

Why don't departments oversee agencies the way agencies regulate companies?

Presentation to DEW Policy Conference
Limerick, 18 October 2013

Cathal Guiomard
Draft, author's personal views

Plan of talk

1. Agencies/companies v. Departments/agencies – a contrast
2. Reasons for regulatory agencies' indirect approach
- 3 International experience suggests scope for similarly indirect approach to agency oversight
4. Publication of data an essential first step (and may be a very powerful performance-improving tool in its own right)
4. Conclusions

How do agencies/departments regulate companies/agencies?

Controls	By regulator (on firm)?	By department (on regulator)?
Budget ceiling?	X	✓
Employment ceiling?	X	✓
Sanction to fill vacancies?	X	✓
Prescribed pay scales & rates?	X	✓
'Redeployment' to fill vacancies?	X	✓
Charges/fees approval?	X	✓
Discretion to amend roles?	X	✓
Penalty for reduced quality?	✓	X

... may leave little room to manage

New controls since 2008 have certainly reduced spending/employment (2000 = 100)



Source: <http://databank.per.gov.ie>

Why do regulators set indirect rather than direct controls?

1. Regulators lack complete information

“If regulators were **all-knowing** and **all-powerful**; if they were **wiser** than the chief executives but willing to do the job for a fraction of the **remuneration** awarded to such executives; if they **understood** what was happening ... better than [the CEOs]; then ... regulation could protect us *But such a world does not exist.*” www.johnkay.co.uk

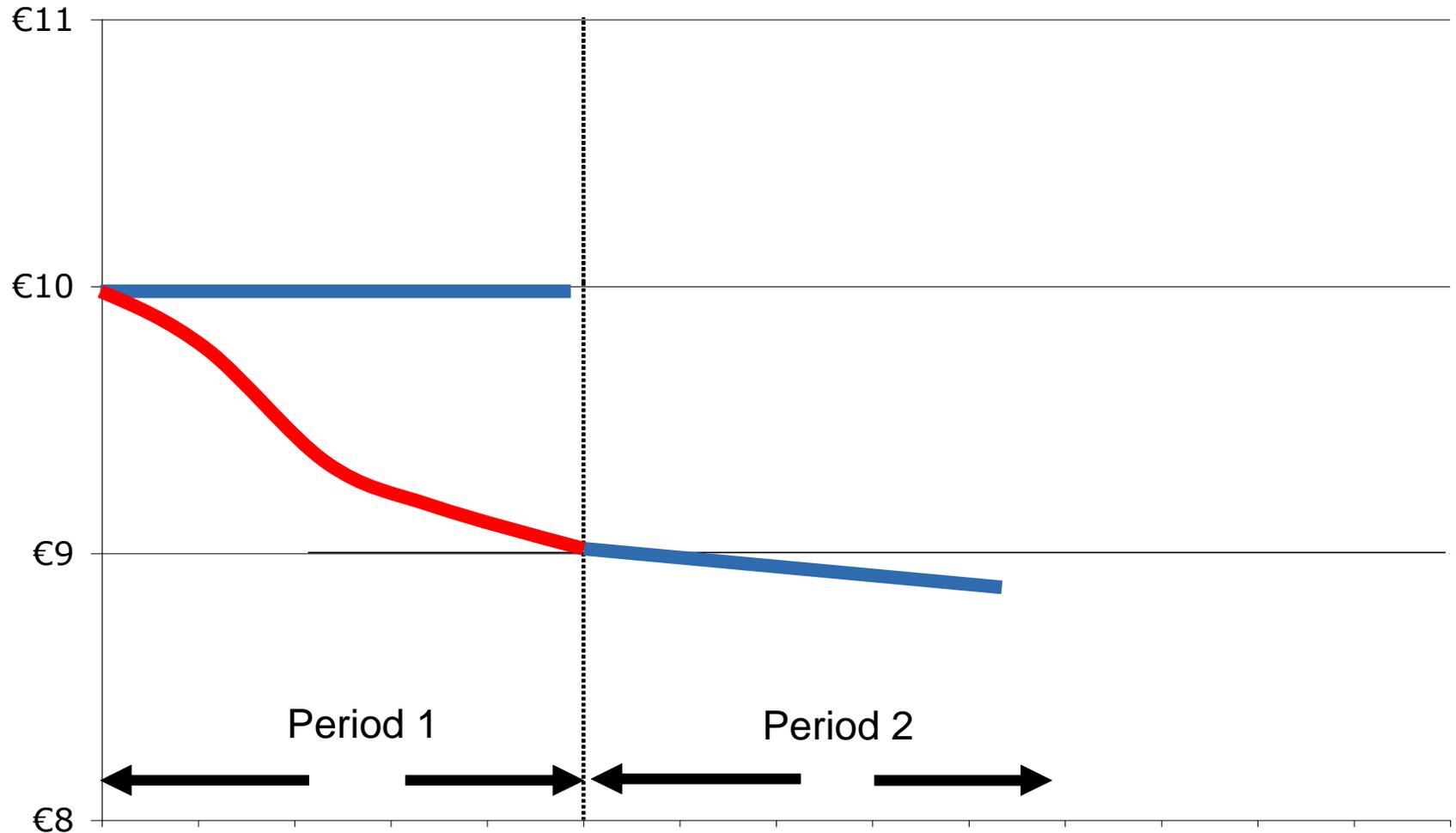
2. To give incentives for efficiency

The conventional ‘CPI-X’ price cap gives a company a profit-incentive to reveal its efficient level of costs.

