

Progress Review of Scottish Government Relationships with Public Bodies

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Executive Summary

Overall position

- Managing relationships with public bodies is a complex activity taking up considerable staff time at all levels across Scottish Government (SG). Ensuring that expectations of public bodies are outcome-focused, clear and consistent is essential to allow them to achieve their full potential and to avoid creating a situation where accountabilities are creating contradictions in what a body needs to achieve ('multiple accountabilities disorder', according to Koppell¹).
- The Public Audit and Post-Legislative Scrutiny Committee said in their legacy paper in March 2021 that 'it is simply unacceptable that there continue to be examples of weak and inconsistent challenge being provided by Scottish Government officials and of problems not being identified or acted upon until it is too late.' There is no magic bullet to address this point. A clear, consistent and outcome-focused approach, with a proportionate assurance framework, will ensure that SG can work with bodies to manage risks and issues that will inevitably arise from time to time and be ready to respond to scrutiny of its actions.
- Progress has been made on the overall risk-based, proportionate approach to sponsorship of non-departmental public bodies (NDPBs) proposed in the 'Smarter Sponsorship' review carried out in 2016, but further progress is required to ensure full consistency and to provide assurance to Director-Generals (DGs) as Portfolio Accountable Officers. A range of actions are required both centrally and in individual DG areas. Many of these actions require senior sponsor and DG attention, which needs to be well-supported by the Public Bodies Unit and other central teams.
- Agencies and non-ministerial offices (NMOs) have different governance structures which must be respected. These bodies are not 'sponsored' but the relationships with them are equally important and also require a consistent approach.
- There are four key elements to the case for change in SG's current approach to managing public body relationships: maximising the contribution which public bodies can make to the achievement of national outcomes; mitigating the reputational risk to SG of operational and governance failures in public bodies; ensuring that managing public body relationships is seen as a key area in which SG needs to build and maintain capability; and ensuring that the considerable cost of staff time spent on managing public body relationships is being used efficiently.

Outcomes

- Setting clearer expectations of public bodies on their contribution to achieving National Performance Framework outcomes and Public Service Reform priorities is still an area for further development for many bodies and their sponsor or equivalent teams, with many bodies still reporting a focus on individual outputs and commitments. Aligning overall planning to projected budgets and medium-term financial plans is also important. Progress on this area has the greatest potential positive impact on what SG and public bodies can collectively achieve. Other actions to improve SG's approach to public body

¹ Koppell, Jonathan G.S. 2005. Pathologies of Accountability: ICANN and the Challenge of 'Multiple Accountabilities Disorder' *Public Administration Review* 65(1)

relationships are also important but mainly about mitigating risks and having robust arrangements to deal with issues that arise.

Creation of new bodies

- Creating public bodies commits SG to long-term costs, the business case for which needs to be considered carefully and should include a thorough evaluation of governance options. Getting the governance and relationships right at the start of the process will save effort in the long run and achieve better results.
- There should be a strong presumption against creating small public bodies in particular, as the overhead costs of running the body are disproportionate for small bodies and they also have particular resilience challenges. Where the case for creating a small body is overwhelming, taking steps to ensure access to shared services and/or shared contracts may help ensure resilience.

Roles, responsibilities and accountability

- There is widespread recognition that effective sponsorship (or equivalent) is about relationships rather than process and must reflect the individual circumstances of the public body, but also concern that approaches should not be driven too much by personalities. A strong understanding of the different accountabilities of all involved in both SG and public bodies is important as the foundation on which to build relationships. Aspects of accountability for different types of body are explored in some detail in section 4 and summarised in Table 2 and Table 3.
- One important point is that DGs are Portfolio Accountable Officers and are accountable for the overall relationship with public bodies in their areas of responsibility, including communications and the assurance framework, but they are not directly accountable for the public body's performance.
- Attendance by SG officials and/or Ministers at public body board meetings for discussion of particular topics is helpful in building relationships and understanding, but having observers from the SG sponsor team attend all of an NDPB's board meetings can undermine the proper lines of accountability.
- Public body boards have a key role but the focus of relationship management is between SG and public body officials. SG should seek input from chairs and board members on how to ensure the relationship between SG and public body boards is effective.
- In a situation where a public body is facing a particular challenge or crisis, SG will naturally work closely with the body. If required, it is important that any intervention in the operation of a public body which crosses normal lines of accountability is a formal decision of the Portfolio Accountable Officer and is communicated clearly, along with reasons.

Sponsorship staffing

- Around 200 staff in bands A-C are involved in sponsorship activity across SG (excluding sponsorship of Health Boards), amounting to around 100 full-time equivalent staff in total, of whom more than 33 full-time equivalent staff are at C band. There has been very significant churn, particularly due to Covid response, so there are many staff currently inexperienced in sponsorship and also many vacant posts.
- There are very significant variations in the levels of staffing in individual sponsor teams. Given resource pressures on SG and the need for Portfolio Accountable Officers to be properly supported, this would be a good time to review the capacity and capability required for sponsorship or equivalent work in each DG area and how this is organised.

Sponsorship practice

- Training, guidance and templates are already in place covering much of what is required for a robust approach to sponsorship. Internal Audit plan to work with the Public Bodies Unit to develop a toolkit for self-assessment of public body relationships. Existing training, guidance and templates and the new toolkit all need to be used consistently. Internal Audit can also provide advisory support or, if risk assessment suggests this is necessary, carry out a full audit of the relationship with a particular body.
- Portfolio Accountable Officers need to be sighted appropriately on significant risks or issues emerging from public bodies in their areas of responsibility. There needs to be a clearly-understood way for a public body or its sponsor or equivalent team to escalate a risk or issue, and there must be a response capturing key points considered and any actions agreed so that all involved understand SG's expectations – and this must be captured for the audit trail. Public bodies need to understand that escalation of a risk or issue does not transfer ownership.

Public Bodies Unit role and possible hub

- Implementing change will require a strong central team which can assist Portfolio Accountable Officers by supporting and challenging sponsor and equivalent teams, carrying out and coordinating improvement work and providing expertise when issues arise. The minimum additional capacity required will be two team leaders with significant experience of public body sponsorship and/or governance. Given the challenging resource position, it may be helpful to think of this as a reorganisation of the overall resource devoted to sponsorship across SG.
- There would be value in building a Public Bodies hub, which would also address points emerging from the review of Ministerial appointments. Options for this and the staffing implications should be considered.

Summary of Recommendations

	Recommendation	Risk if not implemented	Resource required to implement
1	Portfolio Accountable Officers should ensure that sponsor teams work with public bodies and the public body Accountable Officers to make roles and responsibilities as clear as possible, discussing the wording in the framework document to ensure a shared understanding.	Important issues of governance are missed and/or SG undermines the operational effectiveness of the body. Likelihood: Low Impact: High	Senior attention in each DG area, plus some time from existing sponsor or equivalent teams. Support from the Public Bodies Unit within resource in recommendation 14.
2	Portfolio Accountable Officers should ensure that a full business case and evaluation of different governance options is carried out, drawing on advice from Public Bodies Unit and other central teams including Finance and SG Legal Directorate, before any new public body is created, that advice reflects a presumption against the creation of further small public bodies, and that all of the analysis and eventual decision are retained to inform future sponsorship of the body.	Governance structures are established and long-term costs locked in without proper consideration of options – increasing the chances of governance failure and adding pressure to budgets. Likelihood: Medium Impact: High	Senior attention and time from the policy team in each DG area where the creation of a new public body is being considered – but there may be a reduction in resource in the longer term as problems may be avoided. Support from the Public Bodies Unit within resource in recommendation 14.
3	If there is a decision that the creation of a small public body is essential, the relevant Portfolio Accountable Officer should ensure that arrangements are made for the body to access corporate functions through shared services or collaborative contracts, to increase the resilience of the body.	Small bodies have multiple single points of failure and are undermined by the loss of key staff. Likelihood: Medium Impact: High	Initial senior attention and time from the sponsor or equivalent team in any DG area where a small public body is being created – but there may be a reduction in resource in the longer term as problems may be avoided Support from the Public Bodies Unit within resource in recommendation 14 to coordinate advice from central teams.

	Recommendation	Risk if not implemented	Resource required to implement
4	Public Bodies Unit should coordinate work with senior sponsors and sponsor teams to seek views from Chairs and Board members on how SG manages its relationship with the Board.	<p>The Board perspective is not fully recognised in further work to improve relationships with public bodies and Boards' key role in public body governance is undermined.</p> <p>Likelihood: High Impact: Medium</p>	Main resource requirement would be leadership from the Public Bodies Unit – within resource in recommendation 14.
5	Portfolio Accountable Officers should ensure that each NDPB and agency in their area of responsibility has in place a well-developed performance framework that sets out Ministers' priorities within the overall National Performance Framework outcomes, defines as clearly as possible how success will be measured and ideally covers expectations over several years. This performance framework would usually be a central feature of the body's Corporate Plan and should be aligned with a medium-term financial plan and the projected budget for the public body.	<p>A narrower focus on specific outputs or commitments fails to fully recognise and harness public bodies' potential contribution to achieving challenging outcomes, including tackling Climate Change and reducing inequality.</p> <p>Likelihood: High Impact: High</p>	<p>Arguably within existing resource in sponsor teams but will require senior attention in each DG area to review existing arrangements and negotiate necessary changes.</p> <p>Support and challenge from the Public Bodies Unit would be essential - within resource in recommendation 14.</p>
6	Portfolio Accountable Officers should require that sponsor teams and senior sponsors who report to them are using the templates and following the guidance, and require that any decisions not to follow the guidance or template are clearly documented for the corporate record.	<p>Inconsistencies of approach (e.g. not using standard terms and conditions for Board appointments) make governance failures more challenging to resolve when they do occur.</p> <p>Likelihood: Low Impact: High</p>	Small amount of senior attention to send and periodically reinforce the message.

