Departments therefore should aim to complete stage one within three months at most (from start to presentation of recommendations to departmental Ministers) and stage two

within a further three months (from agreement of conclusions of the first stage).

(iii) User and staff focus: finding out what customers want is a key part of the Modernising Government programme and is vital to achieving the drive for delivering services which provide what customers want. Customers' views should inform both stages of the reviews. So too should the views of Agency or NDPB staff, including those at the front-line, and their trade unions. Allied to this, Departments should consider including a member of staff from the Agency or NDPB on the review team to aid the review's understanding of the organisation's business and the context in which it operates. Departments and Agencies/NDPBs should agree and plan well in advance what information will be needed for the review, and how it will be collected. Information from other sources, for example, existing surveys can be used where it is relevant and sufficiently current. Publicity should be given about reviews in good time to enable all with an interest to contribute.

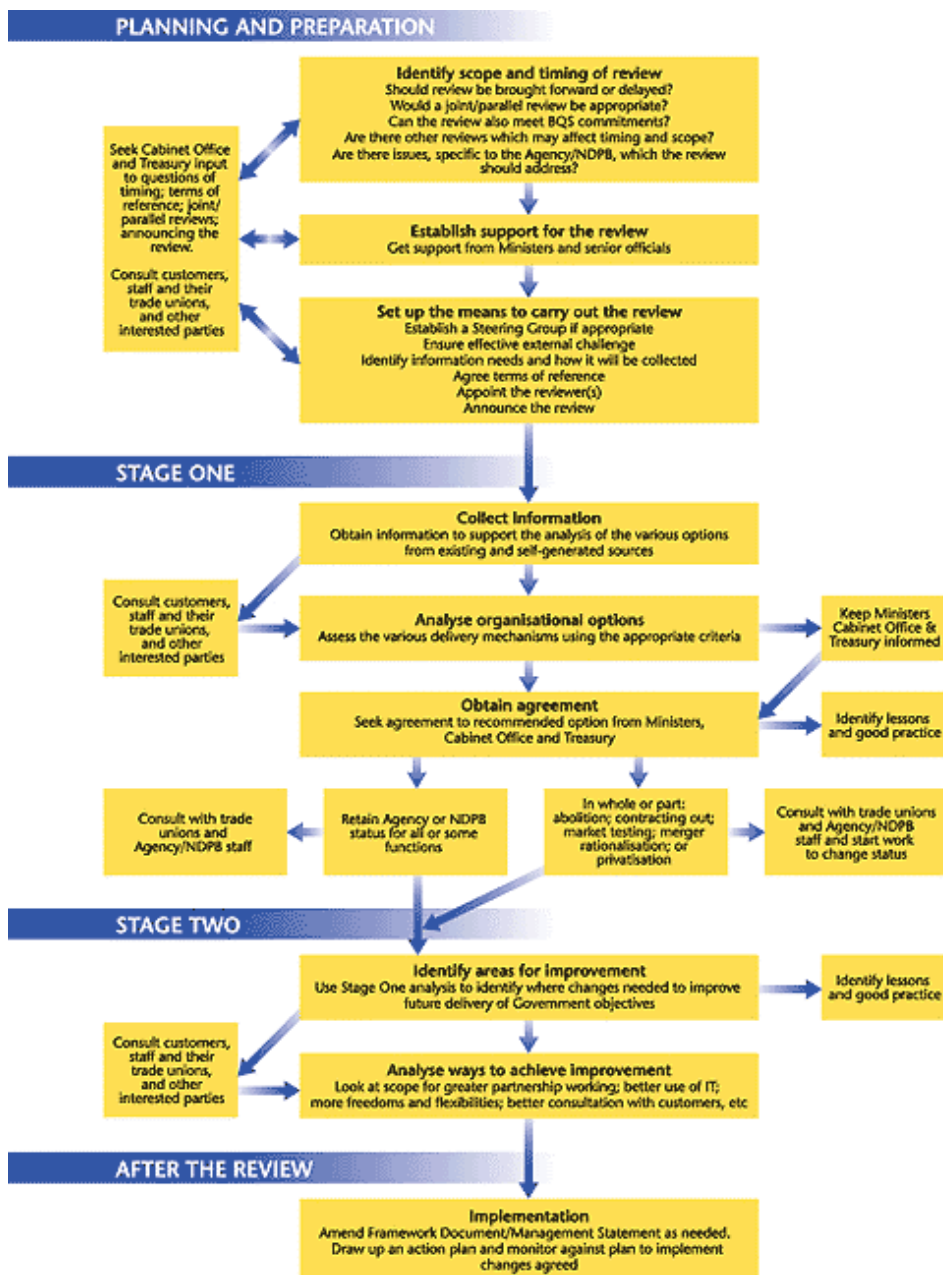
(iv) External challenge: Departments, rather than Agencies or NDPBs, are responsible for carrying out the review on behalf of their Ministers. This is in the interests of objectivity and as a challenge to internal thinking. Departments must make sure they devote the right type and level of resources to this task. As part of this, it will normally be the case that a reviewer from outside the Department will be involved in at least Stage One of the review and, where appropriate, Stage Two. External representatives on a review's Steering Group can also be an effective way of providing independent input.

