



House of Commons
Public Administration Select
Committee

**Work of the
Committee in 2007**

Fourth Report of Session 2007–08

Report, together with formal minutes

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The Public Administration Select Committee

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

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The powers of the Committee are set out in House of Commons Standing Orders, principally in SO No 146. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pasc>.

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Contents

Report	<i>Page</i>
1 Introduction	3
2 Core tasks	6
Government policy proposals	6
The Governance of Britain	6
Other proposals	6
Areas seen as requiring examination because of deficiencies	7
Propriety and Peerages	7
Other deficiencies	8
Areas of emerging policy	9
Departmental actions	9
Associated public bodies	11
Major appointments	13
Implementation of legislation and major policy initiatives	13
Implementation of legislation	13
Other major policy initiatives	14
Draft Legislation	14
Examination of Expenditure and PSA targets	14
Assisting the House	15
3 The Committee at work	17
Working Methods	17
Relationship with Departments	18
Future Work	18
Conclusions and recommendations	20
Formal Minutes	22
List of Reports from the Committee during the current Parliament	23

1 Introduction

1. This report reviews the activities of the Public Administration Select Committee in 2007. The Committee's inquiries have reflected the broad scope of our standing order:

to examine the reports of the Parliamentary Commissioner for Administration, of the Health Service Commissioners for England, Scotland and Wales and of the Parliamentary Ombudsman for Northern Ireland, which are laid before this House, and matters in connection therewith and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.¹

2. We are charged in effect with examining the consistency and coherence of government policy and practice across the entire field of public administration. Few other Committees are in a similar position, able to survey the wealth of departments and agencies which govern the country and draw conclusions on major constitutional and administrative questions. However, we also engage with discrete areas of government where particular problems have arisen. In particular, we are guided by the Parliamentary Commissioner for Administration (the Ombudsman) to areas where she feels there is a need for parliamentary scrutiny and possibly for a challenge to the executive. We continue to find our relationship with the Ombudsman to be mutually beneficial.

3. We are not a departmental Committee. We do, however, scrutinise the work of the Cabinet Office, as the Government department with particular responsibility for civil service issues (especially as there is no relevant departmental Committee). We also examine the work of its associated public bodies, of which there are around a dozen. We have also, in examining the Cabinet Office's policy responsibility for the Third Sector, begun in 2007 to scrutinise the work of the Charity Commission, which is an independent Non-Ministerial Department.

4. Like departmental Select Committees, we attempt to undertake work in the light of the indicative "core tasks" identified by the Liaison Committee. This report considers our main activities in the last year in relation to those core tasks, as well as our unique task of examining the reports of the Ombudsman.

5. As in previous years, our work has both benefited from the work done by predecessors, and looked at new and emerging issues. In our last year's report we noted our particular concentration in 2005 and 2006 on the constitutional relationships between ministers, civil servants and parliament.² These areas have continued to exercise us in 2007. In addition, in 2007 we devoted time to examining public service delivery, and the extent to which it did and could meet its users' needs. We also examined the role of the Third Sector in delivering public services.³ These subjects have been our focus in the last year. As ever, though, this survey work has been combined with responses to current events.

1 Standing Orders of the House of Commons, S.O. No 146

2 First Report of Session 2006–07, *The Work of the Committee in 2005–06*, HC 258, para 41

3 As above, para 42

6. We have also continued to pursue previous recommendations. In this respect, 2007 has been a particularly successful year for the Committee. For example, the Prime Minister and the Secretary of State for Justice have acknowledged the debt owed by the Government's constitutional reform proposals to the past work of this Committee.⁴ In particular, the Green Paper on The Governance of Britain drew heavily on our predecessors' work in its emphasis on transferring royal prerogative powers to Parliament.⁵ We are heartened also that a Civil Service Bill appears finally to be forthcoming—although we note that as yet we only have a commitment to publish it in draft, which the Government did previously in November 2004.⁶

7. We are particularly pleased at the great progress that has been made in supporting those people whose pension allocations were lost after the wind-up of their occupational schemes. This was the subject of a Committee inquiry in 2006, and was followed up with two further reports in 2007.⁷ If we are correct in our understanding that payments under the Financial Assistance Scheme will now be equivalent to those which will be made by the Pension Protection Fund, then that is a real achievement for the Parliamentary Ombudsman, the tireless campaigners and for the political process as a whole.

8. We consistently make it our goal not just to scrutinise the performance of departments, but to make constructive proposals which lead to real improvements in the governance of Britain. We also seek to pursue those proposals over time. In doing so, there are signs that Committees in general, and this Committee in particular, have had a real effect on people's lives. Our proposals on constitutional reform are shaping Government thinking, and will no doubt shape the law. Our recommendations on the vexed questions of propriety and peerages aim to give the public greater confidence in Parliament. Most directly, our work on following up the recommendations of the Ombudsman has helped to bring justice to those who have suffered. That we have helped more than 100,000 victims of pension scheme wind-ups, ensuring that they will not retire into undeserved hardship, is more than enough justification for our work.

