

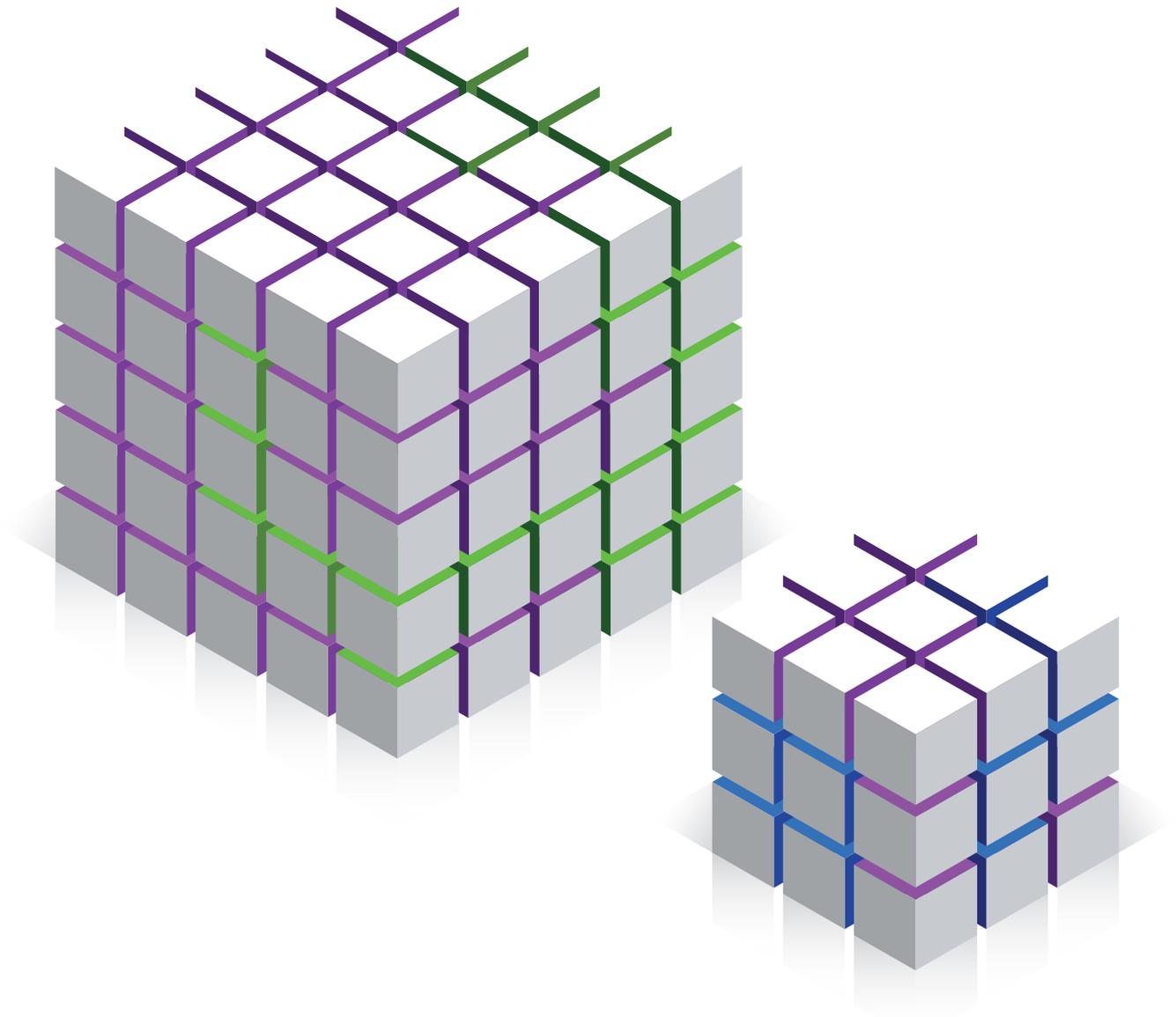


PUBLIC CHAIRS'
FORUM

INSTITUTE
FOR
GOVERNMENT

IT TAKES TWO:

A FRAMEWORK FOR EFFECTIVE RELATIONSHIPS
BETWEEN GOVERNMENT AND ITS ARM'S
LENGTH BODIES



Overview

Effective relations between Arm's Length Bodies (ALBs) and Government Departments are critical to the efficient and effective delivery of public services and it is crucial that we get them right.

The Public Chairs' Forum (PCF) and the Institute for Government are pleased to publish this framework for good practice aimed at creating effective relationships between government and arms-length bodies.

