

## **Terms of reference for the Trading Fund Assessment to be carried out by Shareholder Executive/HMT**

### **Objective of the Assessment**

This exercise is in response to the Budget 2008 announcements that the Government would link an assessment of the governance, business plans and future development strategies of the trading funds with a commitment to look closely at public sector information held by trading funds to distinguish more clearly what is required by Government for public tasks and ensure that this information is made available as widely as possible for use in downstream markets.

(Full Budget text reproduced at Annex B).

There is a clear relationship between successfully enabling access to public information created and held by trading funds and reassessing the trading fund model, and this assessment will deliver against both of these objectives.

Detailed work will include:

- An assessment of the governance, business plans and future development strategies of each of the trading funds (TF) and a selection of public corporations (see Annex A).
- Production of a clear set of recommendations on the future of the TF model or constitution of individual TFs as appropriate.
- With regards to a priority group of TFs (Ordnance Survey, Met Office, UK Hydrographic Office, Companies House, DVLA, and Land Registry) the exercise will aim to produce a detailed and definitive pricing and access policy for information held/created by TFs and the optimal constitutional structure for the several TFs to maximise benefit to the UK economy whilst maintaining public policy objectives.

The exercise will:

- Clarify the purpose of each TF and the activities the Government requires them to do.
- Describe the business model of each TF and assess the extent to which the model provides them with the challenge and incentive to deliver their public purpose efficiently.
- Benchmark key performance indicators across the businesses using public and private sector comparisons (both UK and international where available).
- Provide a basis for mapping current performance of the TFs against the intentions of the TF model.

The recommendations from the OFT report (The Commercial Use of Public Information, published December 2006) show the potential value to the UK economy from enabling downstream access to the public information collected by

trading funds. However, changes in the pricing policy and licensing regime around information held by TFs may impact on their trading performance and value.

Therefore for those TFs affected, the assessment will

- provide an assessment of the business model or constitutional reforms needed to meet the Government's commitment on access to information collected for public purposes by downstream markets; and
- provide an assessment of the options for pricing the release of this information

There may be further questions which arise such as:

- What are the long term prospects for the market in which each TF operates?
- What are the barriers to any future reforms necessary for the TF to maximise opportunities in the market in which it operates?
- What do shareholders, competitors and other stakeholders think of the TFs activities?
- Are there alternative means of delivering the public policy objectives currently discharged by the TF?

### **Information issues**

Specific points relating to information issues will include:

- A review of the information held by the TFs, its relation to the TF's public purpose and how that information is provided to users;
- The cost to Government and consumers of collecting that information and how costs are distinguished between public task and commercial activities;
- Whether the current arrangements for the provision of information to users in the private and third sectors through the existing TF model presents barriers to innovation and the growth of new markets; and
- The impact of any potential changes to the current information regime on the capacity of TFs to meet their ongoing public purpose.

The exercise will be informed by previous studies including the OFT report into public sector data and the recent Cambridge Report (Models of Public Sector Information Provision via Trading Funds) on data held by TFs.

OFT, OPSI, BERR, Cabinet Office, Power of Information Task Force and HMT and DIUS will be asked to contribute to the assessment of relevant businesses to help determine the business model reforms needed to meet the Government's commitment that information collected for public purposes will be made available at a price that balances the need for access while ensuring customers pay a fair contribution to the cost of collecting this information in the long-term.