4 Ministry of Justice, *The Governance of Britain*, Cm 7170, July 2007, para 27

5 Fourth Report of Session 2003–04, *Taming the Prerogative: Strengthening Ministerial Accountability to Parliament*, HC 422

6 Cabinet Office, *A Draft Civil Service Bill*, Cm 6373, November 2004

7 Fifth Report of Session 2006–07, *Pensions Bill: Government Undertakings relating to the Financial Assistance Scheme*, HC 523, and Eighth Report of Session 2006–07, *The Pensions Bill and the FAS: An Update Including the Government Response to the Fifth Report of Session 2006–07*, HC 922

Table 1: Subjects covered by the Public Administration Select Committee, 2007

Subject	Evidence sessions in 2007	Outcome
Governing the Future	-	Report, March 2007
Politics and Administration: Ministers and Civil Servants	-	Report, March 2007
Ethics and Standards	1	Report, April 2007
Pensions Bill: Government Undertakings relating to the Financial Assistance Scheme	-	Report, May 2007
The Business Appointment Rules	-	Report, June 2007
Machinery of Government Changes	1	Report, June 2007
The Pensions Bill and the FAS: An Update	-	Report, July 2007
Skills for Government	-	Report, August 2007
Machinery of Government Changes: A Follow-Up Report	-	Report, December 2007
Propriety and Peerages	3	Report, December 2007
Public Services: Putting People First?	10	Evidence, January–May 2007. Report(s) to be published.
A Debt of Honour	1	Evidence, January 2007.
The Work of the Cabinet Office	3	Evidence, February–March 2007 and November 2007.
Third Sector Commissioning	5	Evidence, June 2007–January 2008. Report to be published.
Parliamentary Scrutiny of Public Appointments	2	Evidence, June–December 2007. Report published January 2008.
Charities and Public Benefit	1	Evidence, July 2007.
The Centre of Government	1	Evidence, July 2007.
Freedom of Information: Administrative Impact	1	Evidence, July 2007.
The Work of the Ombudsman	1	Evidence, October 2007.
Lobbying	1	Evidence, November 2007. Evidence to continue in 2008.

For this purpose each panel of witnesses has been considered as an evidence session.

2 Core tasks

Government policy proposals

9. As our predecessor Committees have done, we have given early consideration to those government proposals—wherever they emanate—which appear to have significant implications for the nature of public administration in this country. We have also monitored the policy proposals put forward by the Cabinet Office.

The Governance of Britain

10. A large number of Government policy proposals emerged soon after the change of Prime Minister, contained in a Green Paper entitled “The Governance of Britain”.⁸ As already noted, many of these proposals drew on the work of this Committee and its predecessors. We stated when the paper was published that we intended to examine many of its proposals when more detail emerged from the Government.⁹ We have since learned that some aspects of the constitutional reform agenda will be taken forward in a draft Constitutional Renewal Bill, to be published early in 2008. We intend to take part in scrutinising those parts of the draft Bill in which we have expertise, and we may also have suggestions as to what else might be included in such a Bill.

11. We have already taken evidence on the proposal to expand and formalise the role of Select Committees in scrutinising **public appointments**, which is contained in the Green Paper. We took evidence from the Commissioner for Public Appointments, Janet Gaymer CBE, in June, and again in December when the Government’s proposals had been published. We also took evidence from the Chairman of the Treasury Select Committee, Rt Hon John McFall MP. The Treasury Committee has regularly held a hearing with prospective members of the Monetary Policy Committee of the Bank of England. Mr McFall was also able to talk to us about his Committee’s experience in conducting the first pre-appointment hearing of the type set out in the Green Paper, on the appointment of the first Chair of the new Statistics Board. We reported on this subject in early 2008.¹⁰

Other proposals

12. The Government’s policy of **commissioning public services from the Third Sector** was the subject of one of our major inquiries in 2007. The starting point for this inquiry was the Government’s declaration of its policy objectives in an action plan at the end of 2006.¹¹ We have heard from an extensive range of witnesses, including two Ministers and a senior Civil Servant, a range of charitable organisations, the Charity Commission, the Commissioner for the Compact, trade unions, the Confederation of British Industry and

8 Ministry of Justice, *The Governance of Britain*, Cm 7170, July 2007

9 First Special Report of Session 2006-07, *The Governance of Britain*, HC 901

10 Third Report of Session 2007-08, *Parliament and public appointments: Pre-appointment hearings by select committees*, HC 152

11 Cabinet Office, *Partnership in public services: an action plan for third sector involvement*, December 2006

the National Consumer Council. Our programme of oral evidence for this inquiry concludes in January 2008.