This framework is an output of a project initiated in summer 2011 by then Cabinet Secretary, Sir Gus (now Lord) O'Donnell in a meeting with the Chair of the PCF, Chris Banks. They agreed that it was a good time to have a look at how to create more effective relations between government and its arm's length bodies. This work builds on the Institute for Government's earlier report, *Read Before Burning* (July 2010)¹.

The objectives and actions in our framework stem from discussions that we have had with people in Whitehall and Arm's Length Bodies about what works and what does not. The framework is underpinned by a research report that gives a more detailed analysis of our findings, and offers recommendations on how these relationships could be improved in the long-term.

We have benefited from the advice of our advisory group, made up of representatives from Departments, ALBs, Cabinet Office, Treasury and academia². Their wide ranging expertise, oversight and insight have proved invaluable in the development of this framework and report.

There are five key areas for focus within the framework:

1. Accountabilities and clarity on roles and responsibilities
2. Strategic Approach
3. Financial and Performance Management
4. Communication and Engagement
5. Relationship Management

Within these areas we have outlined a series of overarching principles that are central to effective relationships between ALBs and Departments, followed by the objectives for achieving the principles, and actions that each player should undertake. Alongside these are a series of diagnostic questions that all parties can use to measure their current relationship against.

We are developing a diagnostic web tool to accompany the framework. *Relationship Web* is based on the diagnostic questions within the framework. It allows Departments and ALBs to identify strengths and weaknesses in their own relationships. The results are then plotted on to a spider's web – the further away from the centre your responses, the more effective your relationship; the idea being to stretch the web over time to improve your performance. There will be an opportunity to compare results between ALBs and Departments to see how each side views their relationship. Rather than being the solution to any issues in the relationship, we hope that this exercise will act as a useful conversation starter between Department and ALB.

¹Gash, T; Magee, I, Rutter, J, and Smith, N. *Read Before Burning*, Institute for Government, July 2010,

²Members of the advisory board can be found in Annex 1 at the end of this framework.

Who can use the framework?

Given the variety and complexity of different ALBs, it would not be possible to devise a 'one size fits all' framework for all public bodies. First, it needs to be used in a proportional way. For example, what makes sense for large executive bodies may be too detailed for much smaller advisory bodies. Likewise, the degree of independence matters. What makes sense for an executive agency with a line management relationship to the core department will be very different from what makes sense for a regulator or watchdog whose credibility depends on its ability to act independently.

However, what unites all ALBs, whatever their size, structure or remit, is the need to have a healthy relationship with their sponsoring department, which recognises both their functions and duties. When using the framework within this caveat, it should help all ALBs and Departments to improve the effectiveness of their relationships.

We have set out the roles for the key players; the department, the ALB and the Minister. We have not included the new Departmental Non-Executive Directors in the framework at this stage as their role is new and still evolving. However, we think they have a potentially valuable role to play in assurance on the way the department is managing relations and its approach to risk and acting as "honest broker" if there are problems.

This framework is intended to act as a starting-point for a conversation between the parties, not as a tick-box checklist. Having said that, the objectives and broad themes we set out should be universal for any effective partnership.

The role of the centre

The centre's more active interest in the size and performance of the overall public sector is going to be a fact of life as the government continues the implementation of its deficit reduction programme. Although the role of the centre is not singled out explicitly in the framework, we believe that Cabinet Office and Treasury should agree a required data set for ALBs in order to keep data requests to a minimum. Likewise, ALBs should be proactive in the publication of this data. The centre should put in place clear frameworks and expectations against which the ALB operates, with penalties for deviation, rather than a plethora of controls.

Conclusion

One of the great things about the framework is that everything that it suggests can be achieved within existing structures and guidelines. In other words, you do not need anything more in order to start using it - you can use it now. Our intention is for this framework to be a living a document, which can evolve over time in line with user experience and government requirements.

All the people we spoke to about effective relations between government and ALBs emphasised the importance of trust and mutual respect in underpinning effective relations. No framework or checklist or structural reforms can deliver that - though they can help provide the building blocks. That requires a recognition in departments of the importance of effective sponsorship and a recognition of the important functions performed by ALBs. And ALBs must understand how best to contribute to department objectives in the context of wider government priorities.

It takes two.

Accountabilities

Clarity on roles, responsibilities and expected behaviours

OBJECTIVE



The Overall roles and responsibilities of the Department, ALB, NED and Minister are clear, understood by all parties and are kept up to date in line with underpinning legislation.