### **How the will assessment operate**



The work plan will encompass:

- The establishment of a steering group, with representatives from ShEx, HMT, BERR, Cabinet Office, OFT and OPSI.
- A workshop with key users of data.
- Initial sift around a set of metrics to identify a shortlist of those trading funds to analyse in more detail, prioritising those TFs facing issues on information
- Develop and complete a structured interview programme
- Detailed assessments including:
  - Benchmarking financial and operational performance
  - Determine the extent of commercial competition for the TF, and if so, which parts of the TF are involved in commercial activities, whether there is accounting separation between commercial and non-commercial arms, who its competitors are and any evidence of competitors who have tried to enter the market and failed.
  - Assess TF governance against best practice.
  - Assess TF progression into and through the trading fund model and how well the model has served.
  - Understand and map progress to date against the public information task.
  - Define the potential for business separation of public information production activities from other (downstream) activities.
  - Consider financial and corporate implications of any proposed accounting/physical separation.
- Development of recommendations and drafting of outcomes

## **Deliverables**

An assessment, on a case by case basis, of the individual trading funds and any recommendations that may arise as to future of the TF model and any changes to the status, role or objective of individual trading funds. In respect to the priority TF group, particular reference will be made to issues regarding the use of and access to public information.

This will include:

1. A recommendation on the pricing and access policy for information held/created by TFs;
2. Identification of reforms that can be introduced rapidly in respect to the information agenda, and those that require major commercial or legislative reform;
3. Recommendations on the effectiveness of the existing TF model; and
4. Where appropriate, recommendations to change the status of specific TFs (including setting a direction of travel towards conversion to GovCo, PPP, privatisation, or potentially re-establishment within departments), and a redefinition of their business model or objectives in order to better meet these objectives.



## **Timetable**

The exercise will report to Treasury and BERR Ministers in autumn 2008.

The assessment will also form part of the Treasury's 12-month efficiency programme, feeding into the asset management and sales strand of the work. This strand will look at the effectiveness of the Government's existing asset management and sales policies, including the financial incentives around assets, the role of Central Government, and whether different types of assets require different policy interventions and incentives.

## Annex A

### Trading Funds and Statutory Corporations to be included in the assessment

#### Priority group covering public information issues

Ordnance Survey	(DCLG)
Meteorological Office	(MoD)
UK Hydrographic Office	(MoD)
HM Land Registry	(MoJ)
Driver and Vehicle Licensing Agency (DVLA)	(DfT)
Companies House	(BERR)

#### Follow up group

Central Office of Information	(Cabinet Office)
Defence Support Group	(MoD)
Dstl (Defence Science & Technology Laboratory)	(MoD)
Driving Standards Agency	(DfT)
Vehicle and Operator Services Agency (VOSA)	(DfT)
FCO Services	(FCO)
Fire Service College	(DCLG)
Queen Elizabeth II Conference Centre	(DCLG)
Medicines and Healthcare Products Regulatory Agency	(DoH)
OGC Buying Solutions	(HMT)
Royal Mint	(HMT)
UK Intellectual Property Office	(DIUS)

#### Statutory Corporations to be included in the assessment

British Waterways (BW)	(Defra)
Covent Garden Market Authority (CGMA)	(Defra)

## Annex B

### Budget 2008 text announcing the assessment of trading funds and Government's commitment on access to public information

**5.14** The Government is committed to managing the stock of public assets to deliver optimal results for society and the economy. Following the 2007 CSR, departments are publishing asset management strategies setting out how they will deliver best value from their assets. To support the introduction of asset management strategies the **Treasury and Shareholder Executive will undertake an assessment of the governance, business plans and future development strategies of each of the trading funds and a selection of public corporations** (excluding those already subject to central government review).

**3.49** The Office of Fair Trading's (OFT) market study into the commercial use of public information highlighted important issues around access to public sector information for commercial or other re-use. The Government commissioned Cambridge University to analyse the pricing of this information. This analysis is published alongside Budget 2008. The Government will look closely at public sector information held by trading funds to distinguish more clearly what is required by Government for public tasks and ensure that this information is made available as widely as possible for use in downstream markets. In the lead up to the next Spending Review the Government will ensure that information collected for public purposes is priced so that the need for access is balanced with ensuring that customers pay a fair contribution to the cost of collecting this information in the long term. These issues will be considered in conjunction with the assessment of trading funds (see Chapter 5).