13. We were also asked by the Prime Minister to provide our views on a review by Sir Patrick Brown of the **Business Appointment Rules**, governing the roles into which Crown servants are allowed to move on leaving public office. Sir Patrick's central recommendation was that there should be a single test for approving such moves: "a Crown servant can have no incentive to provide favours to an external body in return for future employment".¹² In cases where this was breached, he suggested a single sanction of a two year delay in appointment. Although Sir Patrick made some valuable other suggestions, his central recommendation of a single test and a single sanction did not seem to us to offer the necessary flexibility to cover for all circumstances. The Government agreed with our conclusion and did not adopt Sir Patrick's approach. The Government also accepted our recommendation that Ministers should be required, and not just advised, to seek and follow the advice of the Advisory Committee on Business Appointments before taking up outside appointments. This has now been incorporated into the Ministerial Code.¹³

Areas seen as requiring examination because of deficiencies

Propriety and Peerages

14. In 2004, our predecessor committee conducted a major inquiry into **the honours system**.¹⁴ Early in 2006 we decided to follow this up with a further evidence session on the propriety aspects of the honours system. Allegations that honours were being offered in return for donations to party funds and sponsorship of the Government's city academy schools prompted us to extend this into a substantive inquiry. On 14 March 2006 we announced that, as part of our ongoing inquiry into ethics and standards in public life, the Committee would investigate whether the machinery for scrutiny of honours and peerages for political service was working.

15. In a separate development, following complaints from a Member of the House of Commons, the police began investigating allegations under the Honours (Prevention of Abuses) Act 1925 and the Political Parties Elections and Referendums Act 2000. The police asked us, and we agreed, to defer our inquiry to avoid prejudice to their investigation. We considered proceeding in private, but decided against this since we felt that one of the great merits of the select committee system was the openness of its proceedings, and that it was undesirable to take evidence that might not be released for a considerable time. Given this, we were concerned that conducting the inquiry as we wished might be prejudicial. Accordingly, even though the matters complained of were not technically sub judice, we paused our inquiry until such time as we were able to proceed without risk of adverse effects on the administration of justice.

12 Sir Patrick Brown, *Review of the Business Appointment Rules*, p 6

13 Cabinet Office, *Ministerial Code*, July 2007

14 Fifth Report of Session 2003–04, *A Matter of Honour: Reforming the Honours System*, HC 212–I

16. On 20 July 2007, it was announced that there would be no criminal proceedings arising out of the investigation.¹⁵ We were then able to renew our inquiry and fulfil our pledge to review the law as it affects public life and corruption. We resumed our evidence sessions in October 2007, hearing from Rt Hon Lord Stevenson of Coddenham and Rt Hon Lord Hurd of Westwell of the House of Lords Appointments Commission; from Assistant Commissioner John Yates of the Metropolitan Police; from Carmen Dowd of the CPS; from David Perry QC, who led the team of independent counsel assisting the CPS; from the academic experts Dr Meg Russell, Professor Justin Fisher and Dr Michael Pinto-Duschinsky; and from the Cabinet Secretary, Sir Gus O'Donnell.

17. Our report was published on 18 December.¹⁶ In it, we proposed a package of measures—to be taken alongside any changes made to the party funding system—to ensure that processes for appointments to the House of Lords could command public confidence. We called for corruption legislation to close loopholes in the legal framework around dishonest behaviour in public office; for the link to be broken between honours and seats in Parliament; and for immediate reforms to House of Lords appointments to restrict patronage and remove the room for abuses. **We were heartened to learn that the Prime Minister apparently agrees that parties' powers of patronage should be reduced, and that changes are needed to the tests applied for prospective peers. We look forward to seeing the Government's considered response to our Propriety and Peerages report, which is due by mid-February 2008.**

Other deficiencies

18. On 29 March 2007, the then Prime Minister, Rt Hon Tony Blair MP, announced that he intended to split the Home Office's responsibilities and create a Ministry of Justice. The announcement highlighted a serious hole in our constitutional framework – the absence of any check on the Prime Minister's power to allocate and reallocate functions to different government departments and agencies. As we saw from the subsequent controversy, such changes can have significant effects on the performance of government, not least in terms of costs incurred and effects on service delivery. We are seriously concerned that Prime Ministers can make such changes on a whim.

19. Our report on **machinery of government changes**, published in June, called for a proper parliamentary safeguard to ensure that government has fully considered any possible implications.¹⁷ Where necessary, we would also expect consultation on proposals. We were not satisfied by the Government's response that no changes are needed to the current arrangements; it did not seem consistent with the tenor of the Government's statements on constitutional reform and limiting the power of the executive. We reported our concerns to the House for a second time in December, and we hope that the Government will reconsider.¹⁸

15 Crown Prosecution Service, *CPS decision: "Cash For Honours" case*, 20 July 2007

16 Second Report of Session 2007–08, *Propriety and Peerages*, HC 153

17 Seventh Report of Session 2006–07, *Machinery of Government Changes*, HC 672

18 First Report of Session 2007–08, *Machinery of Government Changes: a follow-up Report*, HC 160

20. We also took evidence from Sir Michael Barber, the former Head of the Prime Minister's Delivery Unit, on his contention that there was a pressing need for a new Prime Minister's Department. We may return to this subject if events bear out Sir Michael's calls. We may also return in 2008 to the subject of political memoirs, where we have some concerns over the contents of the Government's response to our 2006 report, and to the machinery for investigating alleged breaches of the Ministerial Code.

