EXECUTIVE AGENCIES WITHIN THE SCOTLAND TERRITORIAL PROGRAMME

DAVID HEALD AND NEAL GEAUGHAN*

INTRODUCTION

The UK Government’s ‘Next Steps’ executive agencies programme has transformed the organisational shape of central government. The ensuing fragmentation into a much larger number of self-reporting bodies has naturally stimulated cross-sectional surveys of organisational performance (Talbot, 1996), performance reporting (Hyndman and Anderson, 1995) and financial reporting change (Pendlebury et al., 1994; and Rutherford, 1996). Such studies inevitably cover organisations which are disparate in size and function and which operate in markedly different contexts. The purpose of this article is to supplement the existing survey literature by focusing upon a subset of executive agencies which, though highly disparate on many dimensions, share the experience of being part of the command of the Secretary of State for Scotland.

There are three principal reasons why such a study is of interest. First, it stimulates discussion of the defining characteristics of executive agencies and how they can be differentiated from the many other forms of governmental and quasi-public organisations. Using Hood’s (1986) metaphor, the recognition that there are many animals in the zoo focuses attention upon how their characteristics and behaviour may differ. For example, it is possible that some executive agencies may have much more in common with core departments or ‘non-agencies’ than with other executive agencies. Second, ‘territorial management’ is a characteristic of government not only in Scotland but also in Wales and Northern Ireland. An important feature of modern British government relates to the ways in which the three territorial departments (i.e. Scottish Office, Welsh Office, and the combination of the Northern Ireland departments and the Northern Ireland Office) are treated differently from ‘conventional’ Whitehall departments.¹ It will be shown that agencies operating within such a ‘family of organisations’ (Heald, 1995) are likely to face a markedly different operating environment. Furthermore, the possibility that constitutional change might lead to the establishment of

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devolved parliaments within the United Kingdom, with potentially important consequences for the territorial departments and associated public bodies, heightens the substantive importance of this topic. Third, the insights developed from the functioning of agencies within a territorial programme may also shed light upon wider debates about executive agencies ‘parented’ by functional departments.

CONTEXT

Characterising Governmental Organisations

There is a vast international literature which seeks to develop classifications of governmental organisations. The obvious difficulty is that there are so many important dimensions that attempts at classification can become unwieldy and non-operational. The approach adopted here is essentially pragmatic, in that it locates particular organisations within two interconnecting systems: the Public Expenditure Survey (the UK Treasury’s planning and resource allocation system) and the parliamentary system for authorisation and accountability (which embraces both parliamentary authorisation through the Estimates cycle and the diverse forms of financial reporting to Parliament and the public).

How organisations fit together in such systems is not just an academic pastime – a search for tidiness where none exists. Leaving aside issues relating to the quasi-public sector, the types of organisation relevant to the present discussion are:

(a) core (i.e. parent) departments;
(b) executive agencies;
(c) Executive Non Departmental Public Bodies (NDPBs); and
(d) public corporations.

The bodies which are now executive agencies ‘exited’ from (core) departments in the period since 1988. In contrast, NDPBs and public corporations have typically been established by legislation, some dating back many years. This distinction in terms of origins will be shown below to have continuing implications for the machinery of government in Scotland.

There are some overlaps between categories (c) and (d): some NDPBs are also public corporations (e.g. Scottish Homes and Scottish Enterprise). Such lack of neatness was not considered by governments to be of much importance in the past, a response linked to a personalised concept of government and to the absence of a distinct notion of ‘public power’ (Prosser, 1996). However, the situation is changing. First, the terms ‘quango’ and ‘quangocracy’ feature prominently in public debate, with a coverage far greater than any official classification. In political discourse the use of these labels is often pejorative,
carrying a connotation of ‘lacking legitimacy’. Second, the Government’s intention to introduce Resource Accounting and Budgeting (Treasury, 1994b and 1995b) has elevated the importance within government of systematic thinking on such issues. The combination of organisational fragmentation and accruals accounting (which will be extended across central government) will bring new attention to the question of consolidation in financial reporting (Heald and Georgiou, 1995). Ambiguity about organisational status is inconsistent with financial reporting which will be required to conform to UK GAAP (as amended by the Treasury after consultation with the specially appointed Financial Reporting Advisory Board).

Clarity about organisational design is not a characteristic of British government. Although some exceptions can usually be cited to any generalisation, it is nevertheless relatively easy to characterise the formal differences between executive agencies and Executive NDPBs. First, executive agencies are a facet of the internal management of departments, always changeable given political will and agreement between the parent department and the central departments (i.e. Cabinet Office and Treasury). In contrast, the role of Executive NDPBs is usually underpinned by primary legislation, with secondary legislation being required to bring particular sections of that primary legislation into force. In consequence, new primary legislation would be required to abolish or merge Executive NDPBs. There is ambiguity about how far any government could starve a particular Executive NDPB of resources without repealing the primary legislation. Second, whilst the employees of executive agencies remain civil servants, the employees of NDPBs are not civil servants, except for two notable exceptions (Advisory, Conciliation and Arbitration Service, and the Health and Safety Executive). Third, whereas executive agencies are all audited by the National Audit Office, the arrangements for Executive NDPBs are more mixed:

Under an Agreement between the Comptroller and Auditor General (C & AG) and Her Majesty’s Treasury, the C & AG should be either the auditor of, or have inspection rights to, all executive NDPBs . . . [Where the C & AG] has not been appointed as external auditor but nevertheless has access to the body’s books and records . . . commercial auditors are usually employed as the external auditors (Cabinet Office, 1995, inside back cover).

Whereas both arrangements are found for Scottish Office-sponsored Executive NDPBs, the most significant ones in terms of expenditure are all audited by the National Audit Office (Cabinet Office, 1995, pp. 46–8). Fourth, the assets of Executive NDPBs are vested in their boards whilst those of executive agencies remain in the ownership of the Secretary of State. Taken together, such differences contribute to the way in which those involved — whether working in the central departments, Scottish Office, executive agencies or Executive NDPBs — consistently contend that Executive NDPBs operate at ‘greater arm’s length’ from the core department than do executive agencies.