(v) Agency/NDPB involvement: although not responsible for carrying out the review, the Agency or NDPB should be closely involved. Terms of reference for reviews should be made available to staff and their trade unions, and they should be given the opportunity to put their views to those undertaking the review. They should be informed of Ministers' decisions on the result of the review, and consulted on their implementation.

(vi) Good practice: the regular review process provides an excellent opportunity to help disseminate good practice. There is therefore a requirement on departments to provide

the Cabinet Office with a list of key lessons learnt and good practice identified at the end of each review, and to include it in the final review report.

Quinquennial Review – Key Steps Flowchart



Value of Quinquennial Reviews

The preliminary conclusions emerging from a recent study were that QQRs:

- generally reinforced initiatives to improve service delivery to users and to reduce costs, but had limited interest for Ministers
- increased parent department's understanding of their agency's work and strengthened their relationships with them
- generally reinforced positive changes in agency culture
- led to modest changes in the organisational structure of agencies to support greater efficiency and/or greater stakeholder involvement in the work of the agency
- assessed the adequacy of existing performance targets and in some cases made suggestions for changes although in many cases this needed to be considered over a longer time-frame
- resulted in modest changes to the agency's Framework Document
- led to a period of uncertainty that tended to have negative effect on staff morale but much depended on the way in which the review was "sold" to staff ; the conclusion of the review – which normally maintained agency status – boosted morale
- looked comprehensively at the scope for carrying out the function differently or not at all
- fully examined the adequacy of the aims and objectives of the agency; and assessed past performance in a fair and thorough way
- examined performance targets to varying degrees; devising new targets was often a challenging task and so the reviews tended to set an overall direction within which further work could be undertaken to devise more refined targets
- benefited in some cases from the contribution of external members although the degree of engagement and value-added by external members was mixed
- led to more co-operative and joined-up working with other parts of government, though more could be done in this area

Annex D: **Treasury (finance Ministry) Rules and Guidance**

- [**The Green Book**](#). Appraisal and Evaluation in Central Government, 1997.
- [**Managing Resources: Full Implementation of Resource Accounting & Budgeting**](#)
- [**Public Private Partnerships: The Government's Approach**](#)
- [**Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance**](#)
- [**Trading Funds Accounts Guidance**](#)
- [**Assessment of Broad Comparability of Pension Rights**](#)
Statement of Practice by the Government Actuary
- [**Environmental Issues in Purchasing: Note by the Treasury and DETR**](#)
- [**Selling Government Services into Wider Markets: Policy and Guidance**](#)
[**Note**](#)
- [**Capital Modernisation Fund Bidding Guidance**](#)
- Staff Transfers from Central Government: A Fair Deal for [**Staff Pensions**](#) -
Guidance to Departments and Agencies H M Treasury June 1999
- [**Procurement**](#) Guidance.
- Handbook on [**Regularity and Propriety**](#).