3. To assign managerial accountability

Subject to respecting the price cap, the management of the regulated firm are fully accountable for its performance.

Incentive regulation seeks to *discover* rather than to impose efficiency



International approaches to quasi-contract based public-sector management

Australia

1800 agreements for 21 agencies, including all government departments. See Australian National Audit Office (ANAO) reports; ANAO activity is half 'financial' and half 'performance'.

Netherlands

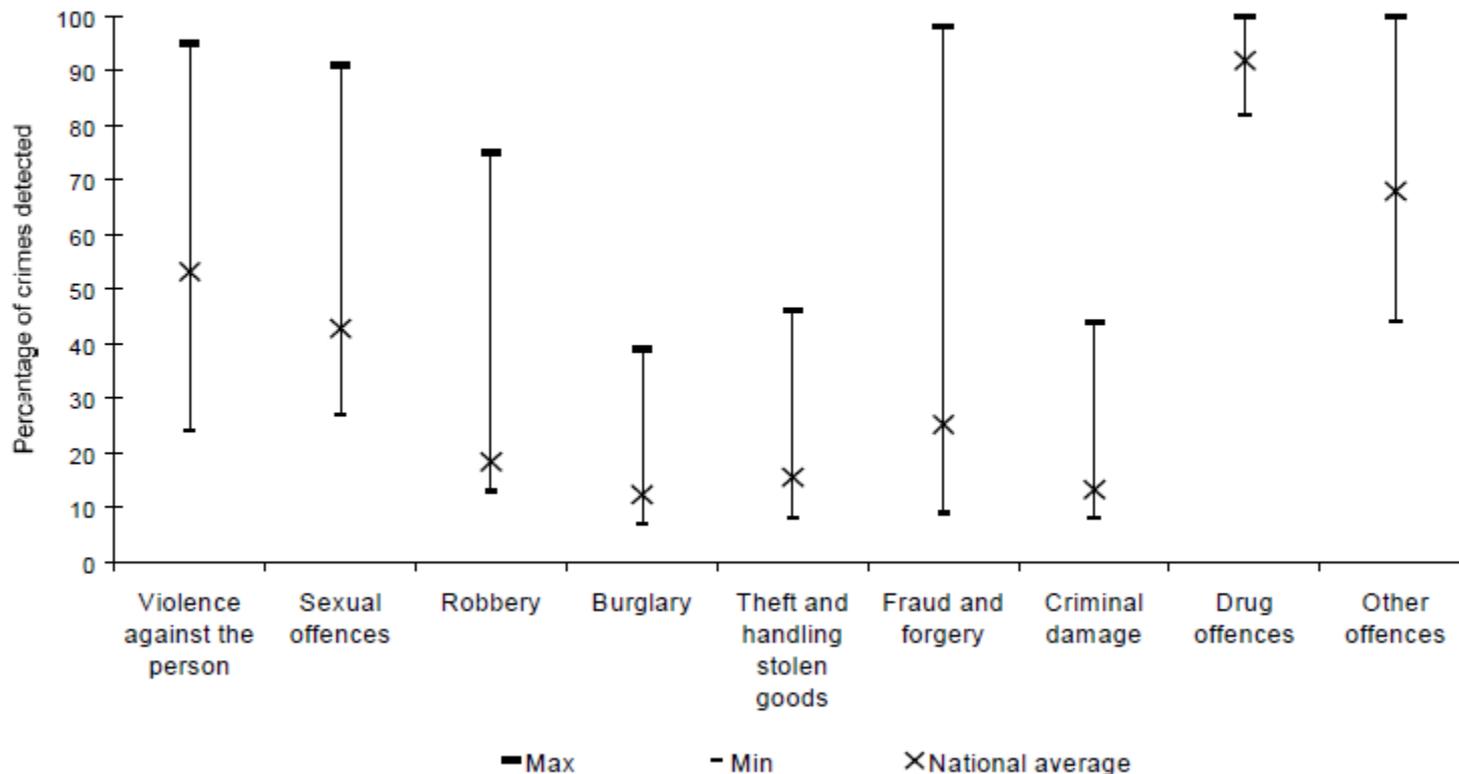
See van Nispen et al., 2009.