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Figure 1 shows how these four types of organisation fit into the Departmental Resource Accounts (DRAs) which will replace Appropriation Accounts. The original intention in the Green Paper (Treasury, 1994b) was that all executive agencies would be within the domain of consolidation and all NDPBs would be outside. The revised scheme, as shown here, is that executive agencies which are also trading funds are outside the consolidation whereas some non-Executive NDPBs may be inside (Treasury, 1995b). The decision to draw the departmental boundary in this way for the purposes of DRAs confers long-term importance upon whether a body is classified as an executive agency or as an NDPB. The present status of particular bodies can reflect accidents of history or of timing: Historic Scotland (which manages the built heritage) is an executive agency whereas Scottish Natural Heritage (which manages the natural heritage) is an Executive NDPB. This point is reinforced by English
Heritage and English Nature both being Executive NDPBs, sponsored by, respectively, the Department of National Heritage and the Department of the Environment (Cabinet Office, 1995). Such inconsistencies may well persist rather than be eliminated: finding legislative time in the UK Parliament is always difficult, and the presentation of new legislation may open up other issues which governments would prefer not to attract attention.

Such distinctions may begin to matter when ‘shadow’ DRAs are produced from 1999–2000 and then replace Appropriation Accounts in 2001–02. The Treasury has clearly rejected more extensive consolidation, whether of the 65 DRAs (i.e. accepting the existing boundaries of each) or of general/central government as a whole (i.e. whole-of-government accounts on the New Zealand model) (Pallot and Ball, 1997). It can be predicted that departments would aim to locate significant activities outside departmental boundaries, in a way which ‘emptied’ the DRA. Linguistic confusion about ‘agencies’ and ‘quangos’ will certainly provide opportunities for obfuscation. Not only do commentators misuse the term ‘quango’ but government itself is careless about terminology: the choice of the name Scottish Environmental Protection Agency for an Executive NDPB is an excellent example, confusing even the authors of the Scottish Office’s (1996b, p. 5) own annual report which classified it as an executive agency.

Anatomy of the Scotland Programme’s ‘Family of Organisations’

The Public Expenditure Survey deals with the three territorial departments in a distinctive way (Heald, 1994). The defining characteristics of this territorial system are as follows:

(a) changes to the level of expenditure on the territorial ‘blocks’ are controlled by a population-based formula which is applied to changes in public expenditure in England on comparable programmes (i.e. on those services which fall within the territorial blocks, each of which has a different coverage). This mechanism — widely known as the Barnett formula — currently applies 10.66% for Scotland and 6.02% for Wales: the figure for Northern Ireland is 2.87%, though this is applied to changes in comparable expenditure in Great Britain; and

(b) the relevant Secretary of State possesses unqualified expenditure-switching discretion between items within the block in relation to planning figures, though the normal processes of virement apply once Estimates have been presented. Within the constraints imposed by being a member of the UK Cabinet, implying collective responsibility for a shared programme, the Secretary of State can adapt UK policies to his/her perception of differential circumstances.

The above structure emphasises the importance of centralised financial control within each territorial department, since the respective Secretaries of
State are responsible to the Treasury for delivering the agreed total expenditure. A failure to achieve this on the part of a territorial department would encourage the Treasury to challenge the block system whose existence is highly valued by the territorial departments. There is clear evidence that per capita public expenditure in the three smaller nations is higher than in England (Treasury, 1996a, pp. 77–87). Moreover, the territorial departments are highly sensitive to the fact that a population-based mechanism for allocating incremental expenditure means that, given higher per capita expenditure bases, their percentage increases will always be lower than those in England. This requirement for tight aggregate control, coupled with expenditure-switching discretion over a broad range of functional expenditures, necessarily entails a high degree of centralised control internal to each territorial department.

The managerial structure internal to the command of the Secretary of State for Scotland is extremely complex. First, there is a ready-made terminological confusion in that the Scottish Office is regarded as a government department, whilst, at the same time, its internal subdivisions are themselves described as departments. After internal restructuring in 1995 the Scottish Office now consists of five departments: the Scottish Office Agriculture, Environment and Fisheries Department (SOAEFD); the Scottish Office Development Department (SODD); the Scottish Office Education and Industry Department (SOEID); the Scottish Office Department of Health (SODH); and the Scottish Office Home Department (SOHD). Within SOAEFD, there are two agencies, the Scottish Fisheries Protection Agency (SFPA) and the Scottish Agricultural Science Agency (SASA). Within SODD, Historic Scotland (HS) is an executive agency. Within SOEID, there are the Student Awards Agency for Scotland (SAAS) and the Scottish Office Pensions Agency (SOPA). Whereas SODH has no agencies, SOHD has one, namely the Scottish Prison Service (SPS). An indication of the way the Scottish Office has sought to establish a corporate image can be seen in the ghastly acronyms which now apply.

Second, expenditure within the control of the Secretary of State for Scotland — and identified as such in budgetary documents — ranges wider than the expenditure of the Scottish Office. Outside the Scottish Office there are the following organisations which are themselves classified as government departments:

(a) the General Register Office for Scotland;
(b) the Registers of Scotland (RoS) and the Scottish Record Office (SRO) which are also executive agencies; and
(c) the Scottish Courts Administration, most of which is now constituted as an executive agency (Scottish Court Service (SCS)).

Taken together, there are therefore nine agencies within the Scotland Programme. Adopting the classification system of Next Steps Review 1995
(Cabinet Office, 1996a), one is classified as a research establishment (SASA), one as having regulatory functions (SFPA), and seven as delivering service to the public. There are no Scotland Programme examples of agencies classified as providing departmental services.

Four conclusions can be drawn about the nature of the organisations in the Scotland Programme which have become executive agencies. First, the activities are remaining predominantly vote-financed (eight out of nine have this status), with the exception (RoS) having acquired trading fund status only on 1 April, 1996. Second, on any reasonable measure of political salience, all but SPS would obtain a low score: they are concentrated in relatively technical, low-key areas. Bodies with high political salience and/or large budgets are constituted as NDPBs (e.g. Scottish Enterprise, Highlands & Islands Enterprise, Scottish Homes and the Scottish Higher Education Funding Council). In reality, there have been significant constraints on which activities in the Scotland Programme could be agencified. A Downing Street decision, applicable across the United Kingdom, determined that the sponsorship of the National Health Service would be kept directly under ministerial control. In terms of expenditure numbers, the exclusion of the politically protected health programme (29.2% in 1996–97 plans) (Scottish Office, 1996a), the extent to which the Scotland Programme is committed to transfers to local authorities (41.3%), and the scale of grants in aid to NDPBs (10.8%), combined to limit the scope for executive agencies. Indeed, the areas in which executive agencies have been created are often those most vulnerable to pressure for expenditure reductions. Even where this has not been the case, an important constraint on the form of agencification arose from the UK decision not to opt for purchaser-provider separation in the politically sensitive area of prisons. Third, in the case of the departments outside the Scottish Office, there would seem to have been some ‘re-badging’ of existing arrangements (i.e. changing nameplates) of the kind discussed by Talbot (1996). Fourth, the disparate nature of the agencies in the Scotland Programme suggests that conclusions about performance change have to be pursued at the level of each organisation, using in each case the best available information on comparators. Care should be exercised when generalising about organisations which range from those acting as a conduit for money transfers (SAAS and SOPA) through scientific research (SASA) to prisons (SPS).

