

## **QUANGOS AND THE STRUCTURE OF THE PUBLIC SECTOR IN SCOTLAND**

The concept of the 'quango' is one of the most confusing and unhelpful in public policy studies, but for Scotland it is a vital link between the pre- and post-devolutionary systems. In the absence of a devolved legislature, appointed public bodies were a way of suggesting that policies were determined and implemented in a 'home-grown' way. Under the Scottish Parliament, their existence raises questions about the place of formal ministerial and parliamentary mechanisms in securing accountability for devolved functions.

The scale of the quango apparatus responsible to the Scottish Executive is well known. Statutory bodies set for devolution were listed in annex A of the White Paper **Scotland's Parliament**. The latest inventory, in **Public Bodies 1998** (Cabinet Office 1998) lists three nationalised industries, three public corporations, 36 executive and 30 advisory bodies, three tribunals, 68 NHS bodies, and a penumbra of 'local public spending bodies' - 37 post-school educational institutions, 22 local enterprise companies and 259 housing associations spending public money from a legal status outside the public sector. The quango universe encompasses a range of organisations that may or may not be well run and deliver

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services effectively. In itself, institutional status is no guarantee of success nor predictor of failure. What is significant is the load on government of monitoring these bodies, and the convenient but slightly illicit political distancing afforded to officials and politicians by their detachment from the conventional democratic accountability of central or local government. As Greer and Hoggett state in a recent study of some of these bodies in England

no doubt subliminally aware of the lack of democratic legitimacy of so many of these bodies, central government has been caught between the impulse to liberate such organisations to act strategically within the market on the one hand and the desire to keep in place a watchful eye and an interfering hand to manage the ambiguous territory between enterprise and impropriety on the other.  
(Greer and Hoggett 1999, p.254).

The administration of quangos has developed a much more codified structure in recent years. A system of five-yearly reviews determines whether they are necessary and what their financial arrangements should be if they are. From 1995 a Commissioner for Public Appointments (Sir Len Peach) and a Code of Practice for Public Appointments Procedures were put in place, arrangements taken over by the Scottish Executive, whose Ministerial Code (August 1999) endorses the principles in the code - ministerial responsibility, merit, independent scrutiny, equal opportunities, probity, openness and transparency, and proportionality - but leaves ambiguous the political processes surrounding appointments. The First Minister and Deputy First Minister need only be consulted about chairs of bodies, but they 'must also be consulted about any appointment which is likely to have political significance. Ministers should take a wide view of what constitutes political significance' (Scottish Executive 1999, para 4.11). The early months of the Scottish Executive have been frustrating for many, because the *raison d'être* of devolution has been to change the quality and nature of policy output, and yet

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the early decisions have had to be about institution-building and the definition of public sector structures. The structure of the Scottish Executive might be described as 'ministers without ministries'. The eleven ministers (and their unexpectedly numerous junior ministers) have titles which express an interest in innovative approaches to business going some way in the direction of 'holistic', problem-centred government. But the subdivisions of the government machine have changed less. The old Scottish Office Education and Industry Department has been divided, as was announced before the election, though the demarcation between Education and Enterprise and Lifelong Learning is different and less clear-cut. But the Development Department has been retained intact, encompassing the responsibilities of Wendy Alexander and Sarah Boyack, with the latter's environmental responsibilities still located in the Rural Affairs Department (formerly Agriculture, Environment and Fisheries). The Social Work Services Group has been broken up rather messily between three departments (Justice, Health and Education). An understandable fear that the executive would fragment into Whitehall-style baronies has promoted a continuity of structure with the Scottish Office as opposed to a distinctive institution-building by the devolved government. This contrasts with the way that John Reid has sought quite rationally to make his 'Scotland Office' into an effective government presence rather than the minimal support staff for the Secretary of State previously envisaged. The new ministers are competing for legitimacy and prominence in a crowded governmental space in which the United Kingdom Government and Scottish local government also have a role. The legislature has been allowed to call itself a Parliament rather than an Assembly; the executive devolved branch has been denied the title of Government and has decided to use title Scottish Executive (under the Scotland Act, strictly the ministers and law officers themselves) as a brand name. They have

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retained the same corporate design image as the old Scottish Office, dropping the definite article so that 'Scottish Executive' fits the same space as 'The Scottish Office'. This may seem like triviality, and in practice few apart from public administration aficionados have seemed interested in the administrative design of the Executive. But what is clear is that Donald Dewar's team have been rather cautious and parsimonious in their approach to public business. Empire-building and image-building have been eschewed. The danger is one of seeming reactive, vulnerable to events and reluctant to promote itself as the government of Scotland.