DEPARTMENT

Has a framework document in place, which has been agreed by the Department and the ALB.

Includes a clear statement of the roles and responsibilities of the Department and the ALB in the framework document.

Annually reviews (and updates if appropriate) the framework document.

Immediately updates the framework document in case of significant changes.

ALB

Has a framework document in place, which has been agreed by the ALB and the Department.

Understands and agrees the escalation process with the Department.

Inducts new board members and staff on expected behaviours.

MINISTER

Approves the framework document, including the statement of roles and responsibilities.

Understands own accountabilities for the ALB.

DIAGNOSTIC QUESTIONS



Is the framework document clear and up-to-date?

Are roles, responsibilities and expected behaviours well understood and observed by both department and ALB?

Has an explicit sponsorship structure been agreed at the strategic level by the permanent secretary, which can transcend the churn of individuals?

OBJECTIVE



Delegations are clear and up to date.

DEPARTMENT

Establishes formal delegations to the ALB Accounting Officer (AO), which are agreed with the ALB.

Ensures that the ALB AO understands public sector operating frameworks as set out in *Managing Public Money*.

ALB

Understands AO responsibilities and is clear on what decisions require departmental/central agreement.

Understands and agrees formal delegations with the Department.

MINISTER

DIAGNOSTIC QUESTIONS



Are the delegations regularly reviewed and understood by all?

Expectations are managed effectively

OBJECTIVE



Department and ALB have the **same expectations** about the nature of the role of both the ALB and the Chair/Chief Executive; the degree of independence and the relationship with the department.

DEPARTMENT

During **recruitment** ensures that the roles and responsibilities of the ALB and the position within it are accurately represented.

Departments are clear about the role of body/ Chair/ CE and do not oversell job.

Ensures common understanding of roles among all departmental contacts.

ALB

Chair/CE ensures that their understanding of the role matches that of the department.

MINISTER

Understands and endorses the role.
Does not oversell the role to potential appointees.

DIAGNOSTIC QUESTIONS



Is there an agreed common understanding of the role of the Chair and Chief Executive shared at all levels of the department and the ALB?

Does the representation of the Chair and Chief Executive role during the recruitment process clearly correspond to the common understanding of each role?

Strategic Approach

Differentiated and proportionate approach

OBJECTIVE



The department adopts a **differentiated approach** according to the role, status and riskiness of the ALB.

DEPARTMENT

Appreciates the implications of the different roles and status of ALBs. Has an up to date view of the salience of the ALB. Bases sponsorship approach on this assessment.

Ensures that the assessment is agreed by Minister and that the Departmental Board endorses overall approach.

Communicates approach across the department and calibrates relationships appropriately.

ALB

Understands own role, status and riskiness and acts in accordance with this.

Ensures that role and status are clearly communicated to all partners.

Shares risk register with department and keeps informed of any significant changes in risks.

MINISTER

Understands the difference between ALBs in terms of function and status.

Agrees with the departmental assessment of riskiness and manages the relationship with the ALB in line with that assessment.

DIAGNOSTIC QUESTIONS



Does the relationship fit clearly with the approach to managing relationships with other department ALBs?

Does the ALB's relationship with the department and degree of freedom reflect the balance of riskiness and ALB capability?

Risk management

OBJECTIVE



There is a **clear and agreed view on** risk which informs the sponsorship approach.

DEPARTMENT

Undertakes a risk assessment of ALBs, taking account of budget, reputation risk, task complexity and prior track record to inform sponsor effort.

Keeps risk assessment up to date taking account of changes to the external environment as well as internal issues.

Is aware that some big risks will be unknown unknowns.

ALB

Shares own risk register with the department.

Gives early warnings of any change in external environment or internal control issues which could affect the risk profile.

MINISTER

Forms view on approach based on input from the department, the ALB and external sources.

DIAGNOSTIC QUESTIONS



Does structured communication help the department and ALB share a common view of key risks?

Strategic alignment

OBJECTIVE



There is **good strategic alignment** between ALBs, Departments, NEDs and Ministers.

DEPARTMENT

Shares departmental priorities with ALB.
Invites ALB input into internal strategic discussions.
Provides adequate resources to meet priorities.
Understands remit of the organisation sufficiently in order to avoid taking unnecessary decisions which negatively affect it.

ALB

Understands own contribution to departmental priorities and business plan and aligns activities around it.
Invites contributions from the department to board strategy discussions.