Areas of emerging policy

21. The principal area of emerging policy at which we looked in 2007 was the Government's commitment to user-focused or personalised public services. This commitment was recognised in a number of initiatives across a range of services, but the overall thrust of Government policy was particularly evident in the outgoing Prime Minister's Policy Reviews, and in the focus on service transformation as set out in Sir David Varney's report.¹⁹ Our inquiry, **Public Services: Putting People First**, asked a number of questions about the practical implementation of the supposed user focus. We looked in particular at the opportunities for users to comment on or complain about public services they received; at how minimum standards could be guaranteed for all, especially in the light of Bernard Herdan's review of the Charter Mark system;²⁰ at how effectively Government consults service users; at the potential for co-production of public services between providers and users; and at how choice and personalisation of services could be reconciled with the pursuit of efficiency in service provision. We will report on this inquiry in 2008.

22. We have recently turned our attention to the question of **lobbying**. Our inquiry is the first Parliamentary inquiry on lobbying since the 1991 report from the Select Committee on Members' interests. In the intervening years, lobbying has been at the centre of political scandals. The 'cash for questions' affair, amongst others, left lingering associations between lobbying and 'sleaze'. The industry responded by introducing an element of self-regulation and encouraging professionalisation of its work, but lobbying is still viewed with suspicion in some quarters. The inquiry will consider questions such as whether the lobbying industry requires external regulation, as has been the case in the United States for some time, and the interaction between Government and lobbyists.

Departmental actions

23. As we are not a departmental Committee, our experience of the work of individual departments largely derives from those concerns brought before us by the Parliamentary Ombudsman. Often these alert us to wider administrative issues, particularly when the maladministration identified affects substantial numbers of citizens, as it has done in several recent cases. **We remain greatly concerned by the Government's apparent willingness to contest the Ombudsman's special status in determining whether maladministration has occurred.**

19 Sir David Varney, *Service transformation: A better service for citizens and businesses, a better deal for the taxpayer*, December 2006

20 Cabinet Office, *The Customer Voice in Transforming Public Services*, June 2006

24. In 2007 we continued to press the Government on the unfinished business of previous problems brought to our attention by the Ombudsman. In our annual report for 2005-6 we hailed our inquiry **A Debt of Honour** as “a positive example of how the relationship can work”.²¹ This inquiry was into the Ministry of Defence’s ex gratia scheme for civilian internees of Japanese internment camps during the Second World War.²² The Department initially challenged the Ombudsman’s finding of maladministration in the introduction (never publicised) of a blood link criterion in determining whether applicants for payments were “British civilians”. Our inquiry found that this was indeed maladministration, and the Department has subsequently removed this criterion and commissioned a full internal inquiry—the results of which were released in July 2006. However, **some former civilian internees during the Second World War remain excluded from compensation, even under the new criteria.** We pursued the position of these people by taking evidence from the Minister for Veterans, Derek Twigg MP, in January, and we have maintained a correspondence since. **We continue to call for some independent adjudication of the few individuals who continue to be excluded but whose complaints seem, on the face of it, to be just.**

25. On the other hand, we have seen a remarkable and positive turnaround in the last year with regard to the Ombudsman’s report on **final salary occupational pension schemes.**²³ A year ago we were angered by the Government’s rejection of the Ombudsman’s findings of maladministration. Many pension schemes wound up between 6 April 1997 and 31 March 2004 without sufficient funds to give their members the benefits which had been previously promised. This may have affected as many as 125,000 people. The Ombudsman had argued that the Government’s failings had meant that those who suffered loss had not realised the risks they ran, and had been denied the opportunity to reduce their exposure to these risks. In her view, this amounted to maladministration, leading to injustice that had not been, and would not be, remedied.

26. We began our investigation following the Government’s negative response. This led us to agree with the Ombudsman that maladministration had occurred. We reported in 2006, calling for generous and speedy recompense for the many victims of scheme wind-ups.²⁴ We were also critical of the Government for “concentrating its energy on denying findings of maladministration, rather than on considering what remedies might be practical”.²⁵ After the Government also rejected the recommendations we made in 2006, we continued to search for ways to remedy this injustice.

27. The Pensions Bill offered us an opportunity. By that stage, the Government had already put into place a Financial Assistance Scheme (FAS) to help some of the people who had lost out. However, the extent of help available was considerably less than that available for future pension scheme wind-ups; the speed of payments made by the FAS was doubtful; and there remained significant numbers of people excluded from assistance on the

21 First Report of Session 2006-07, *The Work of the Committee in 2005-06*, HC 258, para 24

22 First Report of Session 2005-06, *A Debt of Honour*, HC 735

23 Parliamentary Commissioner for Administration, *Trusting in the pensions promise: government bodies and the security of final salary occupational pensions*, HC 984, March 2006

24 Sixth Report of Session 2005-06, *The Ombudsman in Question: the Ombudsman’s report on pensions and its constitutional implications*, HC 1081

25 As above, p3

technicality that their pension schemes had not become insolvent, but had been closed by solvent employers who might otherwise have become insolvent. We could see no justification for that inequality.