**IMPLICATIONS**

For the purposes of assessing the implications of the creation of executive agencies both for these new organisations themselves and for the governmental system as a whole, the analysis could be sequenced in a number of different ways. The sequence adopted here is to start with implications for internal management, then to move on to external accountability for
performance, before addressing the evolving matters of reforms to Supply (the voting of funds by Parliament) and of Resource Accounting and Budgeting.

Internal Management

The best way to view Scottish developments on agencification is as a cautious programme of absorption, albeit at the fringes. In UK terms, the Scottish Office is itself a relatively small department, despite its multi-functionality. Inevitably, therefore, its fragmentation into functionally based agencies will produce small organisations. Measuring size by staff numbers, Talbot (1996) noted that in 1995 64% of agency-based staff worked in the largest five agencies and 75% in the top ten. On this size measure, the agencies in the Scotland Programme are spread over the size distribution: SPS is in the second decile; RoS in the fourth; SCS and HS in the fifth; and the other five fall into the eighth and ninth deciles. One practical problem is the loss of economies of scale in operating a centralised finance division, with concerns about weakened central capacity (which remains important in terms of managing the block and dealing with the Treasury) and about thinly staffed finance functions in Scottish agencies (though these might be contractorised). In summary, the Next Steps programme was considered to enjoy too much centrally derived political momentum for the Scottish Office to have resisted the establishment of executive agencies. Moreover, there was no strong inclination in Scotland to resist.

These considerations can be illuminated by classifying the executive agencies in the Scotland Programme according to the scheme developed by Dunleavy (1989a and 1989b). In the 4 x 8 matrix shown as Table 1, the rows designate the types of budget which such organisations might hold: core (when the budget is primarily running costs such as staff and property costs); bureau (where in addition to running costs there are significant transfers to the private sector or contracts let to the private sector); programme (where, in addition to the bureau budget, there are substantial transfers to other public sector bodies); and super-programme (where, in addition to the programme budget, the organisation can exercise control over the way other bureaus allocate their own resources). The columns designate eight types of bureau: delivery, regulatory, contracts, transfer, control, taxing, trading and internal services. Although some organisations might be classified to more than one cell, judgements have been exercised as to which is the most appropriate single location for each. Five of the executive agencies are easily classified to the core/delivery cell and one to the core/regulatory cell. The other three are more difficult to classify. SAAS and SOPA are both classified to the bureau/transfer cell, even though Scottish Office departments remain responsible for the programme expenditure which they disburse. As a result of its switch from vote-financed to trading-fund status from 1996–97, RoS has been moved from core/regulatory to core/trading in this
Table 1

Applying the Dunleavy Classification to Executive Agencies within the Scotland Programme

<table>
<thead>
<tr>
<th>Types of Bureau</th>
<th>Delivery</th>
<th>Regulatory</th>
<th>Contracts</th>
<th>Transfer</th>
<th>Control</th>
<th>Taxing</th>
<th>Trading</th>
<th>Internal Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>HS, SASA, SCS, SPS, SFPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>RoS</td>
<td></td>
</tr>
<tr>
<td>Bureau</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SAAS,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SOPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Super-Programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

HS = Historic Scotland; RoS = Registers of Scotland; SAAS = Student Awards Agency for Scotland; SASA = Scottish Agricultural Science Agency; SCS = Scottish Court Service; SPS = Scottish Prison Service; SFPA = Scottish Fisheries Protection Agency; SOPA = Scottish Office Pensions Agency; SRO = Scottish Record Office

Source: Classifications made by the present authors using Dunleavy’s (1989a and 1989b) expanded classification scheme.
classification. Following the Government Trading Act 1990, there has been a substantial loosening in the meaning of the term ‘trading’, which would not in the past have been extended to a body such as RoS which generates receipts from regulatory activities.

No equivalent classification has yet been made of the 48 Executive NDPBs listed under the Scottish Office entry in Cabinet Office (1995). Nevertheless, the big spenders amongst those Executive NDPBs whose contributions to the Control Total are tabulated in the Scottish Office’s (1996a, p. 184) Departmental Report would mostly fit into the programme/control and super-programme/control cells. The newly established Scottish Environmental Protection Agency has extracted pollution inspectorate functions from the core Scottish Office and absorbed the seven River Purification Boards (which were Executive NDPBs financed by local authority contributions for revenue and by Scottish Office capital allocations for capital). The choice of Executive NDPB rather than executive agency status for this new organisation, which would be classified to the bureau/regulatory cell, conforms to the pattern. On this occasion, legislative time was available for the Environment Act 1995, a major piece of UK legislation which included separate sections for Scotland.

Institutional data about the nine Scotland Programme agencies are summarised in Table 2. In terms of departmental staffing (62.2%) and of gross running costs (60.7%), executive agencies now dominate the Scotland Programme, though mainly because of the contributions (respectively, 34.3% and 33.8%) of SPS. However, they are drastically less important (1.9%) in terms of Scotland Programme expenditure. In terms of the pre-April 1996 scheme, the civil service grading of chief executives is relatively modest, with five out of nine being at Grade 5 or below. Three of the agencies (SASA, SPS and SRO) had predecessor organisations with sufficient self-identity to have been publishing separate annual reports.

**External Accountability**

Fragmentation raises an issue which is more central to the concerns of Parliament and of other external users of government financial information than to government itself. Agencification may simultaneously improve the flow of financial and performance information to external users, and deluge them with quantities of documents which are sometimes difficult to obtain and whose detailed study would be immensely time-consuming. This issue is pervasive across all parts of the public sector touched by New Public Management reforms, including the National Health Service and further education corporations. With regard to executive agencies, the Cabinet Office has commendably put substantial effort into overview documents, such as the annual Next Steps Reviews.

Where there is great difficulty is in the role of the Departmental Reports,
which are published for 19 departments in the February of each year after the public expenditure implications of the Budget have been worked through. There is a genuine dilemma about where and when information should be published. In relation to where, the Treasury’s (1996d, para. A33) ‘core requirements’ circular for 1997 Departmental Reports stressed the need to ‘avoid excessive duplication of material contained in Agencies’ published reports and accounts’, not least because of the cost (and hence price) of these documents. On the other hand, it is not easy to distinguish necessary from excessive duplication. The rationale of Departmental Reports is as accountability documents which review performance against objectives and justify forward programmes (Likierman and Taylor, 1992). The more that substantive information is omitted on the grounds that it is provided elsewhere, whether in executive agency or NDPB reports, the more disconnected Departmental Reports become from this central purpose. Consequently, some Departmental Reports have become excessively glossy in a way characteristic of public relations documents, hyping achievements whilst omitting discussion of shortcomings (even when these have been publicly aired by the National Audit Office) (Treasury Committee, 1996).

