

Managing at arm's length

Guidance Note 2

Effective sponsorship ¹

Context

Most Ministerial Departments are managed using what is known as a 'hub model' of public sector management. This involves a small strategic core surrounded by a number of arm's-length bodies of varying size, role and formal organisational status that are effectively sponsored by their 'parent department' to undertake certain functions. Managing at a distance is therefore a critical element of modern political management and leadership.

This paper provides a simple guide to ensuring that the relationships between Ministers, departments and sponsored public bodies operate effectively. The advice is aimed at both individual Sponsor Teams, senior sponsors and those responsible in Departments for managing the 'delivery landscape'. It concentrates on NDPBs, but many of the issues are relevant to sponsorship of other arm's length organisations though the appropriate degree of control and independence will vary and the sponsorship team needs to be alert to this. .

"Freedoms need to be part of a living, organic relationship. You must have an adequate formal framework. But you can't cope without trust, confidence and a shared sense of endeavour. "

Former Permanent Secretary

What you are aiming for:

- Effective, strategic trust-based relationships between your Department and its NDPBs, based on common understanding of roles and responsibilities and confidence that they are able to identify and alert you to risks and to potential areas of tension.
- A clear channel of two-way communication between you and the NDPB and avoidance of a multiplicity of contacts.
- Consistent, reliable high performance from the NDPB and assurance that it understand and is complying with government policies on the wider public sector
- Constructive input from the NDPB on policy issues where the Department has the lead and the NDPB has relevant operational knowledge or other expertise.
- only requesting information you need from the NDPB to allow you to monitor performance. Clarity on roles and responsibilities between the department and the NDPB should remove the need for wasteful second-guessing
- Positive relations between 'families' of NDPBs within and beyond the Department.

¹ These notes have been developed to guide sponsors in UK government departments. While the principles will also be valid in many cases in Scotland, Wales and Northern Ireland, different procedures may apply.

- Positive relationships with Parliament between both the department and the NDPB

“At the end of the day it’s all pretty simple – the minister needs to trust me and I need to trust them. If that basic relationship does not exist then we are all in trouble.”

Chair of executive NDPB

What do we know?

- The role of the NDPB is fundamentally different from the role of the civil servants in the sponsor Department. The Sponsor Team is there to support the Minister, and part of the job is to help the Minister avoid political difficulties. The NDPB is there to discharge the functions assigned to it by Parliament. It is legitimate for the NDPB to take a different view from Ministers. The key issue is the handling of that difference of view and its scale.
- Executive Agencies and some other ALBs are not in this position and remain part of the department, with direct responsibilities to Ministers even when operating at arm’s length. Nevertheless, many similar relationship issues arise between the department and its Executive Agencies.
- Problems occur when there is not a shared view of the relationship and no means of resolving those differences .
- Some NDPBs have in the past become so detached from their sponsor Department that they have effectively assumed ‘orphan status’.
- Departmental-NDPB relationships tend to work best when there is a single senior departmental sponsor with specific responsibility for relationship management, particularly with the Chief Executive.
- High levels of confidence in the day-to-day working relationship are generally evident where the NDPB Chairman knows that he or she can talk to the relevant Minister if necessary – but does not feel the need very often.
- Executive agencies and NDPBs can appear to present similar managerial and political challenges for Departments and Ministers, but the governance differences are important and need to be understood.
- Sponsor teams can develop ‘tunnel vision’ and arrangements should be put in place to foster shared learning, strategic understanding and best practice. There needs to be a common approach to sponsorship across the department for consistency and coherence. Invest time in getting to know key people, talk to them regularly and bring them into your confidence on issues – and expect them to do the same in return.
- A shared risk management strategy is crucial.
- Successful relationship management involves informal as much as formal mechanisms. The relationship between an NDPB and its sponsor department ought to be one of partnership. Both parties need to recognise the responsibilities and expertise of the other.

“The role of the sponsor team is far more than simple day-to-day management. There should be a political element ... the team and particularly the senior departmental sponsor must act like a political lightning rod, passing signals and understandings up and down between the department and public body.”
Former Permanent Secretary

Sponsor Teams: What do they do?