Annex D continued: **Cabinet Office guidance: list of issues covered**

Attachments to MPs	Fraud	Personnel Information Notes (PINs)
Attitude surveys of civil servants	Freedom of Information and Open Government	Policy Makers' Rapid Checklist
Better Quality Services	Gibraltar	Policy Making for the 21st Century
Briefing for and attendance at events run by organisations with party political links	Gifts, rewards and hospitality	Political activities: civil servants
Business appointments after leaving Crown Service	Government Accounting	Political activities: members of public bodies
Cabinet Committee Business	Government Internal Audit	Previous administrations: access to documents
Channel Islands and Isle of Man	Greening Government	Previous administrations: Government's accountability for events under
Charter Mark award scheme	Honours	Private activities and interests
Charters	Human Rights Act 1998	Private Finance Initiative/Public
Civil servants speaking at conferences: charging policy	Information about suspected crimes	Private Partnerships
Civil Service Code	Information Age Government	Procurement
Civil Service Management Code	Inforoute and the Information Asset Register	Property related advice
Civil Service participation in the New Deal	Injunctions	Public appointments
Civil Service Reform	Interchange	Public inquiries
Codes of conduct for NDPB staff	Internet: Use of	Public interest immunity
Codes of practice for board members of NDPBs	Invest to Save Budget	Records and archives
Command Papers (White and Green Papers)	Law Officers' advice	Recruitment to the Civil Service
Commissioner for Public Appointments	Law Officers' advice: availability to succeeding administrations	Referendums
Committee on Standards in Public Life	Law Officers' advice: citation	Regularity and propriety
Complaints handling	Law Officers' advice: confidentiality	Regulation: reducing unnecessary burdens
Conduct and Propriety	Legal challenges to Government decisions	Regulation: Regulatory Impact Assessment
Consultation techniques	Legislative procedures	Research into public opinions and attitudes
Consulting other departments	Lobbyists: Contact with	Scientific advice: use in policy making
Contact with the media	Machinery of government changes	Security
Contacts with Opposition parties	Memoirs: Radcliffe rules	Security vetting
Copyright: Crown copyright	MEPs: Contact with	Select Committees
Copyright: Crown use of non-Crown copyright material	Ministerial accountability: Parliamentary Resolutions on	Select Committees: leaked reports
Copyright: Parliamentary copyright	Ministerial Code	Selling Government services into wider markets
Correspondence handling	Ministers' departmental responsibilities	Senior Civil Service
Costing the policies of Opposition parties	Modernising Government	Service First programme
Criminal offences: disclosure in correspondence	Nationality requirements for Civil Service posts	Service Standards for central Government
Data Protection	Non-Departmental Public Bodies (NDPBs)	Social Exclusion
Defamation of Ministers and civil servants	Non-Ministerial Departments	Special Advisers
Defence, Press and Broadcasting Advisory Committee	Official publishing	Sponsorship
Delegation of Civil Service management functions	Official Secrets Act	Staff transfers in the public sector
Devolution	Overseas contacts	Statistical surveys
Discipline	Paid publicity	Statistics
Diversity in the Civil Service	Parliamentary Ombudsman	Statutory Instruments
		Travel by Ministers and their advisers
		Travelling expenses of civil servants' spouses and partners:

Duties of confidentiality	Parliamentary Questions: use of official funds for
EFQM Excellence Model®	Drafting answers Treaty obligations
Election guidance	Parliamentary Questions: Unpaid advisers
Equality and diversity in policy making	Inspired Whistleblowing
European Union	Pay: Civil Servants Witnesses in civil actions
Fees and charges	Pay: Ministers Working Time Regulations
Former Ministers: access to official papers	Pay: Special Advisers
	People's Panel
	Performance review in the Civil Service

Annex E: Reporting and monitoring targets

(from “Next Steps Agencies Guidance on Annual Reports”. Mandatory requirements shown in *italics*.)