The historical origins of the Scottish Office Departmental Report — now known as Serving Scotland’s Needs — are part of the explanation for the Scottish Office’s commitment to its quality (Heald and Geaughan, 1995). From 1983, the Scottish Office had annually published its Commentary on the Scotland Programme (Scottish Office, 1983), as a way of supplementing the Scottish Office chapter in the then public expenditure White Paper. This Commentary later served both as a model for parallel developments in Wales and Northern Ireland and as an important precursor for all Departmental Reports. The Scottish Office has addressed the problem of divergent audiences by supplementing Serving Scotland’s Needs (Scottish Office, 1996a) with a brief, glossy Annual Report (Scottish Office, 1996b).

In relation to when information should be published, there is often a trade-off between early and systematic publication of public expenditure data and performance information. An excellent example is the way in which the erstwhile Autumn Statement and now the Unified Budget, which contain only highly aggregated and difficult-to-assess programme numbers, have diverted attention from the erstwhile public expenditure White Paper and now the Departmental Reports which contain the necessary information for serious public debate. Various factors reinforce this tendency, including the opportunities for news management available to government departments and the habit of Members of Parliament and of the media to claim conspiracy if numbers are held back. The consequences are unmistakable. Much of the published information, whether crude or sophisticated, receives only cursory media and political attention. The dilemma emphasised by Rutherford (1992), namely the difficulty of finding an audience for governmental financial reporting, is underlined.
### Executive Agencies within the Scotland Programme: Institutional Data

#### Within Scottish Office

<table>
<thead>
<tr>
<th>Name</th>
<th>Historic Scotland</th>
<th>Scottish Fisheries Protection Agency</th>
<th>Scottish Agricultural Science Agency</th>
<th>Scottish Office Pensions Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acronym</td>
<td>HS</td>
<td>SFPA</td>
<td>SASA</td>
<td>SOPA</td>
</tr>
<tr>
<td>Launch date</td>
<td>2/4/91</td>
<td>12/4/91</td>
<td>1/4/92</td>
<td>1/4/93</td>
</tr>
<tr>
<td>Predecessor</td>
<td>Historic Buildings and Monuments, Scotland, within the then SOEnvD</td>
<td>Various tasks of the Fisheries Group of the then SOAFD, now re-brigaded</td>
<td>Agricultural Scientific Services, within the then SOAFD</td>
<td>Scottish Office Superannuation Division of the then SOHHD</td>
</tr>
<tr>
<td>Predecessor reporting</td>
<td>None</td>
<td>None</td>
<td>annual report on ‘Agricultural Scientific Services’</td>
<td>None</td>
</tr>
<tr>
<td>Parent department</td>
<td>Scottish Office Development Department</td>
<td>Scottish Office Agriculture, Environment and Fisheries Department</td>
<td>Scottish Office Agriculture, Environment and Fisheries Department</td>
<td>Scottish Office Education and Industry Department</td>
</tr>
<tr>
<td>Cabinet Office classification</td>
<td>Service to the Public</td>
<td>Regulatory Functions</td>
<td>Research Establishments</td>
<td>Service to the Public</td>
</tr>
<tr>
<td>Dunleavy classification</td>
<td>Delivery/Core</td>
<td>Regulatory/Core</td>
<td>Delivery/Core</td>
<td>Transfer/Bureau</td>
</tr>
<tr>
<td>Free-standing comparator(s)</td>
<td>Cadw; English Heritage (NDPB)</td>
<td>None</td>
<td>None</td>
<td>NHS Pensions Agency and Teachers’ Pensions Agency (until wound up)</td>
</tr>
<tr>
<td>Pre-April 1996 Civil Service grading of Chief Executive</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>% of 1995–96 Scotland Programme staffing</td>
<td>5.6%</td>
<td>2.3%</td>
<td>1.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>% of 1995–96 Scotland Programme gross running costs</td>
<td>3.5%</td>
<td>2.8%</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>% of 1995–96 Scotland Programme expenditure</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Scottish Prison Service</th>
<th>Student Awards Agency for Scotland</th>
<th>Registers of Scotland</th>
<th>Scottish Record Office</th>
<th>Scottish Court Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPS</td>
<td>SAAS</td>
<td>RoS</td>
<td>SRO</td>
<td>SCS</td>
</tr>
</tbody>
</table>

Scottish Prison Service, within the then SOHHD
Student Awards, within the then SOED
Department of the Registers of Scotland
Scottish Record Office
various tasks of Scottish Courts Administration, now re-brigaded

annual report of Scottish Prison Service
None

None

None

None

'Annual Report of the Keeper of the Records of Scotland'
(continuing)

None

None

Scottish Courts Administration

Scottish Office
Home Department
Education and Industry Department

Service to the Public
Delivery/Core
Transfer/Bureau

Service to the Public
Trading/Core
Delivery/Core

Service to the Public
Service to the Public
Service to the Public

Delivery/Core

HM Prison Service and Northern Ireland Prison Service

None

HM Land Registry
Public Record Office and Public Record Office of Northern Ireland
Court Service and Northern Ireland Court Service

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<th>3</th>
<th>5</th>
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<tbody>
<tr>
<td>4</td>
<td>5</td>
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<tr>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

34.3% 1.2% 8.4% 1.2% 6.5%

33.8% 0.7% 7.3% 1.3% 8.9%

1.2% 0.0% n/a 0.0% 0.3%
Naturally, the annual reports of these nine executive agencies are seen as vital to their external accountability. Table 3 summarises information on their accounting bases, the financial statements presented in 1995–96 and their audit history. Care in interpretation is needed in order to distinguish between those differences due to the differential timing of transition (launch dates have ranged from 6/4/90 to 3/4/95) and those which can be expected to be enduring. An example of the former is that 1995–96 was the first year of SCS, leading to its accruals accounts not being audited that year, a situation which will be remedied in 1996–97. An example of the latter is that the full rigours of UK GAAP have not been applied to SFPA, whose Accounts Direction (dated 25 May, 1993) promoted an SSAP 10-style Statement of Source and Application of Funds rather than an FRS 1-style Cash Flow Statement (but without prohibiting the latter). There is a vintage effect here, SFPA having ‘benefited’ from what is described as an ‘Annex D exemption’ (Treasury, 1993), permitting reporting on a ‘simplified basis’ (though the accounting itself is intended to be done on a full accruals basis); at a later date, no such exemption was granted to SAAS. Another beneficiary of Annex D is SRO which continues to produce unaudited cash accounts.

