

MACHINERY OF GOVERNMENT CHANGES

AN EXPLANATORY DOCUMENT

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CABINET OFFICE

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A. INTRODUCTION

On 18 July 2011 the Government announced two machinery of government changes:

- i. the Government Property Unit, which was located in the Shareholder Executive in the Department for Business, Innovation and Skills would report directly to the Minister for the Cabinet Office and become part of the Efficiency and Reform Group within the Cabinet Office; and
- ii. the Secretary of State for Business, Innovation and Skills would take responsibility and be accountable for HM Land Registry, the Met Office, and Ordnance Survey.

This Cabinet Office paper describes the consequences of these changes for departments involved and, for the significant changes, sets out an initial analysis of the costs and benefits associated with each significant change, as well as the rationale. This document reflects the commitment the Government has made to ensure that for machinery of government changes the costs are tightly managed, benefits are delivered and that any changes represent value for money.

The Government Property Unit was created in May 2010 and is responsible for the efficient strategic management of the Government property portfolio. On 18 July 2011, the Prime Minister announced that the Unit would transfer from the Department of Business, Innovation and Skills and become part of the Efficiency and Reform Group in Cabinet Office. This move reflects the strong links between successful management of the Government property estate and wider civil service and public sector reform.

On 18 July 2011, the Prime Minister announced that, in order to enable the development of a proposition for the establishment of a Public Data Corporation, responsibility for HM Land Registry, the Met Office, and Ordnance Survey would transfer to the Secretary of State for Business, Innovation and Skills from the Secretary of State for Justice, the Secretary of State for Defence and the Secretary of State for Communities and Local Government respectively.

B. INITIAL ANALYSIS OF COSTS AND BENEFITS

1. GOVERNMENT PROPERTY UNIT

On 18 July 2011, the Prime Minister announced that the Government Property Unit would transfer from the Department of Business, Innovation and Skills and become part of the Efficiency and Reform Group in Cabinet Office, reporting directly to the Minister for the Cabinet Office.

Context and rationale

The Government Property Unit is responsible for the efficient management of the Government property estate. The Unit was established in May 2010, bringing together property expertise from the former Office of Government Commerce with commercial capability located in the Shareholder Executive in the Department for Business, Innovation and Skills.

In July 2011, the Prime Minister decided that the Government Property Unit should report directly to the Minister for the Cabinet Office and become fully part of the Efficiency and Reform Group in the Cabinet Office.

The reason for the move was as follows:

- the successful management of the Government property estate is closely linked with wider work on efficiency and reform of the civil service; and
- it was felt that the Government Property Unit would be better able to achieve its objectives operating solely within Efficiency and Reform Group in Cabinet Office.

The move of the Government Property Unit into the Cabinet Office involved the transfer of 63 FTEs. The Government Property Unit allocation for the Spending Review period of £7.5m/£8m/£8.5m transferred to the Cabinet Office to be used to continue the work for which it was intended.

The Government Property Unit now reports directly to the Minister for the Cabinet Office. The Permanent Secretary for the Cabinet Office is the Accounting Officer for the Government Property Unit.

Alternatives considered

The Government considered maintaining the current structure, whereby the Government Property Unit was located in the Department for Business, Innovation and Skills.

In considering this option the following criteria were considered:

Effectiveness: how effective is the arrangement for driving efficiency and harnessing the most effective use of resources?

Fit: Is there a good institutional fit with powers and the delivery of objectives and is there a legacy of enduring capability?

Cost: Are the benefits in balance with the costs of the change both now and in the future?

Following consideration of all proposals it was felt that maintaining the current position was not the best option in respect of effectiveness. There would be some short-term costs associated with relocation but that these were outweighed by the potential increased efficiencies. It was considered that there was a stronger fit with the objectives of the Efficiency and Reform Group than with the wider objectives of the Department for Business, Innovation and Skills.

The Government Property Unit will continue to work closely with Shareholder Executive, particularly in relation to potential future commercial transactions involving the civil estate.