MINISTER

Is aware of the importance of public bodies in successfully implementing core policy objectives.
Is clear about priorities for the ALB and makes sure that those priorities are properly communicated.
Is clear about the rationale for any changes in priorities.

DIAGNOSTIC QUESTIONS



- Is the contribution of ALB to departmental priorities clear?
- Are priorities communicated to junior department personnel with day-to-day contacts with the ALB?
- Are reasons for any non-alignment understood and agreed?

Trusted partner in policy making and implementation

OBJECTIVE



The ALB understands **how to contribute** to policy making in the department; where it has discretion and is routinely involved in policy development and where it has expertise and/or is expected to implement the policy.

DEPARTMENT

Involves the ALB as a key partner in internal policy development – both to contribute expertise but also on implementation.
Establishes joint planning teams on big initiatives that involve the ALB.

ALB

Understands departmental/ Ministerial ground rules on policy.
Does not “campaign” against policy.
Contributes as a constructive and expert partner aiming to achieve Ministerial and departmental objectives, not simply narrow organisational objectives.
Respects confidences when asked to input into policy.

MINISTER

Utilises expertise within bodies.
Ensures that the ALB is involved in policy decisions which affect its area of responsibility.

DIAGNOSTIC QUESTIONS



- Is the ALB routinely involved in policy making where it is a delivery partner or has expertise to offer?
- Does the ALB act as a trusted partner on policy?
- Does the ALB take a “big picture” approach?

Financial and Performance Management

Clear, transparent and reliable information flows

OBJECTIVE



Department and ALB have access to the **timely and reliable data** they need. Data requests are proportionate. Framework Document is clear regarding data requirements.

DEPARTMENT

Agrees key data requests in advance across the department.

Standardises as far as possible and aligns with Board management information.

Where new data is requested, makes clear the purpose of the request and takes into account the collection burden.

Gives feedback on how data is used.

Shares understanding of Cabinet Office guidance with ALB.

ALB

Complies with data requests on a timely basis.

Has internal processes to guarantee data quality.

Gives feedback where it thinks information flows could be improved.

Makes sure that data conveys the genuine overall picture.

Has a shared understanding of Cabinet Office guidance with department.

Makes timely data publically available on website (in line with the Public Chairs' Forum and Institute for Government guide to best practice in ALBs).

MINISTER

Uses data to inform performance management conversations with ALB.

Minimises requests for additional data where there is a real new need.

DIAGNOSTIC QUESTIONS



Is data requested by the department well aligned with the data used by the ALB for internal management?

Are data requests proportionate?

Is feedback given on the use of data?

OBJECTIVE



A process for **data quality assurance** is in place and agreed by the Department and the ALB. This process is clearly communicated and adhered to.

There should be agreed clarity about disclosure once assurance has taken place.

DEPARTMENT

Raises any data concerns with the ALB.

Understands the ALB operating environment and the context of data.

ALB

Regularly reviews processes for data quality assurance to ensure that data is fit for purpose, and is right the first time.

MINISTER

DIAGNOSTIC QUESTIONS



Is the data supplied by the ALB reliable?

Is there a clear prior agreement on what data is collected, how data is used and where value is added?

Efficient and effective budgeting

OBJECTIVE D

Budgeting is stable, transparent and realistic.
 Recognition that budgeting is also about income and income streams.

DEPARTMENT

Sets budgets where possible on a multi-year basis.

Understands the ALB’s revenue flow and important aspects of the ALB’s business model.

Bases budget on agreed expectations on what can be delivered within budget.

ALB

Is realistic about budgeting, and pre-emptively offers savings where they can be made.

Ensures that the department recognises ALB multiyear income generation where appropriate.

MINISTER

Sets realistic deliverables against the budget for the ALB.

Engages with the ALB Chair and the Chief Executive to resolve budget concerns.

DIAGNOSTIC QUESTIONS ?

Is the budget realistic given the ALB’s tasks?
 Has the ALB been involved in the budget process?
 Has the rationale for any changes been explained?

Stable and predictable performance framework

OBJECTIVE D

Performance is managed effectively by the ALB, with ALB **held to account** by the department.

DEPARTMENT

Agrees clear objectives and performance metrics before the beginning of the year (ideally on a multi-year basis).

Conducts regular in-year performance reviews.

ALB

Submits clear and timely information on performance, published in line with the Public Chairs’ Forum / Institute for Government guide to transparency best practice in ALBs.

Agrees and discusses priorities with the department before they are implemented.

Aligns management information in the ALB as far as possible with department metrics.