This has been reinforced by the statements of new ministers that they wish to pause before launching into reshaping the public sphere under their command. Local government has been sidetracked into the McIntosh Commission, with a focus on styles of decision-making rather than on boundaries and responsibilities. The instinct of new ministers faced with an established quango in their field has been to pause and reassure their clients. In particular, Rhona Brankin reaffirmed the role of Scottish Arts Council, while appointing five cultural leaders to form a 'National Cultural Strategy' (**The Scotsman** 9 June 1999); and Susan Deacon made it clear that no structural reforms of the NHS were planned (**The Scotsman** 28 June 1999). A possible contrast is in housing, where Wendy Alexander's first speech on the subject, to the Scottish Federation of Housing associations on 11 June, emphasised partnership and community involvement but did not mention Scottish Homes; here it is noteworthy that the corresponding agency in Wales, Tai Cymru, has been absorbed into the civil service staff of the National Assembly. Quango-culling did not feature in the Executive's initial legislative programme announced on 15 June, and it was only after protests that ministers assured local authorities that the constraints to be

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imposed by the Local Government (Ethical Standards) Bill would apply to quango appointees as well.

But quangos remain a potent political issue which featured in the election campaign. The SNP's call in February 1999 for a 'cull' of quangos is a resurgence of a long history of concern about the anti-democratic potential of the issue, which goes back at least to the 1970s. The manifestos of all but the Labour Party had an anti-quango tinge, with Scottish Homes, the Scottish Sports Council and the Scottish Arts Council attracting particular concern. Typically, Scottish Labour's manifesto was silent on quangos as on all else about the structure of government, its one innovation being to call for a Scottish Drug Enforcement Agency, of unspecified status. After the election, quango-bashing returned, especially in the form of the concern by local government that any ethical or procedural standards imposed on them should also extend to quangos. The appointments of former civil servant Harold Mills as chairman of Caledonian MacBrayne and former Labour MEP Ken Collins as chairman of the Scottish Environmental Protection Agency in July 1999 raised familiar headlines about 'cronyism'. Before classifying quangos in the post-devolution system of government, we should pause to try to understand the reason why they can raise this distaste.

Lying behind the concern is fear of the concept of the sinecure - a position drawing a salary for ill-defined duties in which the executive action is taken by someone else. Sinecures are the prime currency of political patronage, and the existence of non-executive boards at the head of many quangos can inspire concern, especially in a political system as small as Scotland's. But there is a contrasting view of such appointments as an under-rewarded channel of access to busy people who are prepared to advise government. The evaluative balance between these two views is a fine one. Many quango positions receive no remuneration other than expenses, and remunerated posts like

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part-time members of NHS Trusts might receive only a few thousands. For chairing positions receiving the approximation of a salary (like those at the chairs of Water Authorities), the position is more difficult. One advantage of better personnel management in the public sector in recent years has been to emphasise the importance of accurate specifications of the requirements of these non-executive jobs, and the need to refute suggestions that they are retirement homes for the party faithful. Quango structures have been influenced in recent years by theories of 'corporate governance' in the private sector. Many of the same problems of sinecure were evident in boards of directors in private business; the body charged with controlling the management on behalf of shareholders too often became captured by the executives, especially a strong chief executive personality. One way out of this was to make chief executives the accountable leader of the firm as an executive chairman. The dangers of this became evident in the 1980s, the most notorious example having a Scottish connection when Ernest Saunders manoeuvred himself into the chairmanship of the merged Guinness and Distillers' Company at the expense of Sir Thomas Risk.