United Kingdom

'Public service agreements' (PSAs) – see Talbot, 2010. Also Barber, 2007 and Mulgan, 2009.

Comparative data may speak for itself - UK crime detection rates

Figure 7.5 Maximum, minimum, and national average detection rates amongst police forces for different offence groups, 2002/03



Source: [Crime in England and Wales 2003](#), ONS

Comparative data – Citistat, compstat, & Irelandstat.gov.ie

BALTIMORE CITY DEPARTMENT OF TRANSPORTATION	
CITISTAT	
UPDATED:	November 2, 2012
Director: Khalil A. Zaied	
Executive Personnel	
Executive	Title
<i>Khalil A. Zaied</i>	<i>Director</i>
<i>Jamie Kendrick</i>	<i>Deputy Director</i>
<i>Frank Murphy</i>	<i>Deputy Director</i>
James Harkness	Chief - Traffic Management
Bimal Devkota	Division Chief - Transportation Engineering and Construction
Col. Yolanda Cason	Division Chief - Parking Management
Richard Hooper	Division Chief - Maintenance
Barry Robinson	Division Chief - Transit and Marine Services
Dhirendra K. Sinha	Division Chief - Fiscal Services
Paul W. Tolle	Division Chief - Towing Services
Theo Ngongang	Division Chief - Planning
Kathy Litz	Division Chief - Human Resources
Laetitia Griffin	Division Chief - Contracts
Rudy Dinglas	DOT Analyst

Accountability can sometimes be as simple as an updated table on a website

UNCLASSIFIED

Public Bodies Reform - quarterly status check, July 2013

To date 146 of the public bodies reviewed are now either no longer an NDPB, Public Corporation or Non-Ministerial Department.

Number of non-statutory bodies no longer an NDPB, Public Corporation or Non-Ministerial Department	Number of statutory bodies no longer an NDPB, Public Corporation or Non-Ministerial Department	Total
83	63	146

Some of the proposed reforms are to statutory bodies and these will require legislation to take them forward. The Public Bodies Act, which received Royal Assent in December 2011, will enable a significant number of these changes.

Note: By the time of the Minister for the Cabinet Office's Public Bodies Review announcement on 14 October 2010, 10 of the bodies above and on the list of proposals had already ceased to be an NDPB, Public Corporation or Non-Ministerial Department.

Source: 'Public bodies reform – quarterly status check', www.gov.uk

Performance measurement has begun in Ireland too

Weaker	Stronger
Support the Minister	Average cost of cases
Provision of supports through various methods	Average case loads
Deliver a high-quality service	Average time to issue decision
Provide optimum efficiency & effectiveness (sic)	Number of open EU infringement cases
Increase efficiency	Number of matters in arrears
Number of cases received	Ireland's position in international rankings

Source: 'Revised Estimates for the Public Services 2013'; 'key outputs' and 'context and impact indicators'.

Conclusions

Irish public bodies face drastically increased central controls. These have succeeded in significantly reducing public spending.

The impact on public service delivery is not known (nor investigated) but regulatory experience suggests a significant cost, especially in the medium term.

There is a strong case to restore managerial autonomy/ accountability, for a given budget and period of time, against a set of agreed metrics.

Similar approaches have been adopted in many jurisdictions. There is a wealth of evidence to draw on – no reinventions are required.

There is a limit to what such approaches offer (and which seem in a constant state of flux) but ultimately public activity serves no purpose unless some degree of performance assessment is possible.

References

- Michael Barber, 2007, 'Instruction to Deliver', Politico's
- Richard Boyle, c.2000, 'Performance measurement in local government', CPMR paper no. 15
- Howard Davies, 1992, 'Fighting Leviathan', Social Market Foundation
- Niamh Hardiman, 2012, *Irish Governance in Crisis*, Manchester UP
- Stephen Littlechild, 1983, 'Regulation of BT's Profitability', UK department of industry
- Muiris MacCarthaigh, 2013, 'Service Level Agreements in the Public Sector, presentation to IPA Governance Forum
- Francis McGeough, 2013, 'Performance reporting in Irish public sector organisations – the untold story', *Administration* vol. 61, no.2.
- Geoff Mulgan, 2009, 'The Art of Public Strategy', OUP
- Colin Talbot, 2010, 'Performance in Government', World Bank
- Frans van Nispen & Johann Posseth, 2009, 'Performance informed budgeting in Europe – the ends justify the means don't they?' EIU Schuman Centre paper no. 39

Postscript: not all KPIs are created equal

“[Though] once again all rations were reduced ... Squealer ... reading out the figures in a shrill, rapid voice ... proved to them in detail that they had more oats, more hay, more turnips than they had had in Jones’s day, that they worked shorter hours, that their drinking water was of better quality, that they lived longer, that a larger proportion of their young ones survived infancy, that they had more straw in their stalls and suffered less from fleas.”

Animal Farm, Chapter 9