Although it would be difficult to prove, it seems possible that separate organisation as an executive agency might lead to greater attention from the National Audit Office’s Value-for-Money programme than the activity would otherwise attract.

Reform of Supply

One of the practical difficulties in assessing the ‘effects’ of particular institutional or accounting changes is that so many of them have been taking place simultaneously. Evaluating the effects of the package is complicated by the need to assess how non-policy developments are also affecting outcomes and this difficulty is accentuated at the level of the individual initiative. The agencification of central government has been contemporary with a raft of other reforms. Moreover, agencification can itself be seen as a precursor to Resource Accounting, leading to a conversion from cash to accruals accounting over considerable areas of central government, though in small steps. Similarly, agencification has interacted with important reforms to the parliamentary system of Supply.

The Estimates cycle has immense constitutional significance: the idea that a government can only survive as long as it commands the consent of a majority of elected representatives of the people, which has the power to grant or deny Supply, is a foundation stone of parliamentary democracy. On a practical level, however, remarkably little attention is devoted by Parliament to the voluminous documentation generated by the Estimates process. Except as a necessary formality, the Estimates cycle has been marginalised in the post-Plowden Report (1961) era by the dominance of the Survey. There have been
successive attempts to modernise Estimates documentation, focusing upon securing greater alignment with the Survey. In July 1993, the Treasury proposed a fundamental reform to the format of the Estimates. After extensive consultation with Parliament, these proposals were fully implemented in 1996–97 (Treasury and Civil Service Committee, 1995a).

The principal changes have been as follows. First, the traditional subhead style (in which detailed lists of items of expenditure were provided) has been replaced by a matrix style, in which each Vote consists of lines (representing expenditure at a fairly aggregated level) and columns (analysing by quasi-economic categories). Second, a particular Vote can now contain lines which are cash-limited and lines which are not cash-limited. This component, which was introduced one year ahead of the main reforms, removed the necessity of having two Votes for the same activity when some expenditure was cash-limited and some was not. The consequence of these reforms has been a dramatic reduction in the size of the annual Supply Estimates volume.

The Treasury’s principal motive was to reduce running costs, in terms of printing and, more especially, in relation to the costs of running parallel databases for the Survey and the Estimates. Estimates simplification involved a massive reduction in the amount of detail presented to Parliament, with the intended trade-off being that the information would become more relevant. The then Treasury and Civil Service Committee (1995a and 1995b) secured a commitment from the Treasury that the substantial transfer of material from the Estimates to the Departmental Reports (notably, tables on long-term projects, on grants in aid and on appropriations in aid) would not thereby lose the protection from unilateral removal which Erskine May (Boulton, 1989) had afforded to material in or attached to the Estimates. Furthermore, the Treasury undertook to supply annually to the Treasury Committee its core requirements circular to departments on the compulsory content of Departmental Reports.

In consequence of these reforms, the Scotland Estimates have shrunk dramatically in size. In 1994–95, disregarding the Forestry Commission, there were 25 Votes and the total page length of the separately published Scotland Estimates was 142 (Treasury, 1994a). In contrast, the Scotland Estimates for 1996–97 contain only nine Votes and take up only 25 pages of the single Estimates volume (Treasury, 1996b). Agencification leads to more aggregated figures being voted in the Estimates but this has been only one factor, with the running costs system and Estimates simplification probably ranking as more important.

Table 4 summarises relevant information pertaining to the nine agencies in the Scotland Programme on the basis of financial control and on their Estimates history from 1994–95 to 1996–97. The 1996–97 Estimates contain only summary data for each of the eight Scotland on-Vote executive agencies. In 1996–97, HS was not separately identified within Class XIII, Vote 2, Line B (Other environmental services). In 1994–95, it had been a separate section
### Table 3

Executive Agencies within the Scotland Programme: Accounting and Auditing

<table>
<thead>
<tr>
<th>Name</th>
<th>Historic Scotland</th>
<th>Scottish Fisheries Protection Agency</th>
<th>Scottish Agricultural Science Agency</th>
<th>Scottish Office Pensions Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acronym</td>
<td>HS</td>
<td>SPFA</td>
<td>SASA</td>
<td>SOPA</td>
</tr>
<tr>
<td><strong>Accounting Basis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Accounts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995–96</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income &amp; Expenditure Statement</td>
<td>Yes</td>
<td>described as ‘Expenditure Account’</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td>Yes</td>
<td>SSAP/9-style Source and Application of Funds (but described as ‘Cash Flow Reconciliation Statement’)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Statement of Total Recognised Gains and Losses</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Audit History</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit certificate on agency account</td>
<td>true and fair view since 1993–94</td>
<td>presents fairly since 1992–93</td>
<td>true and fair view since 1993–94 (NAO audit contracted out to Deloitte Touche)</td>
<td>true and fair view since 1995–96</td>
</tr>
<tr>
<td>Audit qualifications</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>National Audit Office VFM reports</td>
<td>HC 430 of Session 1994–95</td>
<td>HC 28 of Session 1995–96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Accounts Committee reports</td>
<td>HC 233 of Session 1995–96</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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## Outside Scottish Office

<table>
<thead>
<tr>
<th>Scottish Prison Service</th>
<th>Student Awards Agency for Scotland</th>
<th>Registers of Scotland</th>
<th>Scottish Record Office</th>
<th>Scottish Court Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>described as 'Agency Operating Statement'</td>
<td>Yes</td>
<td>Yes</td>
<td>Operating Statement</td>
</tr>
<tr>
<td></td>
<td>true and fair view since 1995–96</td>
<td>true and fair view since 1992–93</td>
<td>true and fair view since 1992–93</td>
<td>unaudited in all years unaudited in 1995–96</td>
</tr>
<tr>
<td></td>
<td>unaudited in all years unaudited in 1995–96</td>
<td>None</td>
<td>None</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>HC 330 of Session 1993–94</td>
<td></td>
<td></td>
<td>HC 119 of Session 1994–95 (referring to pre-agency period)</td>
</tr>
<tr>
<td></td>
<td>HC 301 of Session 1994–95</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
with three subheads (Class XIV, Vote 7, Section B). The two SOAEFD agencies (SFPA and SASA) were amalgamated in 1996–97 into a single line on Class XIII, Vote 1, having previously had their own Sections. In 1996–97, SAAS and SOPA were each shown as a separate line on Class XIII, Vote 3, though these lines relate solely to running costs and not to programme expenditures which are included on other lines of this Vote. In the two preceding years, both were separate Sections of different Votes. In 1996–97, SPS was shown as a separate line in Class XIII, Vote 5, having previously had a separate Section. Turning to the agencies outside the Scottish Office, SRO, as a separate department, has in 1996–97 kept its own Vote (Class XIII, Vote 8). Within the 1996–97 Vote for Scottish Courts Administration (Class XIII, Vote 9), there are two lines (A: administration, and B: operational) for SCS. In earlier years, what now constitutes SCS was not separately identified. Until 1995–96, RoS had its own Vote (1995–96, Class XIV, Vote 21) (Treasury, 1995a). Having become a trading fund at the beginning of 1996–97, it is now controlled through the EFL system. However, all the component elements as well as the aggregate EFL are zero, so that there is no mention at all of RoS in the 1996–97 Estimates.5

