Box 7.4: sources of finance for NDPBs

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* specific conditional grant(s) from the sponsor department (and/or other departments)
* general (less conditional) grant-in-aid from the sponsor department
* income from charges for any goods or services the NDPB may sell
* income from other dedicated sources, eg lottery funding
* public dividend capital

7.6.5 In practice NDPBs always operate with some independence and are not under day-to-day ministerial control. Nevertheless, ministers are ultimately accountable to parliament for NDPBs' efficiency and effectiveness. This is because ministers: are responsible for NDPBs' founding legislation; have influence over NDPBs' strategic direction; (usually) appoint their boards; and retain the ultimate sanction of winding up unsatisfactory NDPBs.

**7.7 Public corporations**

7.7.1 Some departments own controlling shareholdings in public corporations or Companies Act companies, perhaps (but not necessarily) as a step toward disposal. Public corporations' powers are usually defined in statute; but otherwise all the disciplines of corporate legislation apply. UKGI, which specialism in strategic management of corporates, may be a good way of managing departments' responsibilities as shareholders.

7.7.2 Sponsor departments should define any contractual relationship with a corporate in a framework document adapted to suit the corporate context while delivering public sector disciplines. The financial performance expected should give the shareholder department a fair return on the public funds invested in the business. Box 7.5 offers suggestions. This approach may also be appropriate for a trading fund, especially if it is to become a Companies Act company in time.

7.7.3 A shareholder department may also use a company it owns as a contractor or supplier of goods or services. It is a good discipline to separate decisions about the company's commercial performance from its contractual commitments, so avoiding confusion about objectives. So there should be clear arm's length contracts between the company and its customer departments defining the customer-supplier

relationship(s).