



## ANALYSIS OF UK PUBLIC ORGANISATIONS PERFORMING FUNCTIONS IN SCOTLAND AND THE POTENTIAL IMPLICATIONS OF INDEPENDENCE – TECHNICAL NOTE

### Background

1. The UK Government is carrying out a cross-government programme of work to examine how Scotland contributes to and benefits from being part of the UK in order to inform and support the debate ahead of the referendum on independence that will take place in September 2014.
2. As part of this, the UK Government is publishing a series of papers based on robust analysis and evidence over the course of 2013 and 2014. The first of these, *Devolution and the Implications of Scottish independence* was published in February 2013. These papers are intended to form an important contribution to the debate and to help ensure that people in Scotland can make an informed choice. The UK Government will be transparent about its methodologies and the information that underpins the papers.
3. This note provides an explanation of the UK Government's analysis of domestic institutional arrangements in the UK and the potential implications of independence. It sets out the methodology used to develop the list of UK public organisations that currently work for Scotland, which has also been published to ensure transparency and provide for a fully informed debate ahead of the referendum.

### Summary

4. As the first Scotland analysis paper makes clear (paras 3.53 – 3.55), the UK has a well- and long-established system of government. It has areas of law in reserved areas, which are well integrated with Scots law in devolved areas. Were Scotland to become independent, the UK's constitution, laws and institutions would remain in place for the rest of the UK. Inevitably some changes would be required as a consequence of Scotland leaving the UK (for example the UK would need to change the number of MPs in the House of Commons, as in the event of independence there would be no MPs representing constituencies in Scotland).
5. As well as deciding what laws and regulations, if any, it wished to retain, an independent Scottish state would also need to establish new institutions or significantly expand capacity in existing ones in order to assume functions that are currently reserved to the UK Government and that it wished to continue. There would inevitably be transitional costs in doing so.

6. To give an indication of the scale of the task the government of a newly independent Scottish state would face, around 490,000 staff are employed in over 230 UK central government organisations currently. Over 140 of these organisations perform functions for Scotland which are reserved to the UK Government (and in some cases also play a role in devolved matters). That figure includes key UK Government departments, such as the Foreign and Commonwealth Office and the Ministry of Defence. It also includes bodies that oversee important activities for the whole of the UK, from regulating communications, energy companies and railways to helping to promote the UK abroad. These statistics do not include most public corporations, which may need to be replicated at some cost. The figures above also exclude nearly 60 advisory and other bodies that are also responsible for matters throughout the UK and which are covered in the accompanying list.
7. Office of National Statistics (ONS) data indicate that 27,000 full time equivalent staff work in around 50 Scottish Government organisations.<sup>1</sup> Based on a conservative estimate, the functions of over 200 UK public organisations may need to be replicated in an independent Scottish state, up to four times as many Scottish Government-run public organisations as currently exist.
8. The list which forms the basis of this analysis is published in the document attached, and includes 204 individual UK public organisations. It provides information on:
  - The government department that sponsors each organisation, where relevant (column B);
  - How the organisations are classified (Column C); and,
  - A brief description of their functions and remit (Column D).

## **Methodology for analysing UK public organisations performing functions in Scotland**

### ***Purpose and scope of the analysis***

9. The purpose of publishing a list of many of the key UK public organisations that currently work for Scotland is to ensure people have a good understanding of the full range of functions they carry out as part of the UK and to illustrate some of the potential implications of independence, so that people in Scotland are properly informed when they go to vote.

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<sup>1</sup> Civil Service figures from ONS, Table 10: [www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-279128](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-279128)

10. As outlined in the first Scotland analysis paper, it would be for the government of an independent Scottish state to decide how it wanted to carry out functions which had previously been done at UK level. It would need to decide which institutions it wished to replicate of those that exist in the UK, and how any new bodies would operate. It is for the Scottish Government – as proponents of independence – to explain their proposals for this to the people of Scotland. The UK Government is not giving a view on this matter, but the analysis does provide an indication of the potential scale of the task.

11. The list presents a factual account of many of the public organisations that perform relevant reserved functions for Scotland in the UK i.e. those covering responsibilities reserved to the UK Government under the Scotland Acts 1998 and 2012, and which operate in Scotland and another part of the UK at a minimum. In some cases the list includes UK bodies that may also play a role in devolved matters (e.g. by providing advice to Scottish Government ministers). The analysis takes account of changes to public bodies since the first Scotland Analysis paper was published on 11 February 2013, and the methodology for defining and counting public organisations is explained in full in the following section. The functions these bodies perform would need to be considered in any assessment of how a new, independent Scottish state would establish effective capability for serving its citizens. The analysis is not exhaustive and provides a conservative estimate of the number of organisations involved. It draws on readily accessible Cabinet Office data.

12. In order to give an accurate representation of this, certain groups of UK bodies were excluded from this analysis. These include:

- Bodies that only perform functions for England, Wales, and / or Northern Ireland, or individual regions or areas within the UK outside Scotland. The list and original analysis therefore excludes those bodies that would not have any direct relevance to an independent Scottish state, like Arts Council England or English Heritage;
- Bodies that are being abolished or merged with other ‘reserved’ organisations under UK Government reforms to public bodies.