The Cadbury report of 1992 into the Financial Aspects of Corporate Governance set out the currently preferred private sector model of a non-executive chair balancing the chief executive, and of a board pro-active in matters like audit and remuneration. The report has influenced public sector, and especially NHS, thinking on qualities desirable in a board member (Ferlie, Ashburner, Fitzgerald and Pettigrew 1996, ch.5-6). The motif of 'shareholder value' has put executives on the defensive and placed pressure on the non-executive chair role which is now far from honorific. We can observe this balance in major Scottish financial institutions. The supply of 'great and good' figures able to play this role is limited because of the mix of managerial, financial and political qualities

required. Public sector quangos are fishing in the same pool, and eventually the search for acceptable actors becomes self-defeating - the talent is stretched too thinly.

### **THE MOTIVES FOR USING QUANGOS**

The normal application of the term 'quango' to a range of appointed bodies in the public sector has confused the original meaning of the term as a body outside the public sector but adopted as a chosen instrument of public policy. The acronym derived from 'quasi non-governmental organisations' which were legally within the private and the voluntary sector. As such it was a useful means of analysing the extension of public policy beyond the formal organisation of government. But when, in order to preserve the acronym, the term became distorted into quasi national government organisations embracing many organisations within the public sector it lost much of its value. A conceptual breakthrough in the opposite direction came in 1996 when the second report of the Nolan Committee on Standards in Public Life denominated non-public organisations which were not elected nor appointed by government but received most of their money from it as 'local public spending bodies' whose handling of public funds was more significant than their legal status (Nolan Report 1996).

Academic comment on quangos has been negative in tone (for the latest review see Flinders and Smith eds (1999)). A major contribution came from Stuart Weir and David Beetham, whose **Political Power and Democratic Control in Britain** (1998) provided the most cogent and best-researched critique of the quango state in Britain. Although their account always seems to be accompanied by the beat of sinister music, it does highlight the lack of any structure of accountability to quango activities:

as they are by definition adaptable and easily established, quangos allow central government fairly easily to set up mechanisms outside existing structures and relatively free from political opposition and formal checks

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in order to meet its political needs and carry out its policies. They are in this sense the flexible friends of central government. The creation of new hierarchies of control in school and further education shows how quickly this political scaffolding can be rigged up.

(Weir and Beetham 1998, pp.203-4)

This 'political scaffolding' has been of particular use in a nation like Scotland with a devolved administration but not a devolved legislature (and it has been of even more use in Wales, where linguistic and cultural issues arise). As Weir and Beetham point out, the impetus behind quangos lies in their convenience and speed. They operate at the input rather than outcome end of the policy process, in the area of institutional design and formation with which the civil service is so comfortable. Quangos have been so attractive because they meet the needs of a range of motives:

The classic rationale is that the allocation of funds in certain areas by ministers advised by civil servants would be unacceptable, as would the reservation of all decisions to specialist managers. The interposition of informed but impartial public representatives is seen as a check to both these dangers.

Quangos enable non-political elites to be incorporated in the governmental system. A political allegiance is not a bar to appointment, and may indeed be a reason for it, but it needs to be balanced by a pool of non-partisan choices. A particular type of quango personality emerges, and the smaller the governmental system the more problematical the choice is. 'Twofers' or 'threefers' (for the price of one) are especially valued when they can represent more than one underrepresented category on variables like gender, age, ethnicity, geography and disability. Co-option has also been a potent force for centralising education, health and social work, as prominent professionals are brought together in advisory bodies or working parties.

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The important shift under the Conservatives was away from representativeness and to personal expertise. This is a 'Cadbury' theme and has led to a job profile for a quango members, sometimes called the 'new magistracy' - experience in the finances of a public or private organisation, communication skills, political affiliations that are discreet enough not to seem a sole motive for appointment. The desire to expand the pool of candidates and not overburden attractive appointees has led to greater use of advertisement and self-nomination. Inevitably there remains a sense that in fields like this self-promotion is a disqualification, and that credentials as a public representative can only be endorsed by others. This brings us into the mysterious world of the 'great and the good' in which reputations are traded and business transacted. The scale of Scottish government increases the intimacy of these processes, which seem to become almost tangible in the hospitality suites of Murrayfield during rugby internationals or the Usher Hall during Edinburgh Festival concerts. The processes are most helpfully understood as setting the balance between the supply of and the demand for appointees; and the biggest theme has been the weakness of supply of candidates with the skills necessary to play the roles the system allots to them.