- Manage day-to-day relationships and acting as a two-way communication tool – critically enforcing the ‘no surprises’ rule.
- Agree a framework for strategic performance management of the NDPB, generally through key documents such as the corporate plan, management statement, or annual grant-in-aid award letter.
- Ensure that the NDPB has the delegations and authorities necessary for effective delivery and continuous performance.
- Represent the interests of the Departmental Accounting Officer (the Permanent Secretary) in dealings with the body and, in particular, liaise with the body on propriety issues (eg approval of special payments), and ensure the body understands where it needs to seek specialist advice from the Department on governance and other issues, which is particularly important where people in the NDPB are new to public sector ways of working. .Make sure that the body understands and complies with requirements and government initiatives on pay and grading, procurement, and value for money.
- Provide support to the sponsor Minister by keeping them informed about the body’s performance; preparing speeches and briefing material for debates, meetings and visits; and dealing with PQs and Ministerial correspondence relating to the body’s matters of policy.
- Develop and advise Ministers on the strategic direction and funding of the NDPB in the context of wider departmental and cross-governmental objectives.
- Act as a link between the Department and Parliament in relation to scrutiny of the NDPB – including appearances before Select Committees by the NDPB and pre-appointment hearings for new senior appointments.
- Make sure that the Board has the skills needed to deliver the NDPB’s functions. Ensure that appointments to the NDPB Board are made in an appropriate manner and in accordance with the relevant regulatory requirements, and that all those appointed are subject to annual appraisal.
- Advise the Chairman and Chief Executive on Ministerial priorities and concerns and advise the department on how to deal with the NDPB and make sure its concerns are registered in the department. .
- Promote alignment of the NDPB’s strategy and business plan with departmental objectives and PSA targets. Keep an eye out for issues that may cause problems and where possible seek to resolve them informally behind the scenes.

“You need to be clear but not prissy about relationships. You need to be able to have conversations around the margins of the formal relationship.”
Chair of executive NDPB

Effective performance management

Tactical tips for the Sponsor Team

- Embed the 'no surprises' rule at the heart of the relationship. Ministers, Departments and public bodies should agree to notify each other at the earliest opportunity of any issues, incidents or announcements that may adversely affect each other. In cases where this does not happen, initiate a discussion to agree a better process in the future and if necessary, put on the agenda for the next meeting between the senior sponsor and CEO and if necessary, elevate to a bilateral Minister and the Chair
- Agree a process for business planning that respects the independence of the NDPB (eg whether there is formal Ministerial sign-off or not), while ensuring there is enough discussion between the department and NDPB to achieve alignment between departmental objectives and organisational business plan including KPIs Be proactive in solving emergent problems, but look to establish common ground with the NDPB.
- Don't ask the NDPB for information just 'for the file' – if you want information from the NDPB, make clear the purpose when the request is made; however, maintain a clear record and audit trail of discussions with the NDPB
- Visit the public body regularly in order to build up inter-personal relationships and understanding.
- Make sure that the Minister and, where appropriate, Secretary of State, meet with the Chairman and Chief Executive on a regular basis – at least every six months.
- Make sure the Sponsor Team and the Minister are aware of the history of the NDPB and its relations with the Department. Previous problems can have a long-term impact.
- Be alert to political and media interest in the NDPB; don't rely solely on the NDPB itself to monitor external interest in its activities. Make sure that they have good political antennae to spot issues which may cause them – and you – trouble
- Establish good early warning systems; do joint horizon scanning on risk and, where appropriate, engage in joint contingency planning and emergency exercises

Strategic tips for the Sponsor Team

- Focus on outcomes and the capacity and capability of the organisation.
- Encourage innovation and support well-managed risk-taking by the NDPB.
- Understand that the role of the Sponsor Team may be quite different in times of crisis. Have a clear plan for what happens in an emergency and make sure both sides understand their roles.