Takes performance reviews seriously.

Benchmarks performance against like bodies.

MINISTER

Holds performance reviews with key ALBs at least annually.

DIAGNOSTIC QUESTIONS ?

Are objectives and performance metrics clear and agreed?
 Are performance reviews held regularly?
 Do all sides allow an open and honest conversation about performance?

Communication and Engagement

Transparency in dealings

OBJECTIVE D

Relationships between the ALB and the department should be **open, honest and constructive**.

DEPARTMENT

Encourages open two-way information flows between the department and the ALB.

Engages the ALB in decisions which are likely to affect it.

Actively contributes to sustainable and trusting personal relationships with the ALB.

ALB

Gives the department advance warning of major decisions or announcements.

Actively contributes to sustainable and trusting personal relationships with the department.

Provides information on request.

Is publically transparent in dealings with department.

MINISTER

Is open in dealings with the ALB.

Makes personal contact when important changes are decided or announced, and explains basis for decisions.

DIAGNOSTIC QUESTIONS ?

Are two-way communications between the department and the ALB good?

Clear and consistent communications

OBJECTIVE D

Communications are **coherent and consistent**.

DEPARTMENT

Establishes clear internal protocol on communication with ALBs to ensure internal consistency.

A single point of contact is aware of all communications with the ALB.

Ensures that there is consistent messaging across the family of ALBs.

ALB

Alerts the department to any cases of mixed messages.

MINISTER

Ensures that the department is aware of communications at Ministerial level with ALBs.

DIAGNOSTIC QUESTIONS ?

Are communications between the department and ALB consistent, coherent and relevant?

No surprises approach

OBJECTIVE



There is a common understanding on both sides on public positioning with no surprises policy observed.
Potentially sensitive issues are raised in advance to allow a conversation to take place.

DEPARTMENT

Agrees protocol on handling public positioning with the ALB.

Gives Chair and CE advance warning of any announcements affecting the ALB area of policy.

Respects need for body to have external independence and credibility to perform its role.

Keeps the ALB apprised as far as possible on issues external to the bilateral relationship which affect it (e.g. Public Bodies Reform Programme, ERG council).

Adopts a “no surprises” approach on announcements of material significance to the ALB.

ALB

Respects confidences when brought into internal decision-making.

Has disagreements in private rather than in public.

Gives the department opportunity to comment in advance of public statements.

Consults the department on select committee appearances, where appropriate.

Is aware of the political saliency of relevant policies and developments.

MINISTER

Has disagreements in private rather than in public.

DIAGNOSTIC QUESTIONS



Is there an agreed understanding on public positioning by the ALB?

Does the department include the ALB or inform the ALB in advance of all key corporate and policy communications which are relevant to it?

Does the ALB show good political judgement?

Relationship Management

Mutual Understanding

OBJECTIVE



Department and ALB show **mutual respect** and understanding.

The terms and language used in communications are appropriate and intelligible to individual ALBs.

DEPARTMENT

Invests in a deep understanding of the purpose, culture and objectives of the ALB and the specific challenges faced by the ALB.

Offers induction on public sector working (including commercial activity) as well as induction on the work of the department to newly appointed Chairs/Chief Executives and board members; if possible, arranges early meeting with the Permanent Secretary/Minister.

Tries to ensure continuity within sponsor teams and good handover processes.

Makes sure new Ministers have early briefing on the role of the ALB.

Makes sure ALB Chairs/Chief Executives are aware of all the relationships within the department, e.g. the policy team.

Permanent Secretary commits to stable sponsorship and resourcing.

Seeks ALB feedback on sponsor performance.

ALB

Understands the challenges facing the department.

Understands what the department wants to do with the ALB.

Offers induction to new sponsor team members on the work of the ALB.

Offers induction to new sponsoring Minister and the chance to meet the Board (but understands if not accepted immediately).

Offers induction to new board and staff members on relations with the department.

Provides frank feedback on sponsor performance.

MINISTER

Invests time in understanding ALB landscape and core bodies in particular.

Makes sure that the ALB is aware of meetings with key stakeholders in advance; offers opportunity to brief or attend if appropriate, and provide feedback.

DIAGNOSTIC QUESTIONS



Does the department and the ALB manage the relationship well?

Is an induction offered and accepted by new departmental sponsors?

Is an induction offered and accepted by new members of the ALB senior team (both executive and non-executive)?

Is there a good mutual understanding between the department and the ALB, underpinned by mutual trust?