A quango can be an instant 'brand', symbolising concern with an issue. The name alone of a quango can present a 'modernised' denomination of issues and ways of addressing them - enterprise, heritage, qualifications, standards. Quangos can also have a countervailing function, correcting biases in the system against service users, long-term results, or safety concerns. Quangos can allow the changing public agenda to be institutionalised, and as such are attractive to new or modernising administrations.

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But above all quangos are an aspect of changing central-local relations. In Scotland, some quangos have a representative or advisory role for the whole nation, but the big spenders delineate a territorial network. Almost all of them represent a decision to withdraw a function from local government or not to entrust a new one to it. The list is familiar - hospitals, energy and social assistance under the Attlee government, student grants in 1962, public health in 1975, further education in 1991, and water and children's hearings in 1996 as a consequence of the abolition of the regional councils. Most galling have been the existence of bodies nearly contiguous with many authorities (health boards and local enterprise companies) and the channelling of housing and industrial development money through quango networks running parallel with local government's own.

Under the Conservative government, quangos, and especially local public spending bodies, became an alternative territorial system to the local authorities whose political affiliation in Scotland moved completely away from the party. Funding was channelled into the category of titularly non-public agencies - the grant-maintained school (whose Scottish variant never took off), the housing association (a long-standing voluntary/commercial form) and the local enterprise company (an 'employer-led' mobiliser of local business elites).

Local government's fate in these changes has been caused by a perceived lack of capacity and lack of legitimacy. The first is evident as a consequence of the 1996 reorganisation, but even when the regions were formed in 1975 and pro-localist rhetoric was strong the drift of money and power to the centre was evident. The opting-out mechanisms of Conservative social policy further undermined the claims of local government for the lead role in policy provision in their areas. It is natural that policy prescriptions for quangos often take the form of calls for

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return of responsibility to local government. Typical of this is the John Wheatley Centre's **Quangos: Policy Proposals for a Scottish Parliament** (1996), which proposed the transfer of primary health care and LEC functions to local authorities (along with the absorption of arts and housing quangos into central government). The problem is that the present fiscal and political base of local government is too weak to support new functions or reassume those it has lost, especially in the face of the all-Scotland responsibilities of the Parliament and the Executive.

**TYPES OF QUANGOS IN SCOTLAND**

Organisations now described as quangos within the responsibility of the Scottish Executive include:

These are trading bodies with financial autonomy and balance sheets, but without shares, with a board appointed by the government. This was the form used for nationalised industries, and in its time the Scottish Office had responsibility for energy and transport undertakings. There are now very few nationalised industries at all, and only two - Caledonian MacBrayne and Highlands and Islands Airports - are responsible to the Scottish Executive. But the concept has been given a new lease of life by NHS Trusts, set up by the NHS reorganisation of 1991 which applied uniformly in England and Scotland. The Trusts were required to seek a rate of return on their assets and bring in business from the 15 appointed Health Boards. This concept was a comfortable one for the Conservative government, but in the NHS context it was artificial. The Trusts lacked the flexibility over pricing and supply necessary for a fully market-driven mode of operation. The quango format was also unsatisfactory. Trusts boards became a mix of executive and non-executive directors. With so many Trusts and Boards (nearly 60 bodies)

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the volume of appointments was large. In the end, administrative capacity as well as political propriety led to the appointment of a Health Appointments Advisory Committee chaired by Norman Irons, SNP former Lord Provost of Edinburgh, which has screened candidates. This seems to have been a successful innovation, with little controversy about the panel's work and acceptance of its recommendations. It played an important part in winning acceptance of the trust idea as a way of mobilising expertise in the NHS rather than a place of assembly for Conservative-inclined appointees. The three water authorities are also public corporations. Throughout this category there is an incompleteness of power to raise money and take commercial risks which the encouragement of 'public-private partnerships', Labour's successor to the Private Finance Initiative, has not resolved.

In Scotland, the internal market was a limited one and has become even more so with the partnership motif of the Labour government. The reorganisation of April 1999 was an important institutional change inherited by the Executive. The number of Trusts was reduced from 47 to 28, contracting the number of appointments and allowing a clearout of those whose talents or political acceptability appeared weak. The reorganisation shortened lines of control in the Scottish NHS and allowed the Management Executive, part of the Health Department, to steer the system more effectively than it had done before. In this process, the Health Boards have become a potentially redundant part of the system.