	Recommendation	Risk if not implemented	Resource required to implement
7	Portfolio Accountable Officers should ensure that there is regular contact between NDPB Boards and both Ministers and SG officials, particularly senior officials. This is likely to include attendance at Board meetings for discussion of relevant topics, to ensure a good understanding of strategic priorities and issues. Routine attendance of SG officials at all NDPB Board meetings as observers can undermine the proper accountabilities within the system so should only be approved by Portfolio Accountable Officers where this is justified as an escalation beyond normal governance arrangements.	Boards fail to get the strategic perspective from Ministers or senior SG officials. Board discussion is inhibited by the presence of observers. Anything discussed in the presence of the observers is perceived as known by Ministers and senior officials. Likelihood: Medium Impact: High	Likely to be resource neutral. Sponsors may save time in not attending all meetings, but will still need to read Board papers and/or consider other information provided and hold regular discussions with the team in the public body.
8	Portfolio Accountable Officers and senior sponsors should review the capacity and capability needed in their teams to ensure that relationships are being managed well with all public bodies, and consider how best to organise that – through policy teams or sponsorship hubs, for instance – to ensure that there is a proper focus on sponsorship activity and a strong link with policy development. In reviewing the capacity and capability, it will be important to have nominated people who can provide support to Portfolio Accountable Officers and senior sponsors in managing relationships with NMOs and agencies as well as NDPBs.	Over-capacity in sponsor teams leads to over-detailed scrutiny of the public body and unnecessary operating costs in teams. Under-capacity means that SG is not able to work effectively with the body, particularly in challenging circumstances. Likelihood: Medium Impact: Medium	Senior attention required initially in each DG area to review current arrangements. Longer-term resource implications will depend on the conclusions reached but could mean increased demands on the time of more senior staff and a reduction in demand at more junior levels.

	Recommendation	Risk if not implemented	Resource required to implement
9	Portfolio Accountable Officers should work with Internal Audit to draw on their advisory support on the management of public body relationships and to build self-assessment reviews of public body relationships in their areas, using the toolkit which Internal Audit and Public Bodies Unit plan to develop, into their overall assurance planning. Specific internal audits of relationships with an individual body should be built into audit planning where risk assessment suggests this is necessary.	Any weaknesses in the approach currently taken to managing public body relationships are not identified and addressed, leaving Portfolio Accountable Officers exposed if problems arise. Likelihood: Medium Impact: High	Senior attention in each DG area, plus some time from existing sponsor or equivalent teams. Internal Audit time to develop the toolkit. Support from the Public Bodies Unit within resource in recommendation 14.
10	Portfolio Accountable Officers should ensure that all public bodies within their area of responsibility are aware that formal escalation of a risk or issue is an accepted part of good governance, and that they are clear on the process for escalation when this is required.	Opportunities for SG to have early awareness of risks and potentially to take mitigating action are missed. Likelihood: Low Impact: High	Senior attention in each DG area, plus some time from existing sponsor or equivalent teams.
11	When public bodies or their sponsors escalate a risk or issue, this should be done through established DG assurance and risk management arrangements taking account of the urgency of the risk or issue. Where time pressure means that decisions relating to a risk or issue cannot wait an appropriate meeting, DG business management teams should ensure that any decision made is documented for the corporate record. In either case, the decision and the reasons for it, plus any further follow up action proposed, should be communicated in writing to the public body and/or the sponsor team.	SG does not have an audit trail of risks or issues considered and decisions taken, and therefore faces reputational damage when the risk or issue leads to a significant public failure. Likelihood: Low Impact: High	Senior attention in each DG area, plus some time from existing sponsor or equivalent teams.

	Recommendation	Risk if not implemented	Resource required to implement
12	Portfolio Accountable Officers should take a formal decision, based on advice from sponsor teams and/or senior sponsors in consultation with the Public Bodies Unit, if a situation has arisen in which SG needs to intervene in the operation of a public body in a way that cuts across established lines of accountability. Any such decision should be communicated in writing to the public body. Interventions in the governance or operation of NMOs should not be made without legal advice.	SG faces reputational damage and Portfolio Accountable Officers may face personal criticism if there is no clear explanation and audit trail for an intervention in the operation of a public body, even or perhaps especially in a high-risk or crisis situation. Likelihood: Medium Impact: Medium	Any situation where an intervention in the operation of a public body is being considered will already be taking up the time of a sponsor or equivalent team, senior sponsor and/or Portfolio Accountable Officer. Approaching the decision in the way proposed should not require significant additional time. Support from the Public Bodies Unit would help ensure a consistent approach – with the resource in recommendation 14.
13	Public Bodies Unit should ensure that coaching and/or mentoring support is offered to the chief executive of every public body, particularly newly-appointed chief executives and those facing challenging situations or intense scrutiny.	Chief Executives lack the support to be fully effective in their roles, especially in a crisis. Likelihood: Medium Impact: High	Support from the Public Bodies Unit to identify coaches or mentors – within resource in recommendation 14.
14	Identify two experienced team leaders with a good understanding of public body governance issues to take up post in the Public Bodies Unit to provide additional capacity for development, support and challenge, and review what additional staffing would be required to create a Public Bodies Hub to coordinate improvement work on sponsorship and Ministerial appointments and provide a first point of contact to sponsor teams on all public body issues.	SG does not have the capacity and capability in the Public Bodies Unit to implement the recommendations identified above.	See above.

1 The case for change

1.1 The work done on this review shows that the vast majority of relationships between Scottish Government (SG) and the public bodies considered are functioning effectively on a day-to-day basis. Where issues arise, the personal relationships between senior managers in public bodies and their SG contacts are sufficiently good that in most cases a workable solution can be found. Public bodies themselves identified Covid recovery, Climate Change, the financial outlook and workforce challenges as, in most cases, more pressing concerns for their business than their relationship with SG. If that is the overall position, why should SG prioritise action to improve the way that it manages its relationships with public bodies?

1.2 There are four broad reasons, and they relate also to the values established in Scottish Government's Vision. The first and most important reason is ensuring that SG's management of its relationship with public bodies supports them in achieving the best possible outcomes and achieving public value for people, places and communities across Scotland. The public bodies considered in this report are between them responsible for more than £19.5 billion² of public money. Between them, they employ tens of thousands of staff. The services provided by public bodies have to meet the needs of the people of Scotland as set out in the Government's priorities. Although public bodies are well aware of the National Performance Framework (NPF) outcomes and the drive for Public Service Reform (PSR), the evidence from interviews suggests that there is still some way to go in establishing arrangements for managing relationships with public bodies that are fully aligned to NPF and PSR priorities. Public bodies cannot achieve the best outcomes and the most effective collaboration if their lines of accountability are not clear or if different aspects of accountability are pulling them in different directions. Addressing accountabilities and ensuring good alignment will allow SG to work more effectively with public bodies, in line with its stated value of collaboration.

1.3 A second reason for change is ensuring that the arrangements for managing relationships with public bodies are robust enough to cope effectively with the more challenging risks and issues that arise. One of the drivers for the commissioning of this review was criticism from Audit Scotland and the former Scottish Parliament Public Audit and Post-Legislative Scrutiny Committee³ of SG's management of its relationships with a range of public bodies which had problems with either corporate or programme governance picked up in reports under section 22 of the Public Finance and Accountability (Scotland) Act 2000 (the PFA Act). Some problems and failures in public bodies are inevitable, particularly in an overall drive for innovation and improvement, so the challenge is how to avoid as many of these as possible turning into serious problems and how to deal effectively and fairly with the more serious situations. Director-Generals (DGs) as Portfolio Accountable Officers need to be able to have confidence that the assurance arrangements in place with public bodies will support them to fulfil their Accountable Officer duties and to make appropriate judgements, and to have confidence that the £19.5 billion of public money is being managed well. Evidence in this review suggests that managing assurance arrangements with public bodies more systematically than SG does at

² Includes UK-funded AME of £5.8 billion for NHS and Teachers pensions administered by the Scottish Public Pensions Agency and £430 million for student loans administered by the Student Awards Agency for Scotland.

³ The Public Audit Committee in earlier Parliamentary sessions and again since June 2021.

present will provide better support to DGs on this critical area of responsibility. This would be in line with SG's value to act with integrity and reflect the values of the Civil Service. It is also highly relevant to the criticism in the legacy report of the Public Audit and Post-Legislative Scrutiny Committee that 'it is simply unacceptable that there continue to be examples of weak and inconsistent challenge being provided by Scottish Government officials and of problems not being identified or acted upon until it is too late'.

1.4 There is a significant challenge around capability. Based on a trawl carried out by the Public Bodies Unit in September 2021, with some gaps in returns, there are more around 200 staff in bands A to C across SG involved in the management of relationships with public bodies (excluding the Territorial and National Health Boards). Levels of churn mean that many staff involved are inexperienced in sponsorship work and/or are still working to establish their relationship with the public body. Directors and Deputy Directors with public body responsibilities are also investing a significant amount of time in those relationships and in some cases may also be relatively inexperienced, either in the role or in relation to the particular public body or bodies. The importance of the sponsorship role and the skills required to do it well are not always recognised. At a minimum, there needs to be good training and support available to all of the staff undertaking this work to ensure that there is a good return on the money SG is spending on managing relationships with public bodies. This would be in line with the vision for SG as an organisation that learns and improves.

1.5 Finally, there is an efficiency argument for change. The time that the 200 staff are spending on sponsorship work is estimated to add up to the equivalent of almost 100 full-time posts, with more than 33 full-time equivalents at C band. This will be an underestimate, as it does not take account of senior civil service time, nor of time spent working with agencies and other bodies which are not formally 'sponsored'. It may not seem high compared to overall SG staffing, but it is significant, particularly at a time when SG faces many pressures. There are substantial variations in levels of staffing in sponsorship activity for different bodies. It is interesting to note that there is no obvious correlation between the SG full-time equivalent staffing devoted to sponsorship and the overall staff numbers of the public body, nor is there an obvious correlation with the amount of public money for which the body is responsible (see Figure 1 and Figure 2 below).