Is there stability in the sponsor team?

Does the ALB have a chance to feed in to the sponsor team members' performance appraisal?

OBJECTIVE



There is a clear and agreed **map of relationships** with regular meetings scheduled.
The role of “the centre” is clear and well understood by both sides.

DEPARTMENT

Develops clear contacts map, expectations of frequency and nature of contact.

Schedules regular meetings well in advance and tries to keep to them.

Agrees a realistic and appropriate schedule of Ministerial contacts.

Understands the wider relationships of ALBs including relationships with other government departments.

Looks at ways of bringing ALBs together, and encourages relationship building between ALBs and policy teams.

ALB

Understands that more junior people may have a critical role in day-to-day management of department-ALB relationship – and encourages effective relationships at all levels.

Ensures that junior people understand the role of the department.

Uses ministerial meetings effectively - these should be strategic and deal with big issues.

Understands and can explain the role of “the centre”.

MINISTER

Agrees and sticks to schedule for meetings.

Ensures that the department gets the Chief Executive it needs.

DIAGNOSTIC QUESTIONS



- Are contacts between the ALB and the department appropriate, with issues being resolved at the appropriate level?
- Are there sufficiently regular meetings?
- Are differences surfaced and discussed?
- Is the formal structure underpinned by a healthy informal relationship?

OBJECTIVE



Quality of relationships is good with sufficient time invested in building them.

DEPARTMENT

Values “sponsorship” as a departmental function and provides appropriate training.

Senior relationship owner has regular catch-up slots with Chief Executive (or the Chair, depending on the Ministerial relationship).

Recognises two way role – critical and supportive with feedback sought on departmental performance as a sponsor.

Encourages Ministerial interest/visit.

Builds informal contacts—for open and honest conversations as well as effective interpersonal relations.

ALB

Nurtures the relationship with the sponsor team and the Minister.

Prepares well for meetings – agrees agenda, makes the most out of contacts, provides advance warning of issues.

Understands role in setting tone for organisation as Chair/Chief Executive.

Builds informal contacts with the department for open and honest conversations as well as effective interpersonal relations.

Recognises two-way role – critical and supportive.

Welcomes Ministerial interest.

Is realistic about departmental constraints and is able to communicate them to the rest of the organisation.

MINISTER

Understands the history of relations between the department and the ALB.

Gets to know Chairs/Chief Executives of key bodies personally.

Takes time to understand ALBs in portfolio and makes time for meetings with the Chair on a regular basis.

Understands the relationship between Chairs and Chief Executives.

DIAGNOSTIC QUESTIONS



Does the department invest enough time and effort in the relationship?

Does the ALB invest enough time and effort in the relationship?

The board is an effective and trusted partner

OBJECTIVE



The department has **confidence** that the board can manage both the ALB's business and can operate effectively in a public sector environment.

DEPARTMENT

Takes care in getting a good Chair – takes the job description and interview process seriously.

Constructs the right board to manage the organisation in discussion with the Chair and Chief Executive.

Takes opportunity to see the board in action.

Takes board appraisal seriously and does not automatically reappoint.

ALB

Chair conducts formal review of board/management team – ensures right people/balance/good attitudes.

Chair raises concerns about balance of the board with department; agrees realistic job descriptions.

Conducts joint appointment processes.

Gets departmental input into board appraisals.

Chair takes own appraisal seriously.

MINISTER

Makes clear the requirements for board appointments at start of the recruitment process.

Satisfies self on quality of proposed appointments.

Seeks opportunity to engage with the board of key ALBs.

DIAGNOSTIC QUESTIONS



Does the ALB board have the right mix of skills and experience?

Does the Chair undertake effective appraisal of board members and does this process adds value?

Escalation processes

OBJECTIVE



Clear processes are in place to **resolve any disputes** in a timely and effective manner.

DEPARTMENT

Agrees clear escalation procedures in advance.

Follows escalation processes in case of dispute.

ALB

Understands and follows escalation processes.

Does not overuse the escalation process.

MINISTER

DIAGNOSTIC QUESTIONS



Are dispute resolution processes in place, understood and used by all parties?

Members of the Project Advisory Board

Chris Banks	Chair, Public Chairs' Forum
Debbie Edwards	Senior Policy Advisor, Treasury
Mark Hammond	CEO, Equality and Human Rights Commission
Stephen Henwood	Chair, Nuclear Decommissioning Authority
Matthew Hilton	Head of Profession for Sponsorship, Department for Business Innovation and Skills
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