Performance against targets

All agency annual reports must provide full details of performance against all Ministerial targets over the past year. Ministerial targets are set by the responsible Minister and should be published in a Parliamentary Question answer. For agencies which serve the public directly and which have agreed Service First standards, performance against those standards which relate directly to the service provided (as opposed, for example to the rights of particular customers) and which are not already reflected in the key Ministerial targets must be shown.

Ministerial targets reflect current Ministerial priorities, but they may not give a complete picture of an Agency’s performance. For reasons of public accountability it is important that annual reports should give a complete picture, so it is likely that they will also need to include information on performance against internal management targets and other performance measures, especially where these fill gaps in the coverage of Ministerial targets. *All performance information must be correctly calculated, reliable and fairly presented.* The primary responsibility for this lies with Chief Executives. They must have confidence in a properly managed system of internal control.

Performance against Ministerial targets must be brought together in one place in the report, prominently displayed using the format shown in the annex to this guidance. This information may be used in any report on aggregate Agency performance, such as the annual Executive Agencies Report. This information must be clearly distinguished from other targets and standards, for example internal management targets and Service First standards. The report must explain the reasons for any significant variation between performance achieved and targets set. Providing information as per the annex on performance against Ministerial targets which relate to the financial performance of the Agency as a whole does not remove the requirement for such information to be covered by the audit certificate by including it in the notes to the formal accounts.

For the purpose of providing information as per the Annex, Agencies *must* categorise performance against Ministerial targets under the following common headings as far as possible:

- *Efficiency;*
- *Quality (including quality of service)*
- *Financial performance; and*
- *Throughput.*

It is not necessarily the case that all agencies should have Ministerial targets that fit under each of the four headings. When deciding on the appropriate classification for their targets, Agencies should have in mind the definitions set out in the Treasury guide to setting targets and measuring performance. Any targets which cannot be classified under the four headings must be classed as “other”.

Apart from providing information in accordance with the Annex, Agencies are free to report on their performance against Ministerial targets using any other form of presentation or classification if they so wish.

Agencies which are departments in their own right are not required to categorise performance against Ministerial targets in the manner shown in the paragraph above in their Output and Performance Analysis because of the different format. However, such Agencies will still need to use this categorisation when providing information on performance against Ministerial targets for inclusion in the Executive Agencies Report. They may wish to do so as part of the report accompanying their Output and Performance Analysis. *In the case of Agencies which are Trading Funds, information on financial performance must include setting out debt servicing and public dividend capital dividend payments.*

In judging Agency performance, comparative information over time is particularly valuable. *Agencies must therefore include at least a three year summary of past results against Ministerial targets (that is, current year, plus two previous years) or for a lesser period where they have not been established for three years.*

Where the achievement of targets affects the pay of Agency staff, or in the light of Service First, non-financial targets are of particular importance, the performance against targets must be subject to validation, external to the Agency. In all other cases it is left to the discretion of the responsible Ministers to decide whether external validation should be required. Decisions on validation procedures should be taken by the Minister concerned in the light of all the circumstances and, where relevant, the arrangements for external validation should be described in the Report.