SG Sponsorship FTE vs Staff in Public Body

The scatter plot displays the relationship between the number of staff in a public body and the SG Sponsorship FTE. The x-axis, 'Staff in public body', ranges from 0 to 9000. The y-axis, 'SG Sponsorship FTE', ranges from 0 to 5. The data points are blue dots. Most points are clustered at low staff counts (below 1000) and low FTE values (below 2.5). There are a few outliers with higher FTE values (up to 4.3) and higher staff counts (up to 7800).

SG Sponsorship FTE vs Public Funding for Body (£ million)

The scatter plot displays the relationship between Public Funding for body (£ million) on the x-axis and SG Sponsorship FTE on the y-axis. The x-axis ranges from 0.0 to 2500.0 with major gridlines every 500.0 units. The y-axis ranges from 0 to 5 with major gridlines every 0.5 units. The data points are concentrated at low public funding levels, with a dense cluster between 0 and 250 million £, where SG Sponsorship FTE values range from approximately 0.2 to 4.3. A few outliers are present at higher public funding levels: one at approximately 1300 million £ with an FTE of 3.1, and another at approximately 1950 million £ with an FTE of 3.2.

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might be value in checking that the staff effort devoted to sponsorship work remains appropriate for each public body, as well as ensuring that all have the right capability as highlighted above.

1.7 If the case for change is accepted, there will have to be some investment initially to make change. This report contains a number of recommendations that will take time and effort to implement. The Public Bodies Unit will need some additional people to carry out work on building overall sponsorship capability and resilience across SG. There is additional work proposed for DG and Director business management teams to ensure that assurance arrangements are robust that may also require additional capacity. Many sponsor teams will have to change aspects of how they currently operate. All of this would require a coordinated and sustained effort across SG at a time when staff at all levels are under considerable Covid, Brexit and other pressures. It is important to be realistic about what is achievable under the current circumstances. Ideally, SG would establish a change programme to implement all of the accepted recommendations, but that will only be able to deliver successfully if it is possible to commit the resources and senior attention required. It would be better to be clear at the start what resource can realistically be committed to change and then to decide how to prioritise that. This report describes the current position, sets out recommendations and offers thoughts on those priorities for change.

2 Scope of review and relationship to Smarter Sponsorship

2.1 This progress review of relationships with public bodies was commissioned by the Scottish Government (SG) Public Bodies Unit on behalf of the Director General Communities. The agreed remit is set out in Annex A.

2.2 There has been a substantial amount of work done on Scottish Government's relationships with its public bodies over the years. Most recently, Linda McKay carried out the 'Smarter Sponsorship' review in 2015. An Executive Team paper in October 2015 gave the following summary of the key outcomes of that review.

- There is some excellent sponsorship practice, including through "family groups" across portfolios in which strategic plans are jointly developed and risks are identified and managed.
- There is almost universal agreement that sponsorship should be a strategic activity, based on strong relationships characterised by openness, trust, respect and mutual support. There are many examples of sponsorship undertaken in this way, but there are also examples of less positive and more process-driven sponsorship.
- There are aspects of sponsorship practice and culture that could be updated, particularly support for the operational aspects of sponsorship, appetite for risk (particularly financial risk, noting potential for reputational damage arising from pulling back on oversight) and communications (which don't always feel joined up or strategic).
- There is a degree of urgency in improving performance and not tolerating the inconsistencies that may have gone unnoticed in the past, given the imminent pressures facing public bodies.
- Roles and responsibilities are not always understood and boundaries are not always respected. There is scope to provide more training, development and networking opportunities to all those involved in governance (including sponsors).

- It is important to have appropriately skilled and diverse Boards to provide strategic leadership and oversee bodies' performance. Effective succession planning for both Executive Directors and Non-Executive members is vital.
- There is scope to remove or revise some operational 'asks' of bodies both in terms of their content and the way in which they are implemented.

2.3 Overall, the approach outlined in Smarter Sponsorship is still highly relevant. New guidance and training have been developed in response to the recommendations. Many interviewees were not aware of Smarter Sponsorship itself, although there was quite widespread recognition of the approach even if not by that name. The recommendations in this report aim to see the Smarter Sponsorship fully implemented and to address some issues that have become more pressing since 2015, particularly in relation to creation of new public bodies and to criticisms from Audit Scotland and the PAPLS Committee.

2.4 The key areas explored in this report – Accountability, Assurance, Escalation and Risk and Capacity and Capability – relate to and build upon all of the bullet points in paragraph 2.2 except the penultimate point on appropriately skilled and diverse Boards. This is not because the requirement for skill and diversity of Board members has reduced or been fully met, but because the work of the Public Appointments team was widely commended by interviewees. There is no doubt still plenty to do in this area, but it seems that progress is being made so recommendations for further improvement in this report focus on other aspects.

2.5 A list of bodies, teams and groups who made representatives available for interview is included in Annex B, and I would like to thank all interviewees here for their time and input, especially the NDPB Chief Executives' Forum and the SG Delivery Bodies Group, each of which made time for two meetings to contribute to the review. This review cannot sit in isolation from a range of other important work being done across SG and in public bodies. Particular thanks are due to many people who helped me understand how this review relates to work they are leading: Jennifer Henderson and Jennie Barugh, who shared developing thinking from the Scottish Leaders Forum on accountability for outcomes; Jonathon Curry, who provided insight into how SG's approach to its relationships with public bodies should fit with its organisational vision; Lauren Murdoch, who shared thoughtful insights from her leadership of work on public appointments; Kathleen Marshall, who shared findings from her project on Ministerial Appointments; Linda McKay, who provided a valuable non-executive perspective as well as helping ensure that this review built on her earlier work on Smarter Sponsorship; Laura Turney, who made connections with work on Public Service Reform; Sarah O'Donnell, who shared both her public body experience and her experience of developing assurance arrangements for DG Communities; and Andrew Fleming, who shared early thinking from a review of relationships with Health Boards. The Public Bodies Unit commissioned and supported this review and it could not have been completed without huge contributions from Ian Thomson, Scott McQueen, Euan Campbell and Anna Bragg, as well as senior sponsors Catriona Maclean and Paul Johnston.

3 Overview of relationships and terminology

3.1 This is a review of how SG manages its relationships with its Non-Departmental Public Bodies (NDPBs), Non-Ministerial Offices (NMOs) and Executive Agencies (Agencies). Many of the comments on relationship management would also be relevant to public corporations, although no public corporation representatives were interviewed for this review. The distinctions between the different types of public body have a significant impact on the way that SG manages its relationships with them, but there are some common features and all of the relationships are important.

3.2 Terminology is important here but also difficult. The remit for this review goes beyond what is usually described as 'sponsorship', that is the management of SG's relationship with NDPBs, but there is no accepted terminology for the management of relationships with NMOs and agencies. The term 'Fraser Figure' for the senior official managing the relationship with an agency is still in common use, although this is not the Public Bodies Unit preferred term for the current arrangements. Several interviewees argued convincingly that it is best to avoid the use of the word 'sponsorship' for the relationship between SG and NMOs or agencies, as a clear signal of the different accountabilities of NMOs and agencies, and that would be ideal – but no obviously acceptable alternative has so far emerged. For simplicity, and with apologies to all those who this report uses the title 'Senior Sponsor' for a senior manager who is responsible for oversight of the relationship with a public body and the term 'sponsor' for any member of staff supporting a Portfolio Accountable Officer. It would be very helpful to establish terminology around the roles in SG that relate to the different types of public bodies for the future.

3.3 Some NDPBs also have reservations about the term 'sponsorship', arguing that it is not well-defined. It is certainly true that sponsorship is interpreted differently by individuals. SG officials often talk about working in partnership with public bodies, which is a helpful way of thinking about a working relationship with parity of esteem and focused on delivering outcomes. Another description used is that sponsors are 'advocates for the body within SG and for Ministers [or SG] with the body', which is also a helpful way of looking at what the 'sponsorship' activity is seeking to achieve. As one of the main drivers for the current review is criticism from audit reports and the Public Audit Committee, this report focuses on aspects of accountability of those involved in governance of public bodies, assurance arrangements in SG, and the overall approach to risk and escalation. It is important that everyone is clear about these aspects so that, on those occasions where governance or performance problems do emerge in public bodies, they are picked up and resolved as quickly as possible. They are necessary, but they are not in themselves sufficient. On a day-to-day basis, it remains essential that SG officials have strong personal working relationships with public bodies, and that there is regular, informal exchange of information and ideas on policy and operations.

4 Accountability

4.1 The differences in governance and accountability between NDPBs, NMOs and agencies are not always fully understood, although there is a good awareness amongst public bodies themselves. Even within these categories, there are in practice many variations in governance. Interviewees speaking about a variety of public bodies described governance arrangements for that body as 'unique', and with

good reason. There are differences of opinion about the need for more standardisation. While in general there is a strong appetite amongst public body senior leaders interviewed for more consistency of approach from SG in managing its relationships with public bodies, there is also a recognition that there is no one model that will fit all circumstances.

4.2 Relationships with the different categories of public body are handled differently. NDPBs typically have a sponsor team in Scottish Government, and that team may or may not also have related policy responsibilities. Public corporations, although not interviewed for this review, typically have a relationship with a policy team that has some of the same characteristics as the relationship between an NDPB and its sponsor team but reflecting the different financial arrangements for the public corporation. NMOs do not formally have a sponsor team, but their Chief Executives and, for the newer NMOs, Chairs usually work with a lead Director or Director General in SG to manage the relationship and some NMOs have policy teams in SG who are active in managing the relationship. Agency Chief Executives report directly to Ministers but in practice will also have a close working relationship with a relevant Director or Director General.

4.3 Since the staff of both agencies and NMOs are civil servants, Chief Executives of these bodies usually have a line management relationship to a senior figure in SG, although for some NMOs the Board Chair is the line manager and the senior SG figure acts as countersigning officer. One important difference is that senior sponsors for an agency or an NMO do not typically have the equivalent of the sponsor team to support them in this task, although an alternative approach with a designated post to support the relationship between SG and an agency now exists in at least one directorate and is being considered elsewhere. It is important that SG officials line managing an agency or NMO Chief Executive still respect the proper lines of accountability.