One of the predictable difficulties is in disentangling the effects of agencification, as distinct from Estimates simplification and the impact of financial control mechanisms, such as running costs control, on the detailed content of the Estimates. Cumulatively, however, the 1996–97 picture of highly summarised information contrasts markedly with the pre-agencification, pre-Estimates simplification period, when most activities which have now been agencified were the subject of extensive coverage in the Scotland Estimates. Taking the Scotland Estimates 1989–90 (Treasury, 1989), there were, for example, separate subheads for current and capital expenditure on ‘agricultural scientific services’ (Class XVI, Vote 2, subheads A6 and A7), and Prisons had a section (Class XVI, Vote 14, Section C), with three subheads and an appropriations in aid subhead, and supported by a long-term capital projects table. Student awards was a separate Vote (Class XVI, Vote 16). There were separate Votes for teachers’ superannuation (Class XVI, Vote 24) and NHS superannuation (Class XVI, Vote 25). There were also separate Votes for the Scottish Courts Administration, the Scottish Record Office and the Department of the Registers of Scotland (Class XVI, Votes 13, 18 and 20, respectively).

Resource Accounting and Budgeting

One aspect of agencification with long-term significance is that the switch to accruals accounting for substantial parts of departments afforded advance experience of what Resource Accounting would involve, thereby making the prospect less forbidding. There was some early speculation that DRAs might adopt a columnar format, separately stating figures for executive agencies and

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for core departments. It was perhaps inevitable that this idea would be dropped, given the large number of executive agencies parented by some departments. As shown in Table 4, all of the Scottish Office executive agencies fall within the departmental boundary. However, there will be separate DRAs for SRO (where the executive agency is itself a department); for Scottish Courts Administration (within which SCS will be the dominant part); and for the General Register Office. However, RoS, which would have had its own DRA if it had not become a trading fund, is entirely excluded. The distinction between the Scottish Office and other parts of the Secretary of State’s command leads to there being four DRAs rather than one (Treasury, 1996c, p. 21). In terms of public understanding of accruals-based government financial reporting, such untidiness is regrettable. Moreover, the fact that executive agencies audited on a true and fair view will be consolidated into the DRA(s) of the Scotland Programme lends additional support to the National Audit Office’s (1996, paras. 2.11–12) argument that DRAs should themselves be audited on a true and fair view basis rather than on the proposed ‘presents fairly’ basis.

ISSUES

The research findings reported raise three sets of issues about agencification and the machinery of government in Scotland. First, most of the wider literature which has developed in response to Next Steps has been implicitly conceived in relation to functional departments. A reading of the public administration literature reveals a sharp polarisation between the reformers (mostly serving civil servants) and the academic public administrators who have monitored developments. The main objective of the former (e.g. Kemp, 1988) has been to ‘sell’ the policy, an imperative rendered more acute by scepticism in high places (e.g. on the part of Sir Robin Butler, Cabinet Secretary since 1988, and Nigel Lawson, Chancellor of the Exchequer, 1983–89). The views of the academic public administration community can reasonably be described as hostile: it is this group (e.g. Jordan, 1994) which has claimed that opportunities for accountability avoidance and blame deflection are inherent in the Next Steps programme. When viewed in relation to the executive agencies in the Scotland Programme, both the evangelical rhetoric supporting agencification and the academic criticism seem extravagant.

However, there are two points raised by that literature which have some resonance, one because its resolution in Scotland can readily be explained and the other because it is undoubtedly relevant. Both these points are anticipated in the account of the evolution of Next Steps in Lawson’s (1993) memoirs:

. . . it was clear that Ibbs [then the Head of the Prime Minister’s Efficiency Unit] had not addressed either of the two principal problems involved in a change of this kind, however attractive the concept may have been. The first was the question of
parliamentary accountability . . . but even when this was solved there remained the second problem, that of maintaining effective control of the agencies’ expenditure, in which Ibbs showed no interest . . . a long battle ensued, resulting in a lengthy concordat negotiated by Peter Middleton on behalf of the Treasury and Robin Butler on behalf of Number 10 . . . The main practical advantage I see is that by creating accounts, boards of directors and saleable assets, future privatisation may prove less difficult (p. 393).

Table 4
Executive Agencies within the Scotland Programme: Financial Control and Estimates History

<table>
<thead>
<tr>
<th>Name</th>
<th>Historic Scotland</th>
<th>Scottish Fisheries Protection Agency</th>
<th>Scottish Agricultural Science Agency</th>
<th>Scottish Office Pensions Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acronym</td>
<td>HS</td>
<td>SFPA</td>
<td>SASA</td>
<td>SOPA</td>
</tr>
</tbody>
</table>

*Financial Control*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>gross running costs</strong></td>
<td>until 1996–97</td>
<td>in every year</td>
<td>in every year</td>
</tr>
<tr>
<td><strong>net running costs</strong></td>
<td>from 1997–98</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>trading fund</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

*Estimates History*

<table>
<thead>
<tr>
<th>1994–95</th>
<th>Section B of Class XIV, Vote 7</th>
<th>Section J of Class XIV, Vote 2</th>
<th>Section C of Class XIV, Vote 2</th>
<th>Section F of Class XIV, Vote 12; SOPA also accounted for Class XIV, Votes 15 and 16 (programme expenditure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995–96</td>
<td>Section B of Class XIV, Vote 5</td>
<td>Section N of Class XIV, Vote 1</td>
<td>Section I of Class XIV, Vote 1</td>
<td>Section F of Class XIV, Vote 10; SOPA also accounted for Class XIV, Votes 13 and 14 (programme expenditure)</td>
</tr>
<tr>
<td>1996–97</td>
<td>not separately identified within Line B, Class XIII, Vote 2</td>
<td>combined with running costs and capital are Line F, Class XIII, Vote 3; programme expenditure (on lines J and K, Class XIII, Vote 3) is the responsibility of SOEID</td>
<td>combined with SFPA SASA as Line E, Class XIII, Vote 1</td>
<td>—</td>
</tr>
</tbody>
</table>