Attending Board meetings

There is very different practice across Whitehall on whether it is appropriate for the senior sponsor or sponsor team to attend Board meetings. This can be a useful way of ensuring that the NDPB Board make decisions in full light of likely policy developments and wider departmental/government context and some NDPBs welcome this. Others allow people from the department to attend in an observer role. And others regard it as an intrusion in their independence and will only invite in the department for a very specific item. There is clearly no single practice,

What became clear in the Sutherland Inquiry into the delivery of the national curriculum tests in 2008 was that the status and role of DCSF observers at QCA meetings was a source of confusion, That led to the following recommendation:

“The role of DCSF observers at QCA’s operational, programme, and corporate boards should be clarified on a case-by-case basis and those expectations articulated clearly” Sutherland Inquiry, 2008, p5

As a minimum, this seems a good principle for departments to follow more generally for departmental board attendance.

Strategic tips for the Department

- Ensure that there is a single senior departmental sponsor with specific responsibility for relationship management with each NDPB, particularly with the Chief Executive. This should not be an onerous task; the nominated individual might fulfil the role for more than one NDPB and might also have other responsibilities.
- Aim to minimise staff turnover within sponsorship teams and too frequent change in senior departmental sponsor figures.
- Across the Department, keep the number of NDPBs and arm’s length bodies to the minimum consistent with efficient and effective public administration, using regular landscape reviews.

Common characteristics of successful public bodies

Strong corporate governance: clear vision and good leadership; good systems and appropriate and well-aligned accountabilities, flexible and responsive.

Consistently delivers objectives on time and to cost, through sophisticated and sustainable business strategy, underpinned by appropriate infrastructure.

Takes a collaborative approach to internal stakeholders, and goes to substantial effort to generate and maintain positive relationships with the sponsor department.

Strikes the right balance between independence and accountability, understanding and managing upwards in terms of Ministerial interests and recognising their accountability to Parliament.

Externally, makes every effort to manage corporate affairs and external relationships through regular stakeholder surveys and by implementing, and being seen to implement, lessons learned.

Recruits the best people it can afford and is forward-thinking and “can-do” in culture.

Source: Veredus, *Non departmental public bodies: Right from the start*, December 2006

Where to look for support

Departmental resources: One of the most valuable sources of guidance and support is others in the same position – Sponsor Teams should make use of the knowledge and expertise held within other Sponsor Teams. Look to develop informal or formal networks, within and across Departments. In addition, all NDPBs should have a senior Departmental sponsor, who may fulfil this role for several such bodies. Their role should focus on communication, strategic performance management and the allocation of resources.

Cabinet Office and Treasury: both central Departments issue guidance on different aspects of the sponsor’s role and requirements for information gathering.

National School for Government: a specific training programme is available for civil servants new to sponsor role: *Delivery through Agencies and Sponsored Bodies*.

“The senior departmental sponsor forms the key point of contact between public body and department. Their role is crucial!”
Chair, large NDPB

Further reading

- Cabinet Office, *Public Bodies: a Guide for Departments* (last updated June 2006).
- Department for Health. 2001. *Guide to Managing the Relationship between the Department and its Arm’s Length Bodies*.
- Efficiency Unit. 1995 *After Next Steps*. London: Efficiency Unit. [The Massey Report].
- Efficiency Unit. 1991. *Making the most of Next Steps: the management of ministers’ departments and their executive agencies*. London: Efficiency Unit. [The Fraser Report].
- Flinders, M. 2008. *Delegated Governance and the British State*. Oxford University Press.
- HM Treasury. 2002. *Better Government Services: Executive Agencies in the 21st Century*. London: HM Treasury. [Alexander Report]

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- NAO, *Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies* (HC 272 1999-2000, March 2000).
- Scottish Executive 2007. *Strengthening Sponsorship and the Performance Monitoring of NDPBs*, Public Bodies and Relocation Division.
- Veredus, *Right from the start: lessons learned from the start-up of non-departmental public bodies*, December 2006.

This series of guidance notes has been developed by the Institute for Government and Professor Matthew Flinders of the University of Sheffield, author of 'Walking without Order: *Delegated Governance and the British State*'.

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