4.4 When SG has created a public body, it is important that the subsequent management of the relationship with the body balances a unified and coherent approach to delivery of key outcomes – ‘Team Scotland’, in the common shorthand – with a recognition of the reasons why a separate public body was created. Establishing a separate body and then managing it too closely risks undermining the benefits of separate status. Public bodies are often described as being at arm’s length to government, but many interviewees commented that the length of the arm varies considerably between bodies. Although executive agencies are directly accountable to Ministers and in theory are closest to SG, interviewees even from similar categories of public body reported very different levels of contact with Ministers and SG senior officials, and one commented that ‘the arm is as long or as short as SG wants it to be’. There are variations in practice in how far public body leaders see relevant advice and briefing sent to Ministers, with some bodies noting that they did not see advice or briefing even when they had contributed to it. It was also noted that there are now several agencies which have lead responsibility for policy as well as operations in their areas of responsibility and so are advising Ministers directly. Some interviewees thought this was a useful model. Most chief executives of public bodies interviewed were very keen to be involved in

development of policy and to be part of collaborative arrangements for implementation.

4.5 NDPBs and some NMOs have boards which are appointed by Ministers to provide ‘active, healthy and effective direction, support and guidance’⁴ to the body and to take overall responsibility for successful delivery of its functions. In agencies and some older NMOs (where the chief executive is a statutory office holder), the delivery responsibility lies with the Chief Executive, usually supported in practice by a management board that will include some non-executive members. All public bodies have an Accountable Officer, designated by the Principal Accountable Officer (the Permanent Secretary of the Scottish Government) under section 15 of the Public Finance and Accountability Act 2000 (the PFA Act). In addition, each Director General in Scottish Government is designated as a Portfolio Accountable Officer, also under section 15 of the PFA Act. Memoranda setting out the responsibilities of public body and portfolio Accountable Officers are published in the Scottish Public Finance Manual (SPFM). For Portfolio Accountable Officers, this includes responsibility for sponsorship arrangements within the directorates which report to them and specifically ensuring the financial and management controls applied by the sponsoring directorate are appropriate and sufficient, that there is an adequate and regularly reviewed framework document in place and that there is compliance with the framework document⁵.

4.6 Although there is no single agreed definition, various dimensions of public accountability are acknowledged in academic literature. Koppell (2005)⁶ sets out five dimensions (‘conceptions’) of accountability that are fundamental for public organisations, along with associated key questions based on the US public sector context.

Table 1: Koppell (2005) Conceptions of Accountability

Conception of accountability	Key determination
Transparency	Did the organization reveal the facts of its performance?
Liability	Did the organization face consequences for its performance?
Controllability	Did the organization do what the principal (e.g., Congress, president) desired?
Responsibility	Did the organization follow the rules?
Responsiveness	Did the organization fulfil the substantive expectation (demand/need)?

⁴ Wording from paragraph 3.2 of the template letter of appointment – Supporting_Ministerial_Appointments_draft_letters_of_appointment.docx.

⁵ These responsibilities are set out in paragraphs 6.1.1, 6.1.2 and 6.1.3 of [Annex 1 of the SPFM](#).

⁶ Koppell, Jonathan G.S. 2005. Pathologies of Accountability: ICANN and the Challenge of ‘Multiple Accountabilities Disorder’ *Public Administration Review* 65(1)

4.7 Table 2 below looks at these dimensions of accountability in the Scottish public body context and who is accountable for each dimension in the different types of public body. One potential point of confusion is the role of the 'Accountable Officer'. As Table 2 shows, the Accountable Officer role in a public body relates to ensuring that the body follows the relevant legislation and guidance in the way it carries out its work. This is distinct from the accountability for overall delivery, meeting Ministers' expectations and responsiveness to customers and stakeholders. Agency Chief Executives are usually also designated as Accountable Officers for their public bodies and so have the full set of accountabilities; in other public bodies, the accountabilities are split.

Table 2 Accountability roles and responsibilities for Scottish public bodies

Dimension of Accountability	Scottish Public Body Context	Who is accountable?
Transparency	Meeting accounting, reporting and Freedom of Information requirements.	Public Body Accountable Officer
Controllability	Meeting statutory functions (all bodies) Delivering on objectives, targets and performance measures set by Scottish Ministers (NDPBs and agencies) Delivering in line with overall corporate plan priorities agreed with Ministers (NMOs)	The Board (NDPBs and those NMOs where the Board has statutory responsibility) or The Chief Executive (Agencies and those NMOs where the CEO is a statutory office holder)
Responsibility	Meeting all statutory requirements (overlaps with transparency above) and guidance, including the SPFM. This includes ensuring the propriety and regularity of the body's finances, Best Value and internal control arrangements.	Public Body Accountable Officer
Responsiveness	Understanding and meeting stakeholder and/or customer needs	The Board (NDPBs and NMOs where the Board has statutory responsibility) or The Chief Executive (Agencies and NMOs where the CEO is a statutory office holder)

Dimension of Accountability	Scottish Public Body Context	Who is accountable?
Liability	Consequences of failure in any aspect of delivery of the public body's functions or compliance with legislation and guidance.	Decisions will rest with Ministers in the case of NDPBs and agencies or Parliament (or Ministers with Parliamentary approval) in the case of NMOs. In all cases Ministers are likely to seek advice from Portfolio Accountable Officer and/or their teams.

4.8 Within SG, Portfolio Accountable Officers – Director-Generals – are accountable for SG's relationship with public bodies in their areas of responsibility, and this added accountability also often causes confusion about roles and responsibilities. It is important to note that Portfolio Accountable Officers are accountable for the overall relationship, including communications and the assurance framework, but they are not directly accountable for the public body's performance. In practice the Portfolio Accountable Officer will delegate much of the work on this within their team. Table 3 below attempts to summarise the key principles of the Portfolio Accountable Officer Role in each type of public body. Part of the requirement is to establish an appropriate Framework Document that is formally agreed between Scottish Ministers and the body, and this Framework Document captures the variations in governance arrangements for each individual body.

Table 3: Portfolio Accountable Officer responsibilities for each type of public body

Type of Body	Primary accountability of body to:	Portfolio Accountable Officer Role	
		Performance	Compliance
NMO	Scottish Parliament	<p>Advice to Ministers on priorities to be agreed in Corporate Plan.</p> <p>Advice to Ministers on the performance of the NMO if required and, in the extreme situation, advice on the consequences of any significant failure in the NMO's delivery of its functions, with Parliamentary involvement as required by the relevant legislation.</p>	<p>Ensure an appropriate Framework Document is agreed for the NMO, that this is reviewed regularly and that the relationship between SG and the NMO complies with the Framework Document.</p> <p>Advice to Ministers on the consequences of any significant failure in the NMO's governance, with Parliamentary involvement as required by the relevant legislation.</p>

Type of Body	Primary accountability of body to:	Portfolio Accountable Officer Role	
		Performance	Compliance
Agency	Scottish Ministers	<p>Advice to Ministers on objectives, targets and performance measures and budget requirements for the agency to deliver on these.</p> <p>Monitoring of performance on the agency's operations.</p> <p>Where an agency has a policy function, ensure that policy advice meets the same standards of quality and collaboration with other bodies and/or SG teams as it would if the policy were developed by a team in core SG.</p> <p>Advice to Ministers on the consequences of any significant failure in the agency's delivery of its functions. (The agency would usually provide performance information to the Minister directly).</p>	<p>Ensure an appropriate Framework Document is agreed for the agency, that this is reviewed regularly and that the relationship between SG and the agency complies with the Framework Document.</p> <p>Ensure that the financial and other management controls applied to the agency are appropriate and that the agency itself has controls which meet statutory requirements and guidance, including propriety and good financial management.</p> <p>Advice to Ministers on the consequences of any significant failure in the agency's governance.</p>

Type of Body	Primary accountability of body to:	Portfolio Accountable Officer Role	
		Performance	Compliance
NDPB	Scottish Ministers	<p>Advice to Ministers on objectives, targets and performance measures and budget requirements for the NDPB to deliver on these</p> <p>Monitoring of performance.</p> <p>Advice to Ministers on the performance of the NDPB and, in the extreme situation, advice on the consequences of any significant failure in the NDPB's delivery of its functions.</p>	<p>Ensure an appropriate Framework Document is agreed for the NDPB that this is reviewed regularly and that the relationship between SG and the NDPB complies with the Framework Document.</p> <p>Ensure that the financial and other management controls applied to the NDPB are appropriate and that the NDPB itself has controls which meet statutory requirements and guidance, including propriety and good financial management</p> <p>Advice to Ministers on the consequences of any significant failure in the NDPB's governance.</p>

4.9 Interviews demonstrated that these roles are not always fully understood and that the way that SG works with bodies in practice does not always follow the lines of accountability mapped out above. One aspect that came up frequently at interview is that in many situations, SG manages communications with public body Boards via the Chief Executive and senior management team, and that there can be difficulties if the Board and SG do not have a shared understanding of priorities. Interviewees generally spoke of regular contact between Chief Executives and SG sponsors but there is widely varying practice in how SG manages its relationship with Boards. Most interviewees reported regular meetings between the public body Chair and a senior sponsor, although there appeared to be variations in how far the Chairs then shared the content of those discussions with other Board members. Other practices that were mentioned included: regular meetings between the Minister and the Chair (with or without the Chief Executive); occasional Ministerial or senior sponsor attendance at Board meetings; members of the sponsor team attending Board meetings routinely as observers; or some combination of these. Interviewees also reported variations in practice in the way in which Chairs are appraised, sometimes by a senior sponsor and sometimes by a Minister. If the Chair and other Board members are to address the 'controllability' dimension of accountability, they need a very clear understanding of the Minister's expectations and of how the public body's performance on these will be judged. Several public body interviewees emphasised the importance to them of having sufficient direct contact with the Minister to

establish a good working relationship. As part of their overall responsibility for establishing the Framework Document, keeping it under review and ensuring that it is complied with, Portfolio Accountable Officers have a key role in ensuring that public bodies have appropriate Ministerial contact.