Although Ministers should have published their Ministerial targets for the coming year in the Parliamentary Report by the end of April, *these targets must be repeated in the annual report since the following year’s annual report will need to report on performance against them. Where Ministerial targets are set for more than one year, those for subsequent years must also be recorded in the Report.*

Another of the key objectives of the Next Steps initiatives has been to improve the quality of services to customers. This has been emphasised by

the Citizen's Charter, now part of the Service First Programme. *In their Reports, Agencies which serve the public directly must demonstrate how their services have been provided in accordance with the principles of public service delivery, give information on developments during the year and report on performance against Charter standards.* For the most part the information provided in meeting the requirements of other parts of this guidance will be sufficient for this purpose, but *where gaps remain additional information must be provided in the Report.*

The annual report must also include the number of Charter Marks awarded and the names of individual units where applicable. If the Agency has made any compensation payments as a result of failure to meet Charter Standards, the amount of such compensation must be included in the annual report, or a cross-reference to other publications where this information is published. Agencies may also wish to use the annual report as a vehicle for publishing information about any complaints they have received, in line with the best practice guide on how to deal with complaints.

Aspects of the principle of public service delivery will also be relevant for agencies that do not directly serve the public. *These agencies must provide information of how they have sought to apply the relevant principles, for example, through the effective use of resources and through innovation and improvement.*

Annex F: Case Study of the business planning and performance management hierarchy: HM Prison Service

Home Office Statement of purpose (Home office business plan 2001-2002)

“To build a safe, just and tolerant society in which the rights and responsibilities of individuals, families and communities are properly balanced and the protection and security of the public are maintained.”

Home Office Aim 4 (Home office business plan 2001-2002)

Effective execution of the sentences of the courts so as to reduce re-offending and protect the public.

Home Office Public Service Agreement

- Reduce the rate of convictions:
 - Of all offenders punished by imprisonment or by community supervision by 5 % by 2004 compared to the predicted rate, and;
 - Of all young offenders, by 5 % by 2004, compared to the predicted rate;
- Reduce the levels of repeat offending amongst problem drug-misusing offenders by 25 % by 2005 (and by 50 % by 2008);
- Maintain the current low rate of prisoner escapees, including no Category A escapes.

Home Office Service Delivery Agreement 2001 - 2004

- Ensure no Category A prison escapes and, overall, that the number of prison escapes does not exceed 0.17 % of the average prison population;
- Deliver the Home Secretary’s targets for minority ethnic employment in the Home Office and its services, published in “Race Equality: the Home Secretary’s Employment Targets – July 1999”;
- Increase the educational and vocational qualifications of offenders with 23,400 accredited educational / vocational qualifications in 2001-2002 and 36,200 in 2003 – 2004, including an increase in the number of level 2 basic skill awards from 18,000 to 21,000;
- Increase the number of offenders going through accredited offending behaviour programmes with 8,900 completed by prisoners in 2003-2004, including 1,240 sex offender treatment programmes;
- Double the number of prisoners getting jobs after release, by April 2004;

- Prison and Probation Services to develop a programme to improve access to employment and accommodation for offenders, by December 2000, with implementation thereafter;
- Reduce the rate of positive results from random drug tests from 20 % in 1998/99 to 10 % by 31 March 2004;
- Increase the number of prisoners entering treatment between 2001-2002 and 2003-2004 in the following categories:
 - CARATS – from 20,000 to 25,000.
 - Detoxification – from 23,000 to 27,000.
 - Drug rehabilitation programmes and therapeutic communities – from 5,000 to 5,700-
 - To establish, by December 2,000, a baseline and targets for the Spending Review period, for increasing the caseload of prisoners on a voluntary drug testing compact.

Prison Service objectives (Framework document)

- Protect the public by holding those committed by the courts in a safe, decent and healthy environment.
- Reduce crime by providing constructive regimes which address offending behaviour, improve educational and work skills and promote law abiding behaviour in custody and after release.