28. We took two actions. We put forward amendments to the Bill, and we also published a Report to aid the House of Lords when the Bill had passed through the Commons. We understand that both of these are unusual steps for a Committee of this House to take. Nonetheless, we are glad to have done so. We were not successful in getting the Bill amended, but we did secure assurances from the Government that the FAS would be reviewed by Sir Andrew Young, and that he would be asked to look at all of the problems we raised. This review has now reported, and, as well as finding more funding for the scheme, accepted our contention that there was no justification for the exclusion of certain people from the scheme.²⁶ The Government's response to our Report also saw it admit maladministration in this matter for the first time—although it did not accept every aspect of the Ombudsman's initial report, and court proceedings are still ongoing.

29. The Government's acceptance of Sir Andrew Young's review's findings means that, at long last, we feel able to say that justice has been done for the victims of pension scheme wind-ups. Although this result was a long time in coming, we recognise that this represents a very significant commitment of public funds, albeit to a very deserving cause. The continual pressure of this Committee, other parliamentarians and tireless campaigners has paid off, and represents a superb advertisement for what parliamentary democracy can achieve.

30. We continue to monitor developments in the delivery of **tax credits**. A year ago, we noted that HM Revenue and Customs (HMRC) had recognised the need to provide better customer service to the recipients of tax credits—by their very nature some of the poorest and most vulnerable members of British society. A number of the problems which were once encountered—such as unacceptable delays, ineffective phone lines and multiple award notices—appear now to be far less frequent. Nonetheless, the Ombudsman retains significant concerns about the administration of the programme, and is still receiving many more complaints about tax credits than she anticipated. The vast majority of these relate to the recovery of overpayments, and in particular the application of one particular Code of Practice. Although we understand that HMRC is doing more work on this, the Ombudsman was not positive about the likelihood of swift resolution, and suggested she might well end up reporting on this once again.²⁷ We will continue to monitor progress.

Associated public bodies

31. In April 2007 we completed a major inquiry into the work of a substantial number of the Cabinet Office's associated public bodies, when we published our report **Ethics and Standards: the Regulation of Conduct in Public Life**.²⁸ The report focused particularly on

26 Department for Work and Pensions, *Financial Assistance Scheme Review of Assets—Final Report*, December 2007, para 47

27 Oral evidence taken before the Public Administration Select Committee on 18 October 2007, HC 1086-I, Q 8

28 Fourth Report of Session 2006–07, *Ethics and Standards: the Regulation of Conduct in Public Life*, HC 121

the role and constitutional status of five of the Non-Departmental Public Bodies sponsored by the Cabinet Office, namely:

- the Office for the Commissioner on Public Appointments;
- the Office of the Civil Service Commissioners;
- the Advisory Commission on Business Appointments;
- the House of Lords Appointments Commission; and
- the Committee on Standards in Public Life.

32. Our inquiry found that these bodies, broadly characterised as “ethical regulators”, performed important public functions, and ought to be recognised as a permanent part of the landscape of public life. At present, we found that the organisational arrangements of the different bodies were inconsistent, often for no clear reason, and that the ensuing framework lacked clarity and coherence. We also argued that a permanent framework for the regulation of government should not empower the government to staff, fund and make appointments to the regulatory bodies. We therefore called for the five bodies listed above to be sponsored by an independent statutory Public Standards Commission, at arms’ length from both Government and Parliament.

33. Since the publication of our report in April, we have continued to argue for these important constitutional changes. In May, we took evidence from the outgoing Chairman of the Committee on Standards in Public Life on his views on our proposals for change. In June, we held a well attended seminar with representatives of the affected bodies, as well as many important figures with relevant experience and expertise. We also secured a debate in December on these questions on the floor of the House, where our report was well received. The Government’s response in October was broadly positive, and accepted our recommendation that appointments to these public bodies should as a general rule be for long, single, non-renewable terms. However, the Government has not responded to our calls for a permanent statutory framework—it is awaiting the results of consultations on the Governance of Britain. We hope that our suggestions will be taken forward in the draft Constitutional Renewal Bill.

34. A number of our other inquiries touched on the work of the Cabinet Office’s associated public bodies. Our report on Propriety and Peerages discussed a revised future role for the House of Lords Appointments Commission, while our report on The Business Appointment Rules considered the operation of the Advisory Commission on Business Appointments. Both of those inquiries have already been discussed in this report. We also reported in 2007 on the relationship between **ministers and civil servants**, particularly in relation to public accountability.²⁹ One of our main findings was that there appeared to be a confusion around who was responsible for failures of administration, and who should be held accountable—a question which arose again with the resignation of Paul Gray as Chairman of HM Revenue and Customs. We believe it is time for a new public service bargain. Central to this new bargain would be reflecting ministers’ democratic

29 Third Report of Session 2006–07, *Politics and Administration: Ministers and Civil Servants*, HC 122

accountability with a greater say in some public appointments. This suggestion, along with other reforms of the system for public appointments, is currently being consulted on by the Commissioner for Public Appointments.

Major appointments

35. Over the years we have refined the list of posts whose occupants we aim to take evidence from on appointment. None of those posts were filled by new occupants in 2007. However, two appointees took up office at the beginning of 2008 from whom we intend to hear. The first of those is Sir Christopher Kelly, the new Chairman of the Committee on Standards in Public Life; and the second is Sir Philip Mawer, who takes over as the Independent Adviser on Ministerial Interests. We have also, as discussed above, been inquiring into the process of parliamentary involvement in major public appointments.