4.10 Koppell (2005) introduces the concept of ‘Multiple Accountabilities Disorder’, which can arise where the different dimensions of accountability ‘present conflicting imperatives’. Several Chief Executives interviewed described the large amount of work they do to try to build a shared view of priorities amongst their Board, SG officials and other public bodies with related responsibilities. One Chief Executive mentioned the ‘constant need to nudge’ to manage relationships. The ability to keep the different aspects of accountability in view and to find ways to address them all is a key skill set for a successful Chief Executive, but organisations will achieve the best results when not being pulled in very different directions by the various accountabilities. SG can get the very best performance by ensuring that the role which Ministers have appointed the Board, Statutory Office Holder or Agency Chief Executive to carry out is as clear as possible.

4.11 Every public body should have a framework document which should set out clearly the roles and responsibilities in overall governance in the public body itself and SG sponsorship. SG sponsors, on behalf of the Portfolio Accountable Officer, must ensure that an appropriate framework document is in place and that it is followed. Interviewees were divided about the value of the current approach to framework documents: some interviewees were actively using them as a reference, while others would have preferred the roles and responsibilities to be set out differently. One interviewee suggested that text describing ‘what you can expect from us’ and ‘what we expect from you’ covering each of the key people or teams and the Board would be a more helpful way of thinking about roles and responsibilities. There are already model templates for framework documents for different types of body, and the appropriate template is an important starting point for all sponsors so that they can have confidence that the framework document covers all of the necessary points. Since there was no consensus in favour of a different style of framework document, there does not seem to be an imperative to update the templates at this stage. What is important is that officials in SG and each public body have a shared understanding roles and responsibilities. The drafting of the first framework document for a new public body and the revision of the framework document for an existing body should always be done collaboratively between SG and the public body, and that should help ensure that a good, shared understanding. There would, however, typically be three years or perhaps more between revisions of a framework document and in that time there can be significant changes of personnel in SG or in the public body, or both. Some interviewees described workshops or other discussion with their sponsors after personnel changes or in other situations where it was thought necessary to establish a new, common understanding of roles and responsibilities and reported that these were effective.

Recommendation 1: Portfolio Accountable Officers should ensure that sponsor teams work with public bodies and the public body Accountable Officers to make roles and responsibilities as clear as possible, discussing the wording in the framework document to ensure a shared understanding.

4.12 There is a cost both in setting up a public body initially and in its ongoing operation. A public body will have to comply with a range of legislation, publish

plans, establish policies, prepare accounts and support a Board, and much of this activity which would be removed or much reduced if the body operated as a team within Scottish Government. There is also the overhead cost to SG of sponsorship or equivalent activity. There are, of course, also significant potential benefits from creating a public body, which include building up specialist expertise, a sharper focus on service delivery, a stronger relationship with service users and stakeholders and, in some cases, an important separation between Ministers and operational decisions. The business case for a new body needs to take account of these costs and benefits.

4.13 Establishing the right accountability for a public body and establishing effective relationships from the start will avoid problems later. Some interviewees reported that evaluation of options for establishment of new public bodies could be improved, particularly on analysis of costs and benefits of different governance options. Ensuring that the options appraisal carried out before setting up a body is kept for the corporate record, and particularly that it is available to all sponsor teams and senior sponsors who may work with the body in future, would be helpful in ensuring that there is a clear understanding of the reasons behind decisions about the body's governance. Public Bodies Unit should always be consulted on analysis of options and advice to Ministers on the creation of a new public body, and Portfolio Accountable Officers should pay particular attention to ensuring that overall sponsorship arrangements and the relationship with the body are clear from the very start.

4.14 Interviews highlighted that the costs to both SG and the body are proportionately higher for small bodies, and small bodies can face particular challenges of resilience given dependence often on only one or two key staff for essential functions. Costs can be reduced and resilience increased through shared services, and a number of interviewees commented that there was still a lot of scope to realise savings through developing extended shared service arrangements, but these are outside the scope of this review. It is particularly important that options including operating a function from SG itself or creating an agency with full shared services are considered carefully before reaching a decision to create a small NMO or NDPB. There should be a strong presumption against creation of small public bodies, given the proportionately high overheads. If the creation of a small public body is considered essential and in line with Best Value, the Portfolio Accountable Officer should ensure that arrangements are made for the body to access corporate functions, including finance systems, IT, HR and legal advice, through shared services or collaborative contracts. Such an arrangement will not guarantee the resilience of a small body, but it reduces the likely number of single points of failure.

4.15 There are important central teams which should be consulted on the business case for the establishment of any new public body to ensure that key issues are covered including: finance, legal, procurement, classification, pay and pensions, HR and subsidy control. The Public Bodies Unit should be consulted in all cases and can advise on other contacts.

Recommendation 2: Portfolio Accountable Officers should ensure that a full business case and evaluation of different governance options is carried out, drawing on advice from Public Bodies Unit and other central teams including Finance and SG Legal Directorate, before any new public body is created, that advice reflects a presumption against the creation of further small public

bodies, and that all of the analysis and eventual decision are retained to inform future sponsorship of the body.

Recommendation 3: If there is a decision that the creation of a small public body is essential, the relevant Portfolio Accountable Officer should ensure that arrangements are made for the body to access corporate functions through shared services or collaborative contracts, to increase the resilience of the body.

4.16 It is always possible to review governance arrangements for existing bodies, of course, and in particular to review whether the function is still best carried out by a public body and, if so, which of the public body governance models (NDPB, NMO, agency) is most appropriate. A review makes most sense when there has been a significant change in the role of the body or overall policy in its area of responsibility, or when there are indications that the body is not meeting expectations on one or more of the aspects of accountability discussed above. Where a review is being considered, advice should be taken from the Public Bodies Unit and it may also be helpful to seek advisory support from Internal Audit.

4.17 The role of NDPB and NMO Boards (where the Board of the NMO has the statutory responsibility) is clearly key. There were no interviews with Chairs or Board members as part of this review. The recommendations made are based entirely on the current role and accountability of Boards and recognize that much of the day-to-day management of the working relationship between SG and its public bodies will fall to officials on both sides. However, a really important next step in improving SG's overall relationships with public bodies would be to seek views from Chairs and Board members on any changes they would want to see in how SG manages its relationship with the Board itself.

Recommendation 4: Public Bodies Unit should coordinate work with senior sponsors and sponsor teams to seek views from Chairs and Board members on how SG manages its relationship with the Board.

5 Assurance Arrangements

5.1 As shown in the description of the Portfolio Accountable Officer role in Table 3 above, the primary accountability of NMOs is to Parliament and the Portfolio Accountable Officer role in relation to those is more limited. For NDPBs and agencies, the focus of the Portfolio Accountable Officer role is assurance and advice to Ministers – establishing Ministers' priorities, putting in place the assurance framework and ensuring that it is operated effectively. This section discusses how those assurance arrangements should work for NDPBs and Agencies. NMOs will, of course, have their own priorities and assurance frameworks, but the direct responsibility of Portfolio Accountable Officers and their teams will in most cases involve providing input to the NMO on its corporate plan, eventual advice to Ministers on agreeing the corporate plan and taking any other actions to manage the relationship with the body that are identified as SG's responsibility in the Framework document.

5.2 A sponsor team or senior sponsor supporting a Portfolio Accountable Officer in assurance arrangements for an NDPB or agency will have to develop a good understanding of the work and internal governance arrangements of the public body and to exercise judgement on what risks, issues or questions need to be escalated

to a senior sponsor or ultimately to the Portfolio Accountable Officer. Several interviewees from NDPBs said they would like to see a precise definition of 'sponsorship'. Some interviewees identified that a key characteristic of a good sponsor team is an in-depth knowledge of the public body, so that the sponsor team is not merely a post-box for requests for briefing or information from other parts of Scottish Government. Sponsorship work done well also requires a deep understanding of accountabilities and good judgement in how to respond effectively to the range of questions and challenges that can arise.

5.3 The introduction to the new, online sponsorship training introduced in SG recently includes the following answer to the question 'What does a Sponsor Team do?'.

The sponsor team is the normal point of contact for the Non-Departmental Public Body (NDPB) in dealing with the SG. The unit, under the direction of the Director/Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of the NDPB and undertakes the responsibilities of the Portfolio Accountable Officer on their behalf.

5.4 Real progress has been made through the implementation of Smarter Sponsorship and other work in recognition that effective sponsorship is not a 'tick-box' function. Many interviewees commented on the importance of personal relationships built on openness and trust, and one said explicitly that sponsorship was about relationships rather than process. Several interviewees commented on the potential negative impact of issues with relationships, however – comments were made about the 'impact of personalities' and that 'egos can be a problem'. It was clear from the interviews that there needs to be a foundation of governance arrangements that can be used to resolve problems in relationships as well as in delivery. Relationships are necessary for effective sponsorship but they are not sufficient on their own to provide the assurance to Ministers that the public body is performing effectively.

5.5 Relationships need to be underpinned by a systematic approach to assurance. There are two broad aspects of assurance which sponsor teams and senior sponsors, on behalf of Portfolio Accountable Officers, need to address:

- assurance that the body is performing satisfactorily against the objectives, targets and performance measures agreed by Ministers – the 'controllability' dimension of accountability described above; and
- assurance that the body is meeting the requirements of legislation and guidance – the 'transparency' and 'responsibility' dimensions of accountability described above.

5.6 The starting point for 'controllability' is establishing what success looks like for the NDPB or agency. Although public bodies are established with an expectation of operational freedom, and in some cases a very clear separation from Ministers is established in legislation, where Ministers appoint the Board or Office Holder and/or provide public funding, the public body must take account of Ministers' priorities and in some cases the body can be directed by Ministers in a variety of ways.

