

The budget and review cycle for Quangos

Ministerial supervision of big bodies like the Environment Agency, Network Rail, and some Housing quangos is essential. Ministers are the only protector of the taxpayer and the consumer interest. As the government supplies much of their revenue as subsidy and much of their capital directly or with guarantees of borrowing Ministers can and should take an active interest in the performance of management. The managers of many of these bodies are paid well above the senior salary norm in the public sector. This is presumably because they are expected to perform better. In order to get any value for these much enhanced salaries it is vital the Minister as the taxpayer representative sets demanding targets and only approves high pay if performance is good enough. In the end in many cases the Minister hires and fires the CEOs and Chairmen, so has every reason to take a close interest in what they do.

I suggest the following major events in an annual review cycle with the Chairmen and CEOs of these bodies:

1. Approval of budget sums for the following year – consideration of past performance and bids for extra cash
2. Review of annual figures for year just completed, including full performance review against targets and value for money review of money spent
3. Corporate plan and forecast meeting to discuss what the state will be buying with the money approved for the following year, and target revision for that year
4. Mid year review if needed by either side. Government might want a mid year review if management figures are unsatisfactory, if there are customer and public service issues etc. Quango may want review if it cannot hit target, if it needs more cash etc

The extent to which the Minister needs to be hands on will depend on a number of matters. If the quango has a history of missed targets and poor customer performance the reviews need to be detailed and regular. If the Quango has a good track record at performance the reviews can be more relaxed but there should still be the minimum regular annual cycle. Saying thank you when they have done well is as important as demanding change when they have done badly. There will need to be more contact and special meetings if something the Quango is doing achieves high public salience, or if performance nose dives.

The aim should be to build a good relationship with the Minister as a kind of supportive shareholder. Unlike a shareholder, however, the Minister also has to directly represent the consumer interest. As many of these Quangos and businesses have strong monopoly characteristics the Minister has to keep prices down and standards up, as there is often no effective market to do that for him.