*Treatment in Departmental Resource Accounts*

<table>
<thead>
<tr>
<th>1994–95</th>
<th>consolidated in Scottish Office DRA</th>
<th>consolidated in Scottish Office DRA</th>
<th>consolidated in Scottish Office DRA</th>
<th>consolidated in Scottish Office DRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995–96</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1996–97</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
The extent of the Treasury’s nervousness about the potential threat to aggregate expenditure control has received considerable attention (Thain and Wright, 1995). Given the nature of agencified activities in Scotland and the highly centralised management of finance developed in support of the block arrangements, this danger seems remote. However, Lawson’s observation that

<table>
<thead>
<tr>
<th>Scottish Prison Service</th>
<th>Student Awards Agency for Scotland</th>
<th>Registers of Scotland</th>
<th>Scottish Record Office</th>
<th>Scottish Court Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPS</td>
<td>SAAS</td>
<td>RoS</td>
<td>SRO</td>
<td>SCS</td>
</tr>
<tr>
<td>in every year</td>
<td>in every year</td>
<td>—</td>
<td>in every year</td>
<td>in every year</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>until 1995–96</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>from 1996–97</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Section C of Class XIV, Vote 12</td>
<td>Section K of Class XIV, Vote 17; SAAS also accounted for programme expenditure on Class XIV, Vote 18</td>
<td>a separate Vote, Class XIV, Vote 24</td>
<td>a separate Vote, Class XIV, Vote 22</td>
<td>not separately identified, but included within Class XIV, Vote 19</td>
</tr>
<tr>
<td>Section C of Class XIV, Vote 10</td>
<td>Section K of Class XIV, Vote 15; SAAS also accounted for Class XIV, Vote 16 (programme expenditure)</td>
<td>a separate Vote, Class XIV, Vote 21</td>
<td>a separate Vote, Class XIV, Vote 19</td>
<td>Sections A and B of Class XIV, Vote 17</td>
</tr>
<tr>
<td>Line F, Class XIII, Vote 5</td>
<td>running costs, other current and capital are Line D, Class XIII, Vote 3; programme expenditure (on Line B, Class XIII, Vote 3) is the responsibility of SOEID</td>
<td>now a trading fund</td>
<td>a separate Vote, Class XIII, Vote 8</td>
<td>Lines A and B of Class XIII, Vote 9</td>
</tr>
<tr>
<td>consolidated in Scottish Office DRA</td>
<td>consolidated in Scottish Office DRA</td>
<td>outside boundary of Resource Accounting</td>
<td>own DRA</td>
<td>consolidated into the DRA of its much smaller parent</td>
</tr>
</tbody>
</table>
the Next Steps programme would facilitate future privatisation is highly relevant. Jordan (1994, p. 151) remarked upon how the ‘advocates of radical change’ (as those promoting agencification saw themselves) were ‘outradicalised’ by the way in which the Competing for Quality programme (Cabinet Office, 1996b) reinvigorated contracting out. There are obvious tensions between the rhetoric of Next Steps (letting agency chief executives manage) and central initiatives such as Competing for Quality (enforcing market-testing programmes). Restructuring as an agency, especially so late in the Next Steps programme, resolves comparatively little uncertainty about the future organisation of particular activities.

Second, the crucial issues in Scotland are less about the management of executive agencies than about the sustainability of the system as a whole. Parry’s (1987) interpretative essay on the evolution of the Scottish Office highlighted the mechanisms through which centralised control was established over erstwhile separate Scottish departments. Barberis’s (1995, p. 103) attention to the implications of ‘long term shrinkage in the core’ is particularly apposite to territorial departments. The capabilities of the core Scottish Office may have been threatened by UK-wide downsizing initiatives such as Fundamental Expenditure Reviews which focus rather narrowly upon running costs. The protection of such capabilities is vital because of their importance both for Scottish Office/Treasury relationships and for co-ordination of the network of organisations belonging to the Scotland Programme family.

At the Scottish Affairs Committee’s evidence session with the Secretary of State for Scotland (Michael Forsyth) on 13 December, 1995, the former Scottish Office minister, Allan Stewart MP, raised this question in the context of ‘downsizing’:

... is there not a danger for the Scottish Office that does not really apply to the same extent to Whitehall departments in downsizing, in that the Scottish Office has to cover such a wide range of policy areas, unlike the average Whitehall department? Could there not be a critical mass below which you could not go in certain areas, and which might affect the quality of the policy advice that was coming to ministers? (Scottish Affairs Committee, 1996, Q. 119).

Although the Secretary of State chose to answer that question with specific reference to ministerial private offices, it has a wider application. The streamlining of the Scottish Office might diminish its capacity to deal with Scotland differently, rather than just follow initiatives developed by the functional Whitehall department. Moreover, the maintenance of critical mass within a multi-functional territorial department urges caution about the extent to which fragmentation ought to be pursued. Without such a capacity to customise in either substance or presentation, the existing differentiated administration might well be challenged. There is an additional territorial dimension to the ‘hollowing out’ of the state (Rhodes, 1994).

Moreover, agencification will render much more explicit than hitherto the
extent to which the territorial management of the three smaller countries within the United Kingdom has split particular functions into ‘duplicative’ bodies. History, rather than conscious decisions about organisational design or rationale, has played a powerful role. Undoubtedly, some of the continuing distinctiveness of the government of Scotland and Northern Ireland (possibly less so of Wales which was far more closely integrated into the English administrative system) revolves around particular differences and organisational structures. For the pensions of public employees, Cabinet Office (1996a) lists NHS Pensions Agency (Department of Health), SOPA (Scottish Office) and Teachers’ Pensions Agency (Department for Education and Employment). For the care of historic buildings, there are Cadw (Welsh Office), HS (Scottish Office) and Historic Royal Palaces Agency (Department of National Heritage), as well as English Heritage which is an Executive NDPB sponsored by the Department of National Heritage. Greater explicitness might lead to questioning of such arrangements, especially where fragmentation has resulted in small organisations of questionable viability.7 This point has also been raised by Parry (1993):

A related problem is that of running government at arm’s length in a small polity. It is a curiosity of British government that the non-English nations, with their richness of tradition and culture, are very small in population and economic terms (17 per cent of the population, 15 per cent of economic activity). They require a greater number of government institutions relative to population than does England, which causes problems of control and recruitment . . . (pp. 44–45). Implicit in most discussion about the Scottish Office is that it serves as one of the guardians of Scottish civil society; as David McCrone (1992, p. 23) puts it, ‘the expression of a complex network of social organisations’ (p. 46).