5.7 A well-thought-out set of objectives, targets and/or performance measures – in short, a performance framework – between SG and a public body will be relatively short and will specify *what* is wanted but leave the public body with significant

freedom to decide *how* to achieve it. It must also relate clearly to the National Performance Framework, breaking down what the public body is expected to contribute towards the achievement of the relevant national outcomes and how that will be measured or assessed. The work done by Jennifer Henderson and Jennie Barugh on Accountability for Outcomes is highly relevant here, as is work on intermediate outcomes being led by Tim Ellis reporting to the Performance Board and overall work on Public Service Reform. As these arrangements mature, public bodies should increasingly be collaborating amongst themselves on how best to achieve the outcomes – but SG will retain an overall responsibility for setting priorities and targets and ensuring that activity is directed towards these.

5.8 Much of the work on development of the performance framework for a public body is likely to be done by the senior management team in the body itself and will be subject to scrutiny and sign off by the Board for bodies where the Board is accountable for overall delivery. Ministers' role will be limited to approval of high-level priorities and measures in the Corporate Plan for some bodies and much more detailed for others, depending on the nature of the public body. The accountability for ensuring that an effective performance framework is in place lies with the Portfolio Accountable Officer and work will be delegated as appropriate within their team. Working with a public body to develop a succinct and outcome-focused performance framework will be one of the hardest tasks for any senior sponsor and/or sponsor team but probably the single most important. Some interviewees still spoke of very long and detailed grant letters setting out many individual requirements from SG, and although some reported good joint work with sponsors in recent years to reduce the level of detail and focus on a smaller number of key aspects, there is still room for improvement. Other interviewees reported that although their respective bodies had done a lot of work to set out their objectives and performance measures in their corporate plans and to ensure alignment with the NPF, they had little input on this from sponsors and it was not used as the core means of assessing their performance. If SG were to take only one action as a result of this review, a focus on collaborative development of a performance framework with each public body that sets out what is expected of the body, how that aligns to the NPF and how progress will be measured is the one that seems likely to have the greatest positive impact.

5.9 The complexity of the landscape within which public bodies and their sponsors work is also important to acknowledge here. SG is a government, not a department of government, with a very wide spectrum of competing demands on its resources. It is not surprising that policies, priorities and funding need to change, sometimes at short notice, to respond to developments in Scotland and the wider world. Absolute certainty on the priorities for a public body over the coming years and absolute certainty of the funding that will be provided to support their delivery is not realistic or achievable – but the more certainty that can be provided, the better the overall outcomes are likely to be. SG should continue to do all it can to provide as much stability and certainty as possible.

Recommendation 5: Portfolio Accountable Officers should ensure that each NDPB and agency in their area of responsibility has in place a well-developed performance framework that sets out Ministers' priorities within the overall National Performance Framework outcomes, defines as clearly as possible how success will be measured and ideally covers expectations over several years. This performance framework would usually be a central feature of the

body's Corporate Plan and should be aligned with a medium-term financial plan and the projected budget for the public body.

5.10 The other aspect of assurance, looking at compliance with relevant legislation and guidance, will have many common features across all public bodies including ensuring that the body is complying with requirements on public money, staff management, freedom of information, project and programme management disciplines (especially for IT projects) and risk management. In addition, sponsors have to ensure that proper procedures are followed on public appointments, including the terms and conditions of Chairs and Board members.

5.11 There is a range of guidance and templates in place, owned by several central teams. All or most of these aspects are covered in training. One of the frequent points at interview was that guidance is not consistently followed, in some cases due to lack of awareness and in others because the circumstances of the body were judged to require a different approach. Interviews suggested that when a decision was taken not to follow guidance or a standard template, the reasons were not always fully understood or had been forgotten due to turnover of personnel. Ensuring that decisions are properly captured for the corporate record would be in line with the recommendations of the recent Review of Corporate Information Management⁷.

5.12 If sponsors think improvements in the guidance or templates are required, this should be raised with the central team responsible – or with the Public Bodies Unit, if there is any doubt about ownership.

Recommendation 6: Portfolio Accountable Officers should require that sponsor teams and senior sponsors who report to them are using the templates and following the guidance, and require that any decisions not to follow the guidance or template are clearly documented for the corporate record.

5.13 The assurance role requires sponsor teams and senior sponsors to exercise judgement about the information requested. Some interviewees were still suggesting that detailed information is requested without a clear explanation of how this is used. There were also complaints about requests for information at very short notice, typically to contribute to briefing requested by Ministers. Occasional, short-notice requests for information are inevitable if Ministers have to respond to immediate questions and issues, but if short-notice requests are frequent, the sponsor team should work with the senior team to identify the reasons for this and try to put arrangements in place to minimise the need for them – for instance, by building up a bank of written material in the sponsor team about the work of the body and/or by trying to anticipate requests on topical issues.

5.14 One key point is that for NDPBs, the information that is routinely required by sponsors to provide assurance for Portfolio Accountable Officers should usually be a subset (or the full set) of information that is being provided anyway to the Board. The Board has primary responsibility for scrutiny of the NDPB's performance and overall compliance, and SG's assurance arrangements should not undermine that responsibility. Many sponsors routinely receive copies of Board papers, and this is seen as valuable. A few interviewees reported having to provide information to sponsors that is beyond what is provided to the Board. If sponsors are routinely

⁷ [Review of Corporate Information Management](#)

requesting information that is not of interest to the Board then it is possible that they are asking for too much detail or alternatively that the Board is not properly scrutinising some aspects of the work of the public body. This should be discussed between sponsors and the public body, potentially between the senior sponsor and the Chair if it proves difficult to resolve.

5.15 The different approaches taken by SG to attendance at public body Board meetings were discussed above (see paragraph 4.9). Auditors and the Public Audit and Post Legislative Scrutiny Committee of the Scottish Parliament had taken different views on the appropriateness of SG attending the Board of one body as observers. Most interviewees were keen to see senior sponsors, Portfolio Accountable Officers and/or the Minister attending part of a Board meeting occasionally to discuss overall priorities and issues face by the public body, and this should be encouraged. Interviewees had more mixed views on the practice of having an SG sponsor team member attend board meetings as an observer: some public body interviewees and some sponsors found this helpful but others suggested that it undermined clear lines of accountability. In general, if there is a clear performance framework in place so that the Board knows what is expected by SG and how success will be measured and if the assurance framework is working effectively with a good sharing of information and regular contact between sponsors and the public body team, there should be no real need for SG sponsors to attend Board meetings as observers. Where there are circumstances that make it important to SG to be present for all Board discussion, this should be treated as an escalation beyond the normal governance arrangements – discussed in the next section.

Recommendation 7: Portfolio Accountable Officers should ensure that there is regular contact between NDPB Boards and both Ministers and SG officials, particularly senior officials. This is likely to include attendance at Board meetings for discussion of relevant topics, to ensure a good understanding of strategic priorities and issues. Routine attendance of SG officials at all NDPB Board meetings as observers can undermine the proper accountabilities within the system so should only be approved by Portfolio Accountable Officers where this is justified as an escalation beyond normal governance arrangements.

5.16 How sponsor teams are organised within SG was another aspect explored in interviews. SG interviewees from teams which operate a ‘hub’ model, where the same team of staff works with multiple public bodies, were positive about this approach. They identified benefits from being able to take a consistent approach and to focus on sponsorship as a key activity in its own right. The downside for sponsorship hub staff was the need to work harder to maintain close links with relevant policy teams. Central teams in SG generally reported positive experiences working with sponsorship hubs and viewed them as effective. Public bodies themselves were more equivocal – interviewees who had experienced the sponsorship relationship with a single sponsor team and then with a hub reported that it was marginally better working with the hub on sponsorship, but the difference was not sufficient from the public bodies’ point of view to suggest rolling out hubs as the model across SG. Where hub arrangements for sponsorship were accompanied by a policy coordination group, this aspect was much more warmly welcomed by public body leaders. Overall, there appears to be value in the hub model where there is a group of public bodies with significant policy and operational links and

where the hub can work with the bodies on coordination of policy as well as sponsorship itself. Senior sponsors should consider sponsorship hubs as a model where they are working with multiple public bodies, and if they choose to establish a hub ensure that it stays close to the relevant policy teams to ensure consistent messages on priorities.

5.17 Another common model across SG is for a public body to be sponsored by the team which also has responsibility for the relevant policy area. This can work well provided that the team has the capacity and capability to carry out both the policy and the sponsorship work, and that the urgency of demands on the policy side do not crowd out the systematic attention required for effective sponsorship. It is important to recognise that effective sponsorship takes time, and that there is a substantial amount of work required to be an effective sponsor of even a very small public body. Portfolio Accountable Officers and senior sponsors should satisfy themselves that the sponsorship arrangements in their teams:

- have the right skills and understanding to establish the performance framework asks and the overall assurance framework for the public body;
- have sufficient capacity to work effectively with the public body within these frameworks and to resolve or escalate any concerns that arise; and
- promote policy and operational links between public bodies contributing to overall national outcomes.

5.18 There is a particular challenge for Portfolio Accountable Officers and senior sponsors in establishing and operating an assurance framework for agencies and NMOs that have no sponsor team to carry out the detailed work. As mentioned above (see paragraph 4.2), there is usually no sponsor team for these bodies, and when detailed work needs to be done – for instance, on the performance framework for the body or a periodic review of the framework document – senior sponsors and Portfolio Accountable Officers may find their teams do not have the capacity or detailed knowledge of the public body to carry it out. Senior sponsors and Portfolio Accountable Officers will in many cases have made existing arrangements to cover this and creating sponsor teams for all of the agencies and NMOs would take a lot of additional resource for probably little value added. Where there is currently a gap in the support for senior sponsors and Portfolio Accountable Officers working with agencies and NMOs, though, filling it should be a priority. There may be scope to fill this by expanding capacity slightly in current NDPB sponsor teams or sponsorship hubs dealing with related bodies or by expanding the capacity of DG or Director business management teams.