Implementation of legislation and major policy initiatives

Implementation of legislation

36. In 2006 the law relating to charities was reshaped by the Charities Act. That Act removed the presumption that certain charitable purposes were, by definition, to the **public benefit**, although the requirement that charities should provide public benefit remains. It was decided not to define “public benefit” on the face of the Act. This has meant that, in practice, the Charity Commission has not only to enforce the public benefit requirement, but to create principles which can underpin its enforcement. In effect, the Commission has to define what constitutes a public benefit.

37. This is a huge challenge, as was demonstrated by the enormous volume of responses to the Commission’s original consultation. There are particularly passionate arguments around how public benefit can be provided by fee-paying charities, religious organisations and private educational institutions. We heard from the Charity Commission in July on how they were going about the task of meeting this challenge, and continue to monitor their progress; we are grateful to the Commission for keeping us informed of developments. It seems right to us that there is a role for elected representatives in these important questions of public policy. We have also discussed the issue with Cabinet Office ministers. **We are concerned that the task of implementing the “public benefit” requirements in the Charities Act 2006 is an essentially political task, involving political judgements and accountability for those judgements. As such, it is understandable if the Charity Commission is finding it difficult. Although we are glad that they are involving us in the process, there remain real issues of democratic legitimacy.**

38. Having played a role in its passage, we also continue to monitor some aspects of the **implementation of the Freedom of Information Act 2000** (although continuing policy development in this area is the responsibility of the Justice Committee). In July 2007 we held an evidence session designed to examine the impact of the Act on the way in which Government business was conducted—focusing in particular on whether it was having a detrimental effect by discouraging officials from putting advice in writing. At that session, we heard from the Information Commissioner, Richard Thomas, and one of his Deputies,

Graham Smith; and we also heard from Maurice Frankel, the Director of the Campaign for Freedom of Information.

Other major policy initiatives

39. In 2007 we turned our attention to several connected recent initiatives in the area of civil service skills. Our inquiry into **Skills for Government** looked at the programme of Departmental Capability Reviews, at the new National School of Government, and at the Professional Skills for Government programme, as well as the creation of the new sector skills council for central government, Government Skills.³⁰ We asked how all of these fitted together, and how they fitted with efficiency programmes, with the continuing drive for external recruitment into the Civil Service, and with the pursuit of greater interchange between public, private and voluntary sectors.

40. Our inquiry found that “when compared to the efficiency programme, the Government’s policies on skills and capability are lacking in cohesion and lacking in drive from the centre”. We set out ways in which that imbalance might be rectified. In particular, we called for the extension of accredited skills for civil servants, to aid workforce planning; for a greater emphasis on the development of talent within the service, possibly at the expense of the current problematic reliance on external recruitment; and for the continuation of capability reviews, but led by a body external of government. We were pleased that the Government’s response indicated a retreat from crude headcount cuts as a tool for realising civil service efficiencies, which was subsequently borne out in the Comprehensive Spending Review.

Draft Legislation

41. No draft legislation has been published within our locus in 2007. However, we have long awaited the outcome of the consultation on the Government’s draft **Civil Service Bill** on which our predecessors commented.³¹ That consultation closed on 28 February 2005. It is at last expected to bear fruit in the form of clauses in the draft Constitutional Renewal Bill in early 2008. As we have already stated, we hope to examine those and all other relevant draft clauses in that draft Bill when it comes forward.

Examination of Expenditure and PSA targets

42. We undertake an annual examination of the Cabinet Office’s performance and expenditure following the publication of its annual report, drawing on the valuable expertise of the Scrutiny Unit within the Committee Office. We look at both the accounts and performance against PSA targets. In 2007 we held evidence sessions on the work of the department with two successive Ministers for the Cabinet Office, Rt Hon Hilary Armstrong MP and Rt Hon Ed Miliband MP. We also took evidence from the Cabinet Secretary and Head of the Home Civil Service, Sir Gus O’Donnell, who is the accounting officer for the department.

30 Ninth Report of Session 2006-07, *Skills for Government*, HC 93

31 Cabinet Office, *A Draft Civil Service Bill*, Cm 6373, November 2004

43. In addition to these hearings, we undertake extensive scrutiny of Cabinet Office accounts, expenditure and performance in relation to its targets, through correspondence. We have engaged in exchanges on both the Estimates and the Annual Report. We have been concerned to ensure that we understand all financial documents, and have not always in the past found the financial information provided by the Cabinet Office to be timely, helpful or complete. In this respect we are pleased to report that we have seen great progress in 2007 and that the quality and clarity of the financial information provided to us by the department seems to be much improved.

Assisting the House

44. On 5 December 2007, the Committee held a debate on the floor of the House of Commons on the subject of the regulation of conduct in public life. We believe that the debate showed that there is considerable support for change to the constitutional framework. We welcomed the Minister's approach in that debate, as well as the assurance that the Government was still considering all of the recommendations put forward in our report on Ethics and Standards.³²

45. As already discussed, we also played an important role in pursuing amendments to the Pensions Bill to ensure justice for former members of now closed occupational pension schemes. We put forward amendments to the Bill, and we also published a Report to aid the House of Lords when the Bill had passed through the Commons. Although our amendments were not adopted, our pressure and that of other Members and campaign groups secured the review which subsequently ensured a satisfactory outcome.