The money movers or active quango-managers are the public sector supervisors of a network of private sector bodies - Scottish Homes, the Scottish Arts Council, the Scottish Higher and Further Education Funding Councils and Scottish Enterprise/Highlands and Islands Enterprise. Each is different. Scottish Homes funds weak organisations, often very small and

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with dubious channels of accountability. The regulatory and monitoring of the 259 housing associations has become much more intense in recent years, with intermittent bailouts and forced mergers reminiscent of building societies. The voluntary structure of housing associations and ability to raise money from the market have become unreliable variables, requiring conformity to performance indicators laid down by Scottish Homes. This has made Scottish Homes rather vulnerable: it attracted the highest level of quango criticism in 1999 election manifestos, the SNP saying that 'we will abolish the quango board of Scottish Homes and create an accountable executive agency called Housing for Scotland' and the Liberal Democrats 'we shall abolish Scottish Homes and split its functions between local councils and the Scottish Housing Ministry'. As the John Wheatley Centre report conceded, the fight for large-scale local authority house building and ownership is probably lost, and the only democratic alternative to a quango lies in central government.

The Scottish Arts Council has recognised four arts companies as being of national status (Scottish Opera, the Scottish Ballet, the Royal Scottish National Orchestra and Scottish Chamber Orchestra). Recent problems surrounding Scottish Ballet raise very acutely the issue of whether the companies can act independently of SAC instructions. A long-standing attempt by the SAC to reduce the number of orchestras led to a suspension of funding to Scottish Ballet when their board refused to go along with a merger of their orchestra and Scottish Opera's. But Scottish Ballet has shown an ability for survival, and a reconstituted board was able to assert its interests in continuing merger negotiations over a wide range of technical facilities in 1999, prompting the resignation of Scottish Opera's General Director Ruth Mackenzie. This is the kind of issue very likely to attract the attention of Scottish ministers and raising questions

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about the desirable degree of their distancing from executive decisions.

The Scottish Higher Education Funding Council funds 18 institutions comprising the old Scottish universities whose structures of governance embody a link with local authorities, and also former central institutions that were once in the public sector. At the organisational, but not the board level, it is being merged with the Scottish Further Education Funding Council, whose 43 clients were once run by regional councils. There is a significant gap in devolution because the Research Councils, which are so influential as both distributors of money and setters of academic norms, remain intact (on a UK basis). Research appraisal is also on a common UK basis, while teaching quality assurance has only incomplete devolution. With the student fees issue dominating attention, structural change in higher education seems far off.

Scottish Enterprise, and in a less directive way Highlands and Islands Enterprise, supervise networks of local enterprise companies. The enterprise companies pose the most difficult problems of public control, because they are spenders of public money in the form of a private business. They form their own boards under guidelines about length of appointment and public/private sector balance and can, by government standards, spend surprisingly freely on a wide range of functions connected to economic development. In practice, many of the risks of such arrangements are neutralised by the strong role of Scottish Enterprise, which enters into annual contracts with the LECs and employs most of their staff; there is no comparable money-moving intermediary in England. The LEC map also has some features of an optimal territorial structure - 22 units rather than the 32 of reorganised local government with its fragmentation in the West of Scotland.

The general theme of the money-mover category is of consolidation into chosen providers who conform well to the

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procedural demands of the funding body. This can be reinforced by staff transfers in both directions - a smart LEC, university or housing association may quite properly see advantage in recruiting people with expertise about their funding and regulation mechanism. The result is something like a joint elite of responsible spenders and monitors.

There are also some other executive bodies combining money moving, regulatory and implementation functions. Ones that have attracted particular attention are Scottish Natural Heritage and the Scottish Environmental Protection Agency with emphases on conservation and regulation respectively and each employing over 600 staff. This sort of body tends to be free-standing and without spending clients.

These often meet infrequently and provide basically a structure of advice for the civil service. They are most numerous and prominent in education and health. Again, the representativeness and expertise of their membership is crucial; at their best, they let government buy into authoritative advice cheaply; at their worst they risk a monopoly channel of support for established practices. Scottish Parliament committees are likely to produce a more intense scrutiny of these bodies.