Recommendation 8: Portfolio Accountable Officers and senior sponsors should review the capacity and capability needed in their teams to ensure that relationships are being managed well with all public bodies, and consider how best to organise that – through policy teams or sponsorship hubs, for instance – to ensure that there is a proper focus on sponsorship activity and a strong link with policy development. In reviewing the capacity and capability, it will be important to have nominated people who can provide support to Portfolio Accountable Officers and senior sponsors in managing relationships with NMOs and agencies as well as NDPBs.

5.19 DG's have many other responsibilities, both as Portfolio Accountable Officers and in their wider roles, so will need support to ensure that the recommendations in this report can be implemented. Internal Audit provide an essential support to

Portfolio Accountable Officers in ensuring that relationships with public bodies within their area of responsibility are being well-managed. The Public Bodies Unit will have the key role in supporting work across SG on relationships with NDPBs, NMOs and agencies, and they will also draw in advice from other central teams depending on the issues under discussion. This may include Internal Audit, particularly where there is a need to interpret findings from internal or external audit reports on public bodies, in considering the most effective governance option as part of a business case for establishment of a new public body or in planning and carrying out a review of governance arrangements for an existing body.

5.20 Portfolio Accountable Officers should work with Internal Audit to build relationships with public bodies into overall internal audit planning based on risk assessment of these compared to other aspects of governance that may need to be considered. As Internal Audit resource is limited, the Internal Audit team intend to work with the Public Bodies Unit to develop a self-assessment toolkit which can be used by sponsors in a DG area, working with their public bodies, to assess the overall effectiveness of the management of relationships and to provide some assurance to Portfolio Accountable Officers. There may be value in involving one or two experienced sponsors from a different DG area in undertaking any self-assessment, in order to help share good practice and experience across SG.

5.21 Key aspects which Internal Audit will want to cover in the self-assessment toolkit include:

- framework documents – do these clearly set out the roles and responsibilities of all those who have accountability in both the public body and SG;
- performance frameworks – are objectives, targets and performance measures for public bodies clear and succinct, linked to the National Performance Framework and also proportionate to the funding being provided to the body;
- overall assurance – is the information requested from the body on its performance and compliance clearly related to the performance framework, legislation and guidance in place and mainly a subset (or all) of the information being provided to the Board – and if there are significant differences between the information requested by the sponsors and the Board, are steps being taken to resolve this;
- risk and issue escalation – are risks or issues being escalated by the public body and/or the sponsors being considered appropriately, either through DG Assurance meetings or separately, and are decisions on actions being clearly communicated and recorded to all involved (these are discussed in the next section);
- business cases and options for proposed new public bodies – have these been considered fully and captured for the record, and are the business cases for recently-established bodies available to and understood by newly-appointed sponsors.

Internal Audit would also be keen to assist development work on the management of public body relationships across SG and will aim to make time for advisory support to Portfolio Accountable Officers and their teams

Recommendation 9: Portfolio Accountable Officers should work with Internal Audit to draw on their advisory support on the management of public body relationships and to build self-assessment reviews of public body

relationships in their areas, using the toolkit which Internal Audit and Public Bodies Unit plan to develop, into their overall assurance planning. Specific internal audits of relationships with an individual body should be built into audit planning where risk assessment suggests this is necessary.

5.22 In addition to support from Internal Audit and the Public Bodies Unit, DGs may find it helpful to share good practice and development work being carried out between their teams. As an example, Annex C includes a brief overview of work being carried out on overall assurance arrangements for DG Communities.

6 Risk and Escalation

6.1 Risk management was explored in detail at interviews given the criticism in the Public Audit and Post-Legislative Scrutiny Committee legacy paper in March 2021 'it is simply unacceptable that there continue to be examples of weak and inconsistent challenge being provided by Scottish Government officials and of problems not being identified or acted upon until it is too late.' A key message from interviews was that SG having confidence and trust in the public body and having a good assurance framework in place was not the same thing as there being zero risk. Both public body and sponsor team interviewees were very clear on the importance of risk management. Public bodies are required to have their own risk management arrangements and many interviewees from public bodies reported regular sharing of the corporate risk register with the sponsor team, either through sharing Board papers or separately. Most interviewees reported that risks are regularly discussed at meetings with sponsors.

6.2 Clarity on ownership of risk is a key issue. Some interviewees suggested that SG always retains the reputational risk, yet public body interviewees clearly felt that they were themselves managing significant reputational risk. The logic of the lines of accountability discussed in section 2.5 would be that where there is a significant problem in a public body, the Board and/or Chief Executive would be held accountable for the problem itself and the Portfolio Accountable Officer in SG would be subject to scrutiny on how far the assurance framework in place had allowed SG to identify and attempt to mitigate the problem. In practice, that distinction may be difficult for those not directly involved. Setting out clearly for the Public Audit Committee and other external commentators the different aspects of accountability and roles and responsibilities for the different types of public body may be helpful.

6.3 Interviewees reported mixed experience of escalating individual risks and issues to SG sponsors. Most reported regular discussion of risk during sponsorship meetings. Some interviewees from public bodies perceived that formally escalating a risk or issue would be seen as negative and might undermine SG confidence in the body, while others reported occasions on which they had escalated a risk and this had been seen as appropriate. One interviewee pointed out that it is very important to be clear that escalation of a risk is not the same as transferring ownership of the risk, which is an important point. When a public body escalates a risk to SG, the public body still remains responsible for the management of that risk and should be setting out for SG what steps are being taken to mitigate the likelihood and/or impact. SG has a responsibility to consider the overall risk, the mitigating actions and whether any further action is required, either by the body or by SG itself. Where any risk or issue is escalated, it is not clear whether there is always good communication about how this has been considered within SG, what has been

decided and by whom. Risks and issues escalated by public bodies or sponsor teams should follow the risk management arrangements in place within SG.

6.4 Sponsors should be aware of the degree of urgency of the risk or issue, and ensure as far as possible that Portfolio Accountable Officers are made aware of significant new risks or issues or significantly increasing risks as early as possible. There can be real value in direct discussion between the Chair or Chief Executive of a public body and the Portfolio Accountable Officer at an early stage, to ensure a good understanding of the position, any planned mitigating actions and any likely asks of SG. Sponsors need not wait for formal escalation of a risk or issue to make the Portfolio Accountable Officer aware. If sponsors are unsure whether a risk or issues is sufficiently significant to need the attention of the Portfolio Accountable Officer, they can seek advice from the Public Bodies Unit.

Recommendation 10: Portfolio Accountable Officers should ensure that all public bodies within their area of responsibility are aware that formal escalation of a risk or issue is an accepted part of good governance, and that they are clear on the process for escalation when this is required.

Recommendation 11: When public bodies or their sponsors escalate a risk or issue, this should be done through established DG assurance and risk management arrangements taking account of the urgency of the risk or issue. Where time pressure means that decisions relating to a risk or issue cannot wait an appropriate meeting, DG business management teams should ensure that any decision made is documented for the corporate record. In either case, the decision and the reasons for it, plus any further follow up action proposed, should be communicated in writing to the public body and/or the sponsor team.

6.5 Looking beyond the escalation of an individual risk or issue, many interviews discussed SG's overall handling of more challenging situations, some of which had been covered in section 22 reports. Interviewees in NDPBs and agencies most cases suggested that in practice SG was unable to distance itself from public bodies that were facing significant problems, which fits with the point made about SG retaining some or all of the reputational risk. In working closely with the senior management team of a public body to resolve problems, SG sponsors may in some cases be crossing the normal lines of accountability for the Board and/or the Chief Executive of the public body.

6.6 There are many models for deciding when greater intervention by a parent body or regulator in the operation of a body is necessary. Two that were highlighted during this review were the NHS Board Performance Escalation Framework and the Regulatory Framework established and operated by the Scottish Housing Regulator. Each of these frameworks has been put in place in a specific legal and operational context, and applies to a group of bodies (Health Boards and Registered Social Landlords) engaged in a shared activity. Devising an equivalent framework which would work effectively across public bodies with very different activities and governance arrangements would be enormously helpful but is beyond the scope of this review. This is something which the Public Bodies Unit might want to consider

developing itself or commissioning, based on experience of operating the arrangements described in the next paragraph.

6.7 In the meantime, one key feature of both the NHS and the SHR frameworks is that there is clear decision-taking and that the bodies concerned are aware of the decision. This is a step that SG can take in managing relationships with its public bodies within the current accountabilities: when a situation arises where sponsor teams and senior sponsors think SG needs to work more closely with a public body than usual over an extended period, they should consider whether SG is or may be cutting across the established lines of accountability and, if so, should recommend to the Portfolio Accountable Officer that they take a formal decision that SG is intervening in the running of the body. They should in all cases consult Public Bodies Unit before providing advice to the Portfolio Accountable Officer, and should also consider any legislation relating to the public body before providing such advice. This will be particularly important for NMOs, which are directly accountable to Parliament - any intervention from SG in the operation or governance of an NMO should not be made without legal advice.

6.8 If the Portfolio Accountable Officer agrees that this intervention is appropriate under the circumstances, the decision should be communicated to the public body in writing, along with the reasons for the decision and an indication of what SG will look for to decide that it is time to revert to the normal relationship with the public body. The Public Bodies Unit should be notified of the decision.

Recommendation 12: Portfolio Accountable Officers should take a formal decision, based on advice from sponsor teams and/or senior sponsors in consultation with the Public Bodies Unit, if a situation has arisen in which SG needs to intervene in the operation of a public body in a way that cuts across established lines of accountability. Any such decision should be communicated in writing to the public body. Interventions in the governance or operation of NMOs should not be made without legal advice.

6.9 One more important issue in dealing with challenging situations is the personal impact on those involved. Interviews highlighted the reputational impact of a failure or critical report on the public body and the senior leaders involved, but some interviewees reported that the scrutiny process had a serious impact on their own mental health. The aftermath of a section 22 report was seen in several cases as prolonged, with one interviewee referring to it as an 'open wound' and another talking of the body being 'on the naughty step'. One area where SG's relationship with its public bodies could bring additional benefit is in ensuring that senior leaders in public bodies going through intense scrutiny have appropriate personal support in place.