Overview of the benefits and costs of change

The £370bn Public Sector estate costs around £25bn a year to run¹. Government aims to save around £400m a year from this over the next decade by reducing the running costs of the central London pilot area alone and has already exited 36 property holdings (or 112, 000 sq metres) in this pilot since May 2010. In the longer term, Government aims to raise more than £20bn by selling surplus freehold properties from across the estate.

The Efficiency and Reform Group, which reports to the Minister for the Cabinet Office, was established in June 2010 to reduce waste, drive efficiency and improve accountability and professionalism in Government and the wider public sector.

The efficient management of the Government estate has strong links not just with efficiency and cost saving, but also with more effective, modern and flexible working, for example across Government Departments.

Locating the Government Property Unit directly within the Efficiency and Reform Group in Cabinet Office, will enable these links to be made very clearly across Government. There were some costs attached to moving GPU to ERG main buildings at 1 Horse Guards. However the benefits of locating GPU within ERG

¹ 2009 Operational Efficiency Programme report

headquarters, providing opportunities for closer interaction between GPU staff with other ERG policy areas outweighs any short-term additional costs arising from this move.

2. PUBLIC DATA CORPORATION

On 18 July 2011, the Prime Minister announced that, in order to enable the development of a proposition for the establishment of a Public Data Corporation, responsibility for HM Land Registry, the Met Office, and Ordnance Survey would transfer to the Secretary of State for Business, Innovation and Skills from the Secretary of State for Justice, the Secretary of State for Defence and the Secretary of State for Communities and Local Government respectively.

Context and Rationale

The Government announced in January 2011 its intention to develop a Public Data Corporation by bring together a range of data rich trading funds across Government in order to enable the delivery of a range of public service, policy and operational benefits. These benefits include:

- **Increased Transparency and accountability** – providing a mechanism that will facilitate the release of more data free at the point of access and a focal point around which a consistent approach to data collection and release across Government can be developed in future;
- **Public Service improvements** – through closer working this has the potential to facilitate the combination of critical national datasets in new ways, which may in turn lead to service improvement and/or the development of new products;
- **Opportunities for Growth** – various studies have indicated that providing public data free of charge can lead to innovation and growth in the private sector as companies find new ways to exploit the commercial potential of this information; and
- **Operational benefits** – at present the Government's approach to the various data rich trading funds it owns is fragmented. These changes will facilitate the development and introductions of more consistent and effective governance arrangements, common data access and charging regimes, the sharing of best practice among trading funds, and the introduction of a common strategic direction across the relevant organisations.

Enabling the development of a proposal that will enable the Government to realise these benefits is the primary reason for transferring HM Land Registry, the Met Office and Ordnance Survey to the Department for Business, Innovation and Skills. There are strong links to be drawn between the geospatial data these three organisations produce.

Alternatives Considered

The Government also considered transferring responsibility for HM Land Registry, the Met Office and Ordnance Survey to the Cabinet Office, given its responsibility for the Government's transparency agenda.

Moving all these bodies into the Cabinet Office would have dramatically increased the size of the department: adding over 14,500 staff to the existing workforce of 2790. Similarly, the transfer of these three entities into the Cabinet Office would have a significant impact on the Department's finances.

In contrast, the Department for Business, Innovation and Skills has both a bigger balance sheet and the relevant skills to manage and develop the organisations as commercial businesses. The department also has experience with trading funds, as it is already responsible for Companies House. In addition, they may also be value to be gained from creating new links between the geospatial data produced by the three organisations in questions and Royal Mail.

Overview of the benefits and costs of change

The Government expects to incur around £200,000 of transaction costs associated with the transfer of the three entities to the Department for Business Innovation and Skills.

The move involved the transfer of a total of 3 Full Time Equivalent members of staff to the Departments for Business, Innovation and Skills.

C. CONCLUSION

This document sets out an initial analysis of costs and benefits associated with each significant change, as well as the rationale for the change. As set out in the Government's Response to the Public Accounts Committee's report on *Reorganising Central Government* each department undergoing a Machinery of Government change is expected to report to Parliament, at an appropriate stage, on the achievement of the costs and benefits, identified as part of the change. In addition the department undergoing a Machinery of Government change may be expected to carry out an evaluation which may or may not be published.