13. The key groups of bodies included in the list are:

- UK Government departments (such as the Foreign & Commonwealth Office, Ministry of Defence and also non-ministerial departments such as HM Revenue and Customs);
- Executive Agencies (e.g. the Met Office, Driver and Vehicle Licensing Agency);

- Executive non departmental public bodies (NDPBs) (e.g. Competition Commission, British Council, National Heritage Memorial Fund/Heritage Lottery Fund);
- Advisory NDPBs (e.g. Low Pay Commission, Advisory Council on the Misuse of Drugs);
- Tribunal NDPBs (e.g. Police Arbitration Tribunal, Office of Surveillance Commissioners, Competition Appeals Tribunal); and,
- Other NDPBs and other central government organisations (e.g. UK Green Investment Bank; the intelligence agencies; the Air, Marine and Rail Accident Investigation Branches).

14. As illustrated by the small selection of examples above, the bodies contained in this list cover a very wide range of functions. Many of the bodies on the list, like the BBC, employ hundreds or thousands of people and will be familiar household names. Some employ small numbers and have a narrower remit or perform technical or specialist functions.

15. Advisory and tribunal non-departmental public bodies tend to be staffed by unpaid experts who give up their own time to perform public duties and are supported by civil servant secretariats, but they cover a wide range of functions that would need to be considered and potentially replicated in some form by the government of an independent Scottish state.

16. Other smaller or specialist bodies with a lower public profile also carry out functions for Scotland as part of the UK. For example, the Marshall Aid Commemoration Committee administers scholarships that promote positive international relations, including those with Scottish universities such as Edinburgh.<sup>2</sup> The British Hallmarking Council ensures the public can have confidence in buying precious metals and that trade is properly regulated. In the event of independence, all such bodies would need to be assessed and either have their functions allocated to a new or existing body in Scotland, or a decision taken that the function would not be replicated in an independent Scottish state.

### ***Classification of public bodies***

17. There is no single classification for UK public organisations, as various UK and international statistical or government organisations use different methodologies. The Office for National Statistics lists over 4,000 UK public organisations<sup>3</sup> in their

<sup>2</sup> <http://www.marshallscholarship.org/>; <http://www.marshallscholars.org/info.html>

<sup>3</sup> <http://www.ons.gov.uk/ons/rel/na-classification/national-accounts-sector-classification/index.html>

'Public Sector Classification Guide' (which is used to identify public sector bodies within the National Accounts). This therefore includes bodies classified within the General Government sector, as either Central Government or Local Government bodies, as well as Public Non-Financial Corporations and Public Financial Corporations (divided into five sub-sectors). As there are frequent changes in the names and number of bodies that fall within the public sector, the guide also includes information on former public sector bodies. The list of organisations in the guide is not a comprehensive list of every such body in the UK, and there are a number of "En bloc" entries within the guide - entries that describe a wider group of similar institutions (for example the Public Sector Classification Guide does not list every single Local Authority in the UK but includes "en bloc" entries for the different types of Local Authority e.g. "District Councils"). Further details on the ONS methodology can be found on their website.<sup>4</sup>

18. Eurostat<sup>5</sup> also publishes the European System of National and Regional Accounts (ESA), which incorporates organisation classification and sits alongside other international standards, including the United Nations International Standard Industrial Classification of All Economic Activities.<sup>6</sup>

19. The Cabinet Office is the UK department responsible for the civil service and setting out the responsibilities of ministers.<sup>7</sup> It makes information on departments and agencies available to the public in an accessible format. To ensure a consistent, transparent approach, the analysis in the attached list is based on publically available information. It draws on two lists covering organisations commonly understood to be public: 'Public Bodies 2012'<sup>8</sup> and the 'List of ministerial responsibilities', both published by the Cabinet Office and regularly updated, although not exhaustive.<sup>9</sup>

20. As a result of the different classification systems used, some bodies listed as 'Central government' by the ONS are not included on the list of ministerial responsibilities in the Cabinet Office data, such as the Financial Services Compensation Scheme and the Commonwealth War Graves Commission.

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<sup>4</sup> <http://www.ons.gov.uk/ons/guide-method/classifications/na-classifications/index.html>

<sup>5</sup> <http://circa.europa.eu/irc/dsis/nfaccount/info/data/esa95/en/titelen.htm>

<sup>6</sup> <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=17>

<sup>7</sup> It is responsible for "overseeing the structure of Government and for ensuring that proper accountability and governance structures are in place for public bodies sponsored by the UK Government." [http://www.hm-treasury.gov.uk/d/classification\\_pack.pdf](http://www.hm-treasury.gov.uk/d/classification_pack.pdf)

<sup>8</sup> <https://www.gov.uk/government/publications/public-bodies-reports>

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/79363/List\\_Ministerial\\_Responsibilities-Nov-12.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/79363/List_Ministerial_Responsibilities-Nov-12.pdf)