There is a category of 'cross-border public authority' where a UK or GB agency exists in a devolved field; the devolution White Paper mentions the Central Council for Education and Training in Social Work and the Criminal Injuries Compensation Authority. Here the Executive was encouraged to continue to use these channels rather than set up ones of their own, but has been given the power to put in place a separate Scottish body and transfer over staff.

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An extension of the advisory body is the network, a looser grouping of bodies with some claim to expertise or legitimacy. 'Community involvement' has always been an important theme in urban regeneration and lay behind the decision not to use urban development corporations in Scotland. Groupings like the Glasgow Alliance and the urban partnerships are favoured instruments of partnership. Two recent developments have revived the network theme. The Scottish Social Inclusion Network was set up by the Scottish Office as their much less directive variant of the social exclusion initiatives in Whitehall. There has also been 'community planning', the integrated approach to service provision in a local authority area which has been piloted by five councils in 1998-99. This reflects the reality of the quango state (especially the enterprise companies' economic role) but reasserts the leadership role of local government that had become so repressed under the Conservatives.

Analytically not quangos, and generally escaping much of the debate about them, are civil service executive agencies. Developed after the 'Next Steps' report of 1988, these agencies encompassed the main executive tasks of government departments but remained part of the civil service. The Scottish Executive has decided to retain the ten agencies under its control which include more than half its staff, including the Scottish Prison Service and Historic Scotland. The agencies have been developing systems of personnel management more distinct from the Scottish Office core and might have been vulnerable to attention from empire-building ministers, but it is likely that a cautious approach to institutional change will be evident here. Summing up the debate, we can set out the advantages or disadvantages of the quango format in these different categories:

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	<b>benign factors</b>	<b>malign factors</b>
public corporations	proper financial structures; accountability through boards; usually large and well-established; public awareness through consumers	lack of efficiency; inability to take commercial risks; government may underwrite losses
money movers	accountable governing structures; public visibility; ability to build up monitoring capacity	ineffective or oppressive monitoring; desire to protect clients
advisory bodies	source of economical and authoritative advice; integration of professional networks into government	small pool of advice; overload of members; complacency about intelligence and assessment of risk
quangos as properly defined (outside the formal public sector, including local public spending bodies)	flexibility; isolation from political patronage; secure base among clients	self-perpetuating oligarchies; risk of failure and corruption and pressures to bail-out in these circumstances

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agencies staffed by civil servants	integration into civil service systems; clear targets with ministerial accountability; parliamentary scrutiny	capture by clients; accountability may get lost between staff and ministers
networks	legitimacy; inclusiveness; distancing from government control	lack of effectiveness; insufficient organisational strength to be entrusted with spending

What is clear is the contingent nature of these variables. In some circumstances, almost all of these forms can work well, and the Executive is likely to want all of them to remain available. The Scottish aspect to them is one of scale. Organisational failure is more difficult to conceal, but the pool of advice and appointments is smaller. The Scottish Parliament is certain to make scrutiny more intense and require each quango to justify its governance and performance.

Scale issues also suggest that a body with a small number of clients is potentially more redundant than one with many, because the control demands are less. This may well make Scottish Homes relatively safe and the Scottish Arts Council vulnerable. Scottish Enterprise, too, is relatively safe because of the political salience of its Highlands and Islands counterpart, and also because Donald Dewar has declined to set up a Business and Industry Department located on the same ground. Henry McLeish's department is dominated politically by the student fees issue and started off badly with its pre-emption by John Reid's office on the Kvaerner rescue. Devolution of industry powers was vulnerable enough without this somewhat weak denomination of the function in the government structure.

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The role of Parliament in scrutinising appointments is a potentially important and salient one. Lying behind much devolutionary thinking is a suggestion that the Scottish Parliament is less like Westminster and more like the US Congress and that its members will bestride the government machine, turning legislative bottlenecks on and off and holding the power of confirmation over supplicant executive nominees. This was never helpful - constitutionally, Holyrood-St Andrew's House replicates Westminster-Whitehall - and it was a source of the difficulty in the shaky weeks after the 6 May elections. Naturally, the Consultative Steering Group emphasised the responsibilities of members, but it kept well away from setting out a new relationship with the executive branch. The John Wheatley Centre report recommended a Public Appointments Committee with rights to ratify nominees to quangos, but it did not feature in the committee structure recommended by the Consultative Steering Group report and adopted by the Parliament, and it will be for subject committees to monitor quangos in their areas.