There are obvious parallels in the continued ‘illogically’ separate Scottish organisation of professions such as accountants, actuaries, bankers, physicians and surgeons. The paradox is that individually insignificant differentiations (which may sometimes be costly in resource and/or functional effectiveness terms) have proved cumulatively significant, partly functioning as emblems but also as genuine carriers of cultural and political distinctiveness (MacCormick, 1996).

Third, clear though unexpected differences have emerged between how the Next Steps programme has affected the Scotland, Wales and Northern Ireland Programme ‘families of organisations’. The main conclusion of the present research on Scotland is that agencification is somewhat marginal to territorial management. The common framework of the Barnett formula and expenditure-switching discretion suggests that this conclusion might also apply to Wales and Northern Ireland.8 Indeed, they all shared a leisurely approach to agencification. At 31 December, 1990, out of 30 executive agencies, the only two relating to the territorial programmes were RoS and Training and Employment Agency (NI). At 31 December, 1995, however, 24 out of 109 executive agencies (22%) were parented by the territorial
departments. If all the ‘confirmed candidates’ listed in Cabinet Office (1996a) had gone ahead, that proportion would have risen to 49 out of 166 (30%). The most spectacular expansion was projected for Northern Ireland (which would then have had 38), in contrast to Wales where Cadw, established in 1991, remains an isolated case.

The weight to be attached to alternative explanations of these unexpectedly diverse developments remains to be fully explored. In the case of Northern Ireland, the continuing provisions of the Government of Ireland Act 1920 have prevented administrative integration into Great Britain, an inhibition reinforced by the way in which any such steps would be interpreted politically. The most likely explanation is that, whilst implementation has lagged, the breadth of functional responsibility of the Northern Ireland departments is now spawning multiple candidates for agency status (Mayhew, 1996; and Spence, 1996). In the case of Wales, a shortage of candidates appears to be the dominant factor. Extensive use has been made in Wales of NDPBs and, in the cases of eight of the nine agencies within the Scotland Programme, the Welsh Office does not have comparable functions, these being undertaken either by Whitehall departments or agencies on an England and Wales basis or by local authorities.

CONCLUSIONS

Fresh insights into the Next Steps executive agencies programme have been derived from this study of those agencies falling within the Scotland Programme. Whilst the expected importance of the territorial block arrangements has been confirmed, an unexpected result has been how developments in Scotland and Northern Ireland (where agencification has been absorbed) have diverged from those in Wales (where agencification has been limited).

A number of specific conclusions have been drawn. First, now that the executive agencies programme is reaching full implementation, there is an obvious need to inject more uniformity into the system, removing the effects of accidents of timing upon accounting and auditing arrangements (see Table 3). Even though this may cause workload problems for the Treasury, there is a powerful case for harmonising the Accounts Directions under which the agencies in the Scotland Programme now report. Fortunately, when operational from 1999–2000, the Resource Accounting Reference Manual will cover departments and on-Vote agencies, thus removing the necessity for individual Accounts Directions. Second, subjecting governmental organisations to UK GAAP — as a direct consequence of both agencification and Resource Accounting — will challenge the imprecision characteristic of UK machinery of government. Defining the reporting entity will be a significant task, and it has been argued in this article that there should be only

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one DRA for the Scotland Programme. More generally, greater attention should be given to criteria for consolidation across the general government sector. Third, when Resource Accounting is implemented, the annual reports and accounts of executive agencies should continue to be published, as should the accounts of the parent department. It is necessary to emphasise this point because of the wording of Treasury (1996c, p. 10, para 1.1) which stated that parent and agency ‘… may also each produce and publish their own annual report and accounts’ (italics added). Fourth, accounting reform is playing a significant role in the restructuring of UK central government, a situation occasioning both opportunities (e.g. more user-relevant information) and risks (e.g. a plethora of new reports and accounts aggravates document overload, whilst traditional detail — potentially useful as a key for extracting relevant information — disappears). At such a time of change, research on the practical effects of new accounting and reporting arrangements has the potential to improve practice.

NOTES

1 One of the complexities is that the extent of administrative devolution to the Scottish and Welsh Offices and to the Northern Ireland Departments/Office means that so-called ‘Whitehall’ departments often combine expenditure responsibilities for England, limited expenditure responsibilities over either Great Britain or the United Kingdom, and UK-wide policy leadership.

2 In the case of one (SASA) of the nine executive agencies in the Scotland Programme, the audit has been sub-contracted to Deloitte Touche. Following customary practice, the audit certificate for the 1995–96 accounts was signed by the Comptroller and Auditor General who wrote about the audit in the first person, without reference to this sub-contracting arrangement (Scottish Agricultural Science Agency, 1996).

3 The Barnett formula was first applied in the early 1980s, though its development was stimulated by the expectation that devolved Assemblies would be established in Scotland and Wales at the end of the 1970s. The original proportions (10/85ths of the English change for Scotland; 5/85ths of the English change for Wales; and 2.75% of the GB change for Northern Ireland) were based on rounded 1976 populations. The formula was recalibrated in 1992 after the 1991 Census results became available.


5 If this situation were to change during the year — for example, due to adverse trading conditions — and RoS were to require funding, a Supplementary Estimate would have to amend the ambit of one of the Scottish Office Votes.

6 Personalities seem to have exercised a considerable impact. The lack of enthusiasm of Michael Heseltine, Deputy Prime Minister since 1995, for Next Steps and his firm conviction that there should be the maximum possible transfer of activities to the private sector (e.g. by means of strategic contracting out), is openly discussed.

7 This discussion emphasises the role which territoriality has played. However, some qualification is necessary because no agencies have been created out of activities which straddled UK departmental boundaries. Inertia originating in existing structural forms and the compartmentalisation of initiatives is probably also relevant to why there has only been one case (Employment Service) of agencification affecting the department/NDPB boundary.

8 One distinction which might be important, however, is that responsibility for social security in Northern Ireland is exercised by the Social Security Agency (Northern Ireland) and the Northern Ireland Child Support Agency. On the mainland, this responsibility is exercised by executive agencies which cover Great Britain.

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9 The actual number of Northern Ireland executive agencies in November 1996 was 24, with nine announced candidates not then having cleared the 'prior options' study process.

10 Neither trading funds nor NDPBs, both outside the departmental boundary, will be covered by the Resource Accounting Reference Manual, thereby requiring separate attention.

REFERENCES


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