21. Some advisory committee arms-length bodies that have undergone the Cabinet Office public bodies review process<sup>10</sup>, such as the Veterinary Residues Committee, the Advisory Committee on Hazardous Substances and the Advisory Committee on Packaging have been reconstituted as expert committees within departments and are therefore not included in this analysis.
22. Similar complexities arise when analysing Scottish Government public bodies and the number of people they employ, as a result of the different classification systems used by different sources of data.<sup>11</sup> The numbers cited in the Scotland analysis paper are those used by the Scottish Government, and are based on ONS figures of FTE employees in the Scottish Government.
23. Further detail on the roles of different UK government departments in the classification of public organisations can be found on the HM Treasury website.<sup>12</sup>

### **Public corporations**

24. There is no single classification for what constitutes a public corporation. HM Treasury defines them as those public bodies which produce goods and services for sale, and at least 50% of their production costs are derived from these sales.<sup>13</sup> However, the BBC gives an example of some of the complexities involved in classifying these bodies. The BBC is editorially and operationally independent from Government, and as set out in its Royal Charter, is an independent public corporation. However, the ONS officially classifies the BBC as a 'central government organisation' (treating the licence fee as central funding rather than revenue from sales). It has been included in this analysis on this basis, and because it is cited in the list of ministerial responsibilities, as well as on the gov.uk website, as a DCMS responsibility. Furthermore, it is appropriate to include the BBC for the purposes of considering which bodies may need to be replicated in an independent Scotland.
25. However, other public corporations do not appear on the two Cabinet Office lists referenced above, and therefore have not been included (for example, the Royal Mail and the Bank of England).<sup>14</sup>

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<sup>10</sup> <https://www.gov.uk/government/policies/transforming-government-services-to-make-them-more-efficient-and-effective-for-users/supporting-pages/reforming-public-bodies-to-make-them-more-efficient-and-effective>

<sup>11</sup> <http://www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies>;  
<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-279128>

<sup>12</sup> [http://www.hm-treasury.gov.uk/psr\\_bac\\_classification\\_papers.htm](http://www.hm-treasury.gov.uk/psr_bac_classification_papers.htm)

<sup>13</sup> [http://www.hm-treasury.gov.uk/d/classification\\_sector.pdf](http://www.hm-treasury.gov.uk/d/classification_sector.pdf)

<sup>14</sup> The Central Bank is a public sector body, but it sits in its own sub-sector within the broader sector of Public Corporations" as per [http://www.hm-treasury.gov.uk/d/classification\\_sector.pdf](http://www.hm-treasury.gov.uk/d/classification_sector.pdf)

26. Trading Funds have generally been included, as they are a ministerial responsibility and appear on the Cabinet Office list depending on how much public revenue they receive. There are also numerous independent bodies that receive varying levels of government funding, such as National Historic Ships UK. The government of an independent Scottish state would also need to consider whether it would wish to continue providing funds to such organisations, but these have not been included in this analysis.

## **Other technical issues**

### ***Concurrent powers and responsibilities***

27. It is not simply a question of creating new bodies where there is currently no Scottish Government equivalent. A key technical issue relates to areas where there may be concurrent responsibilities. These are areas on which the UK government and devolved administrations have agreed to work directly together by combining the efforts of their respective organisations to the benefit of people in Scotland, Wales and Northern Ireland.

28. One example is the work carried out by the Equality and Human Rights Commission and the Scottish Human Rights Commission (SHRC). Whilst it may appear that the SHRC carries out the same role as the EHRC and would continue unaffected in the event of independence, the EHRC retains responsibility for conducting independent surveys, publishing independent reports and making recommendations on any issue relating to discrimination, and for providing independent assistance to victims of discrimination in Scotland. The EHRC is Britain's nominated equality body under EU law, and has a dedicated Scottish arm to carry out this work. In addition, the SHRC 'is under a duty to ensure it is not duplicating work that others already carry out'.<sup>15</sup> UK Trade and Investment and Scottish Development International also operate across an area of concurrent responsibility. For example, they both encourage foreign investment in Scotland.

29. These examples illustrate that it is not simply a question of creating new bodies where none exist in Scotland now. An organisation in Scotland may carry out certain functions under devolution that appear similar to those carried out by UK bodies, but a significant expansion of their resources or capability may still be required for them to assume the full range of responsibilities that are currently reserved and to operate effectively in an independent Scottish state.

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<sup>15</sup> <http://scottishhumanrights.com/application/resources/documents/Annualreport20092010.pdf>

## **Concluding comments**

30. As a result of the methodology adopted, many organisations performing important functions for Scotland and the whole of the UK are not included in the accompanying list. Public corporations, such as the Royal Mail, the Bank of England, British Nuclear Fuels plc (BNFL), National Nuclear Laboratories Ltd, and the Commonwealth Development Corporation have been excluded, amongst others. The analysis therefore provides a conservative estimate of the numbers involved.
31. UK public bodies would not automatically perform functions for an independent Scotland, and any bid to make use of them would have to be negotiated with representatives of the continuing UK.
32. It is also clear given the issues outlined in this note that there would be a considerable degree of complexity involved in assessing the roles and responsibilities of all UK organisations that work for Scotland today, and the extent to which these would need to be re-created under independence.