3 The Committee at work

Working Methods

46. In general, we follow the standard Select Committee method of working—that is to say, inviting written memoranda, and subsequently taking oral evidence. We continue to make it our practice to take evidence in public unless there are overwhelming reasons not to do so, which was not the case at any stage in 2007. This principle was particularly important when we held our inquiry into Propriety and Peerages and there were suggestions in certain quarters that we might look at evidence collected by the police in the course of their investigation into “cash for honours”. To do so would have meant proceeding in private, which, given the public interest in transparency, we were not prepared to do.

47. However, there are occasions when we have gone beyond the standard Select Committee inquiry format. For example, we continue to arrange seminars to discuss important questions of public administration. We held two such seminars in 2007. The first, in May, concerned our then-nascent inquiry into commissioning public services from the Third Sector, and was invaluable in shaping our inquiry. The second seminar, already mentioned, took place in June and discussed issues arising from our Ethics and Standards report. We are grateful to all of our participants, and continue to commend this approach to other committees. We are particularly grateful to the National Audit Office, which has provided valuable background briefing on a number of areas, as well as staff support. We are also grateful to all of our Specialist Advisers this year, who have aided us on a number of inquiries, and we have also relied at times on assistance from the Hansard Society and the House of Commons Library.

48. We also continue to use committee visits, both within and outside the United Kingdom, to inform our inquiries and our general understanding of public administration. During 2007 our visits have helped to frame the findings of our inquiries, and also to influence us in deciding on future inquiries. Details of our visits during the period are in table 3 below. Where possible, we use visits to inform more than one inquiry.

Table 3: Visits by the Public Administration Select Committee in 2007

Location	Purpose of visit
Inner London Crown Court, Jobcentre Plus Clapham Common, Identity and Passport Service	Skills for Government
Community Care Navigators and Community Links, Newham	Putting People First
Washington DC, United States	Lobbying, Parliamentary Scrutiny of Public Appointments

Relationship with Departments

49. As our inquiries can range widely across government, we cannot sustain direct relationships with everybody we may scrutinise. We therefore rely heavily on the Cabinet Office and particularly on the Propriety and Ethics team to manage our interactions across the public sector. As always, we are grateful for the continued support they have provided to us. We are particularly grateful for their support in arranging committee visits, notably this year to public service providers within London, and for their diligence in keeping us abreast of important developments. We also established relationships in 2007 with the Office of the Third Sector and with the Charity Commission, and look forward to working with these organisations in the future.

50. While our relationship with the Cabinet Office remains positive, however, we are concerned that it appears to be increasingly difficult for the department to respond to Select Committee reports within two months—although the Cabinet Office continues to expect this of other departments in the guidelines it issues. This is clearly unsatisfactory. We recognise that in some circumstances there are sound reasons for delaying publication of a Government response (notably where that response will be more helpful if it is slightly delayed). It is also not always the fault of the Cabinet Office, especially when responses need to be produced across different departments. But delay has become the rule rather than the exception. In two cases, we waited more than a year for a response.³³ The Department for Work and Pensions gave a positive contrast, responding helpfully to both of our reports on pensions within the recommended two months—in one case producing a response within two weeks, while managing volleys of technical correspondence. **The Cabinet Office has consistently failed to produce responses to our recent reports within two months—quite often failing by a great distance. While there may on occasion be good reason for this failure, the cumulative effect has a negative impact on our ability to follow up our work. We hope that there will be substantial improvements in 2008.**

Future Work

51. A lot of our work in 2007 has looked at the provision of public services. This will always be a focus for us, as will the performance of the Civil Service. The programme of Departmental Capability Reviews has recently been completed, and we will be monitoring how they are taken forward. We will also be monitoring specific elements of government performance, such as the continuing concerns over the implementation of tax credits, and the ongoing work by the Charity Commission to define public benefit. Beyond this, our programme will include continuing our inquiry into the regulation of lobbying, which commenced in November.

52. A major theme is likely to be constitutional reform. Although its contents are not yet known, the draft Constitutional Renewal Bill has the potential at least to be of lasting significance. We will not be the only Committee with an interest in it, but we shall certainly be examining some of its provisions, not least on putting the Civil Service onto a statutory

33 Fourth Special Report of Session 2007–08, *Whitehall Confidential: The Publication of Political Memoirs: Government Response to the Committee's Fifth Report of Session 2005–06*, HC 91; and Fourth Special Report of Session 2006–07, *The Ministerial Code: the case for independent investigation: Government Response to the Committee's Seventh Report of Session 2006–07*, HC 1088

footing. We have already begun 2008 by reporting on parliamentary involvement in public appointments. **More constitutional reforms may be on the table in 2008, whether they are greater parliamentary oversight of prerogative powers, more independence for ethical regulators, or changes arising out of questions about propriety and peerages. We hope to be able to look back a year from now on twelve months of significant change.**