### **CONCLUSION**

Quangos represent a cluttering of the political landscape, with potentially redundant decision layers. These will be decreasingly acceptable now that a straightforward central government model of parliamentarians and ministers is available in Scotland. Delaying is all the fashion in private business, and structures that build in second-guessing or duplication of decisions are managerially dubious. In Scotland, both local government and the NHS have been reorganised recently in 'leaner' ways to about 30 units - local government was made uniformly single-tier, long the preference of the civil service, and the number of players in the market for health provision much reduced. The way forward for quangos in Scotland depends on the balance between the willingness to invest political effort in

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institutional change, and the democratic acceptability of the present arrangements. We may lay out the possibilities as:

i) the reabsorption of quango functions into central or local government from which they emerged. This takes two forms:

a) central government reclaiming functions and implicitly taking more officials into the civil service. There are few precedents for this (notably, the NHS Executive in England) and it poses problems at the senior level of the civil service which is still closely integrated with Whitehall. Incorporating tasks within the civil service has always run foul of the iconic status of the number of civil servants as an indicator of waste. Nationalisation of local public spending bodies also runs counter to most of the trends of recent decades. Ever-more rigorous requirements for the transfer of funds while keeping the staff of these bodies outside civil service personnel systems is the more likely prospect.

b) local government getting back the functions considered at one time to be too important to be left with it. This is the line of the John Wheatley Centre report but has taken on a rather forlorn look as local government has become weaker. The McIntosh report was cautious on this, its report of 1999 going no further than its second Consultation Paper of 1998 which had suggested as no more than a long-term possibility that 'the option of transfer to local government should always be considered in any review of other public bodies delivering public services; and likewise where new services are developed, prior consideration should always be given to whether local government should be their vehicle' (McIntosh Commission 1998, para 54). This is a very weak statement, and we may posit a considerable reluctance to return to local self-government expensive and economically sensitive services. Now that the transfer of non-domestic rates back to local government seems to have been ruled out by the Scottish Executive, the general lack of room for fiscal

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manoeuvre is enforcing a conservatism on governmental structures. This obscures the issue of whether central government actors are really prepared to give local politicians - sometimes their former colleagues - a share of the action.

The Executive has not yet faced up to this systematically, but what is available is Labour's traditional approach of reinforcing local authority representation on quango boards.

ii) preservation of the present system: this is more likely than it might appear, because of a theme that devolution is in part a response to innovation fatigue in public services. In a range of services - health, further and higher education, water, industrial development - arrangements have been put in place in the 1990s which the Executive is not likely to want to change as they emphasise the output end of politics and the delivery of improved services.

iii) rolling back of quangos not through any avaricious spirit by central or local government but from pressures of democratic theory for formal accountability. The role of Scottish Parliament committees as set out by the Consultative Steering Group is important here. The category most vulnerable to such pressures is that of the funding body quango with a titularly private clientele - Scottish Homes and housing associations, Scottish Enterprise and LECs, the Scottish Arts Council and its companies.

The most likely outcome is for a slow move from the second to the third of these patterns. The Parliamentary Committees are likely to focus on the gap between spending power and accountability, and have a general preference for statutory governmental structures rather than local public spending bodies. The committees' investigations are likely to produce an accumulation of pressure and publicity that will make the use of quango mechanisms to conceal the size of the public sector a self-defeating process.

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Eventually the bigger question will have to be faced about whether the Scottish Executive will want to move away from the institutional structures it inherited. These structures are favourable to quangos as a convenience - a democratic form that keeps important services out of local government and gives central government rights of intervention without day-to-day responsibility. Pressures for institutional continuity are strong. The Executive's civil servants remain part of the Home Civil Service, and senior posts especially will require a channel of endorsement from Whitehall. Local government could be reorganised, but here the impetus is for stability of powers and boundaries, with the McIntosh exercise focusing on the policy process. Similar considerations apply to health. As a whole, institutional conservatism is likely to be the hallmark of the Executive's approach, and this will tend to protect quango structures as well; but devolution will probably intensify growing scepticism about local public spending bodies that accept public money in a politically unaccountable way.

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