Prison Service Key Performance Indicators for 2001-2002 (HM Prison service business plan 2001-2002)

- To ensure no escapes of Category A prisoners
- To ensure that the number of escapes from prisons and from escorts undertaken by Prison Service staff, expressed as a proportion of the average prison population, is lower than 0.05 %
- To ensure that the number of escapes from contracted out escorts is no more than 1 per 20,000 prisoners handled.
- To ensure that the number of positive adjudications of assault on prisoners, staff and others, expressed as a proportion of the average prison population, is lower than 9 %
- To ensure that the number of prisoners held two to a cell designed for one expressed as a proportion of the average prison population does not exceed 18 %
- To ensure that the number of minority ethnic staff in the Prison Service, expressed as a proportion of the total workforce, is at least 4.1 % by April 2002.
- To ensure that average staff sickness does not exceed 10 working days per person by April 2002

- To ensure that the average cost per prisoner does not exceed £37,418
- To deliver 23,400 accredited educational or vocational qualifications in 2001-02, including 18,000 level 2 basic skills awards
- To ensure that prisoners spend on average at least 24 hours per week engaged in purposeful activity
- To deliver 6,100 accredited offending behaviour programmes completions in 2001-02, including 1,160 sex offender treatment programmes
- To ensure the rate of positive results from random mandatory drug tests is lower than 12 % by April 2002.

Prison Service Business Plan – “Key Targets” 2001-2002

1. To ensure no category A prison escapes and, overall that the number of prison escapes does not exceed 0.17 % of the average prison population.
2. To achieve 23,400 accredited education or vocational qualifications.
3. To complete 6,100 offending behaviour programmes.
4. To develop targets for improving the access to employment and accommodation.
5. To reduce the rate of positive tests from random drug tests.
6. To achieve the target of 20,000 prisoners entering the CARATS process.
7. To achieve the target of 23,000 prisoners entering detoxification.
8. To deliver drug rehabilitation treatment to 5,000 prisoners.
9. To set and achieve a target for the number of prisoners on a voluntary drug testing compact.
10. Launch new suicide prevention strategy from April 2001.
11. Commence the safer locals programme in five local prisons from summer 2001.
12. Secure continued improvements in the overall state of prison health care, as assessed through the health care traffic lights performance monitoring system.
13. In conjunction with Health Authorities, deliver NHS-funded mental health inreach services in 12 priority prisons as the first phase of activity to meet the NHS Plan commitment in this area.
14. Start implementation of the Nursing in Prisons report, including establishment of an accredited NVQ course for prison health care staff by September 2001.
15. Complete a review of the prison medical workforce to be published by December 2001.

16. Achievement of targets agreed with the Youth Justice Board
17. Open Dovegate prison by July 2001 to provide 800 places
18. Two house blocks creating 240 places to be built before April 2004.
19. Achieve an overall productivity target of 3 %.
20. Within the above, achieve a cash saving of £18m
21. Ensure that average staff sickness does not exceed 10 working days per person by April 2002.
22. Put in place recruitment contracts to raise profile of the Service and attract suitable candidates, by June 2001
23. Review HR strategy, monitoring and effectiveness and consult with the Trade Unions, by December 2001
24. Develop Occupational Health and Fitness strategy, produce proposals and report to PSMB by June 2001-06-26 Present phase 2 Pay and Grading proposals to PSMB by September 2001
25. Implement new performance management system, by March 2002
26. Implement new POINT programme, by September 2001
27. Introduce new payroll management service, by June 2001
28. Issue PSO on sickness management and attendance strategy, by April 2001
29. Take forward the modernisation action plan and report on delivery
30. To achieve the Home Secretary's 2002 milestone employment target of 4.1 % minority ethnic staff.
31. Completion of infrastructure testing and commencement of implementation by May 2001
32. Issue of final version of E-business strategy by May 2001
33. Information strategy by June 2001
34. IS/IT strategy by August 2001
35. E-business vision to be established and approved by Office of Government Commerce by September 2001
36. Business change procurement project commenced by July 2001
37. Work plans detailing planned initiatives in each directorate, by August 2001
38. Work plans detailing planned initiatives within each establishment, by August 2001

A number of these key targets and key performance indicators also appear in the Home Office (parent department) business plan for 2001-02, reinforcing the fact that the agency is a constituent part of the department. The

department can only meet its business plan / SDA by the agency contributing to the relevant activities, targets and outcomes.