Conclusions and recommendations

1. We consistently make it our goal not just to scrutinise the performance of departments, but to make constructive proposals which lead to real improvements in the governance of Britain. We also seek to pursue those proposals over time. In doing so, there are signs that Committees in general, and this Committee in particular, have had a real effect on people's lives. Our proposals on constitutional reform are shaping Government thinking, and will no doubt shape the law. Our recommendations on the vexed questions of propriety and peerages aim to give the public greater confidence in Parliament. Most directly, our work on following up the recommendations of the Ombudsman has helped to bring justice to those who have suffered. That we have helped more than 100,000 victims of pension scheme wind-ups, ensuring that they will not retire into undeserved hardship, is more than enough justification for our work. (Paragraph 8)
2. We were heartened to learn that the Prime Minister apparently agrees that parties' powers of patronage should be reduced, and that changes are needed to the tests applied for prospective peers. We look forward to seeing the Government's considered response to our Propriety and Peerages report, which is due by mid-February 2008. (Paragraph 17)
3. We remain greatly concerned by the Government's apparent willingness to contest the Ombudsman's special status in determining whether maladministration has occurred. (Paragraph 23)
4. Some former civilian internees during the Second World War remain excluded from compensation, even under the new criteria. We continue to call for some independent adjudication of the few individuals who continue to be excluded but whose complaints seem, on the face of it, to be just. (Paragraph 24)
5. The Government's acceptance of Sir Andrew Young's review's findings means that, at long last, we feel able to say that justice has been done for the victims of pension scheme wind-ups. Although this result was a long time in coming, we recognise that this represents a very significant commitment of public funds, albeit to a very deserving cause. The continual pressure of this Committee, other parliamentarians and tireless campaigners has paid off, and represents a superb advertisement for what parliamentary democracy can achieve. (Paragraph 29)
6. We are concerned that the task of implementing the "public benefit" requirements in the Charities Act 2006 is an essentially political task, involving political judgements and accountability for those judgements. As such, it is understandable if the Charity Commission is finding it difficult. Although we are glad that they are involving us in the process, there remain real issues of democratic legitimacy. (Paragraph 37)

7. The Cabinet Office has consistently failed to produce responses to our recent reports within two months—quite often failing by a great distance. While there may on occasion be good reason for this failure, the cumulative effect has a negative impact on our ability to follow up our work. We hope that there will be substantial improvements in 2008. (Paragraph 50)

8. More constitutional reforms may be on the table in 2008, whether they are greater parliamentary oversight of prerogative powers, more independence for ethical regulators, or changes arising out of questions about propriety and peerages. We hope to be able to look back a year from now on twelve months of significant change. (Paragraph 52)

Formal Minutes

Thursday 17 January 2008

Members present:

Dr Tony Wright, in the Chair

Paul Flynn

Kelvin Hopkins

Mr Ian Liddell-Grainger

Julie Morgan

Mr Gordon Prentice

Mr Charles Walker

Jenny Willott

Draft Report (*Work of the Committee in 2007*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 52 read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Thursday 24 January at 9.45 a.m]

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2007–08

First Report	Machinery of Government Changes – A follow-up Report	HC 160
Second Report	Propriety and Peerages	HC 153
Third Report	Parliament and public appointments: Pre-appointment hearings by select committees	HC 152

Session 2006–07

First Report	The Work of the Committee in 2005–06	HC 258
Second Report	Governing the Future	HC 123 (<i>Cm 7154</i>)
Third Report	Politics and Administration: Ministers and Civil Servants	HC 122
Fourth Report	Ethics and Standards: The Regulation of Conduct in Public Life	HC 121 (<i>HC 88</i>)
Fifth Report	Pensions Bill: Government Undertakings relating to the Financial Assistance Scheme	HC 523 (<i>HC 922</i>)
Sixth Report	The Business Appointment Rules	HC 651 (<i>HC 1087</i>)
Seventh Report	Machinery of Government Changes	HC 672 (<i>HC 90</i>)
Eighth Report	The Pensions Bill and the FAS: An Update, Including the Government Response to the Fifth Report of Session 2006-07	HC 922 (<i>HC 1048</i>)
Ninth Report	Skills for Government	HC 93 (<i>HC 89</i>)
First Special Report	The Governance of Britain	HC 901

Session 2005–06

First Report	A Debt of Honour	HC 735
Second Report	Tax Credits: putting things right	HC 577 (<i>HC 1076</i>)
Third Report	Legislative and Regulatory Reform Bill	HC 1033 (<i>HC 1205</i>)
Fourth Report	Propriety and Honours: Interim Findings	HC 1119
Fifth Report	Whitehall Confidential? The Publication of Political Memoirs	HC 689 (<i>HC 91, Session 2007–08</i>)
Sixth Report	The Ombudsman in Question: the Ombudsman's report on pensions and its constitutional implications	HC 1081 (<i>Cm 6961</i>)
Seventh Report	The Ministerial Code: the case for Independent Investigation	HC 1457 (<i>HC 1088, Session 2006–07</i>)
First Special Report	The Attendance of the Prime Minister's Strategy Adviser before the Public Administration Select Committee	HC 690