6.10 The Public Bodies Unit has in the past helped arrange coaches or mentors for public body chief executives, particularly when they are new in post or have been looking for additional help. This should continue and, if possible, be extended to ensure that there is support for any chief executive who is keen to benefit from it. Independent support should be proactively offered to chief executives facing challenging situations or intense periods of public scrutiny.

Recommendation 13: Public Bodies Unit should ensure that coaching and/or mentoring support is offered to the chief executive of every public body,

particularly newly-appointed chief executives and those facing challenging situations or intense scrutiny.

7 Capacity and Capability

7.1 Many public body interviewees commented on the rate of staff turnover in sponsor teams and even senior sponsor posts, and there was recognition that the demands of Covid response had made this particularly acute in SG in the past 18 months. Interviewees referred to the ‘hollowing out’ of SG teams as a result of Covid pressures. One interviewee commented that posts in sponsor teams are not seen as ‘sexy’ and do not attract as many applications, and some teams reported carrying vacancy in key sponsor team roles for many months. The rapid turnover of staff, particularly acute under Covid response, means that relationships need to be re-established regularly, corporate memory is lost and there is a very significant demand for training of staff who are new to the sponsorship function. One interviewee referred to the ‘black art’ of sponsorship and the importance of experience in addition to guidance and training.

7.2 New online training for sponsor teams has now been launched by the Public Bodies Unit, and training is run regularly for Accountable Officers and Board members. Interviews identified a couple of gaps in current training provision:

- for senior sponsors, particularly for anyone taking up a senior role who has not had experience of sponsorship at a more junior level; and
- for newly appointed Chief Executives of public bodies who don’t have a civil service or wider public sector background.

The Public Bodies Unit highlighted that the new online training is aimed at senior sponsors as well as more junior staff so may well fill the first of these gaps as awareness of it increases.

7.3 Interviewees were not specific about what development would be needed for senior sponsors or new Chief Executives in this situation – it may be a combination of formal training about the expectations of the role (although Chief Executives will likely get some of this from Accountable Officer training) but also mentoring or coaching from more experienced colleagues. Chief Executives with no public sector background who find themselves working with sponsor teams report that it can be difficult to understand SG structures and to build relationships beyond the sponsor team, so advice from more experienced colleagues may be very helpful.

7.4 The Public Bodies Unit currently has 5.5 full-time equivalent (FTE) staff – 1 C1, 1 B3, 2.5 B2 and 1 B1. The Public Bodies Unit team objectives for 2021-22 cover, in addition to support for this review:

- the promotion of proportionate, risk-based sponsorship;
- supporting the effectiveness of Chairs, boards and senior office holders;
- ensuring that the Scottish Government has an appropriate place in the accountability chain, and ensuring that proportionate arrangements are in place to safeguard public funds and incentivise performance;
- the promotion of ‘Team Scotland’ with public body contributions aligned to National outcomes, NPF and Public Service Reform;

- Developing a revised system for supporting the establishment of new public bodies within PBU and at corporate level, and supporting work on potential new public bodies;
- giving timely advice on strategic issues about public bodies as required; and
- providing advice and information, promptly, accurately and helpfully to sponsors & public bodies.

7.5 Those in the Public Bodies Unit are concerned that the demand on the reactive areas of their responsibility – strategic issues, support for creation of new bodies and general advice and information on sponsorship – tends to get in the way of the proactive development work on overall effectiveness, accountability and outcomes, but at the same time they do not feel they are meeting the full demand and that they are not always able to provide the combination of support and challenge on key issues at an early stage that helps avoid bigger problems with public body governance later. There was certainly an appetite amongst sponsor team interviewees for the Public Bodies Unit to play a more prominent role, and to have more capacity for responding to questions and providing support to sponsor teams in dealing with more difficult situations. The Public Bodies Unit itself, and some interviewees, were keen also to develop a more active community of people involved in sponsorship work across SG to share expertise and insight, but have found this challenging given other priorities.

7.6 The Public Bodies Unit works with a range of other ‘central’ teams in SG on the various issues that arise in SG’s management of its relationships with public bodies: Financial Management Directorate including the Governance and Risk Team, Digital Directorate, People Directorate including the Public Appointments Team, the Pay and Pensions Fiscal Policy Team, Legal Directorate and Internal Audit are the teams most closely involved. There is good cooperation amongst Public Bodies Unit and these other central teams, but sponsor teams and senior sponsors are not always clear whom they should contact on a public body issue, which creates a further challenge in providing an effective and timely response.

7.7 If it is possible to provide additional staff with the right skills and experience, the Public Bodies Unit could be expanded to form a Public Bodies Hub that would provide a first point of contact on any public body issue, and would have the capacity to discuss issues facing sponsors in detail, provide support and/or make connections with others in SG with relevant professional expertise or experience and ensure that guidance is fully understood. The Hub would support Portfolio Accountable Officers and senior sponsors in promoting a consistent approach based on the guidance and templates provided. It would work with central teams across SG to ensure a coordinated approach to advice on any public body issue. The work which Kathleen Marshall has undertaken on Ministerial appointments is also recommending stronger central capacity to support colleagues and ensure consistency, and it would therefore be worth exploring what structural arrangements would lead to the most effective collaboration between a proposed Public Bodies Hub, additional central capacity on Ministerial appointments and the existing Public Appointments team, in order to provide the best possible support across SG.

7.8 Providing more direct support to sponsor teams could be seen as undermining their responsibility but the experience of implementing Smarter

Sponsorship so far suggests that more support with an element of challenge is important if SG is to achieve a consistent approach. Given the level of churn and therefore the relative inexperience of many people currently undertaking sponsorship roles, some additional central capacity is important if senior sponsors and Portfolio Accountable Officers are to be properly supported in their roles. Sponsors would need to have confidence in the quality of the advice and respect for the challenge coming from a Public Bodies Hub, so additional staff would need to have a credible level of experience and a deep understanding of public body governance issues.

7.9 Given pressure on SG resources overall, creation of new posts in any team will be challenging. The minimum additional staffing required in PBU to provide support and challenge to sponsor teams is an additional two members of staff at C Band with significant experience of sponsorship and/or of public body governance. If it is possible to create two new C Band posts, the grading of which would need to be confirmed through the appropriate procedures, that would be the most robust option. For the wider coordination work of the Hub, one or more additional posts at B band would be required, but the number and grade of posts would depend on the precise remit of the Hub, taking into account the other work underway on Ministerial Appointments.

7.10 It is important to recognise that the recommendations in this report cannot be implemented effectively if there is no additional resource available centrally to support, challenge and coordinate action across SG. Rather than thinking of posts as a net addition to current staffing, it may be more helpful to think about how SG is currently using all of the resources devoted to sponsorship work. The group of 200 or so staff across SG identified as currently working fully or partly on sponsorship is a significant investment of time in the current arrangements, which are not fully meeting Portfolio Accountable Officers' needs. It would be possible to consider how sponsorship arrangements can be reorganised to release at least one experienced team leader and one or two B band staff to work in the Hub. There could also be advantages in considering an inward secondment of someone with strong governance experience from a public body as another way of increasing the capacity and capability of a Public Bodies Hub in the short-term and providing an insight into effective sponsorship as seen from the other side.

7.11 In addition to making faster progress with the proactive development work that is already part of the Public Bodies Unit's remit, supporting implementation of the recommendations in this report and providing stronger support and challenge to sponsors, an expanded Public Bodies Hub would be able to prioritise work to develop a network of staff with sponsorship responsibilities. This would help increase overall capability and raise the profile of sponsorship work across SG, which should have significant long-term benefits.

7.12 The staffing of the Public Bodies Hub should be reviewed after the first two years to assess the impact of the additional central capacity and capability. If much of the development work has been completed by that stage and there is an active sponsorship network sharing knowledge and experience, there may be a reduced requirement for staff in this central team – but it will be important to ensure that there is enough capacity to provide support in challenging circumstances and ensure good

coordination of the work of all central teams to support public bodies and their sponsors.

Recommendation 14: Identify two experienced team leaders with a good understanding of public body governance issues to take up post in the Public Bodies Unit to provide additional capacity for development, support and challenge, and review what additional staffing would be required to create a Public Bodies Hub to coordinate improvement work on sponsorship and Ministerial appointments and provide a first point of contact to sponsor teams on all public body issues.

7.13 As discussed in the 'Case for Change' section at the start of this report (see paragraph 1.7), ideally SG would go further and create a formal change programme to implement some or all of the recommendations in this report. This would give much greater confidence to Portfolio Accountable Officers that changes will be delivered effectively, but it would require additional staff with the appropriate training to manage the programme and it is likely that will be challenging to achieve given the range of programmes and projects which SG has to resource. Public Body leaders, particularly the Chairs of the NDPB Chief Executives Forum and the Scottish Government Delivery Bodies Group, have indicated that they are willing to become involved to support implementation, which may provide options for governance of the work to improve the way that SG manages its relationships with public bodies even if this stops short of a full change programme.

7.14 Public Bodies Unit currently works closely with central teams to provide support to public bodies and their sponsors, particularly calling on professional legal, HR, IT and finance advice when required. Central teams generally respond very positively when their help is required and interviews demonstrated good cooperation amongst teams, but also highlighted the difficulty of providing ongoing support to public bodies and sponsors when this is required over many weeks or months. It would be possible for the Public Bodies Hub to go further than working with existing central teams in SG to respond to individual queries and situations and to work with them to ensure that there are arrangements in place to bring in help from external people or organisations to deal with issues that require more time and attention than central teams can themselves provide. Digital Directorate and SG Legal Directorate already have arrangements in place which can be used for additional expertise in IT or legal issues, and similar arrangements could perhaps be made for specialists in HR, finance and governance. Any framework arrangement for external help would need to go through appropriate procurement procedures, led by the Public Bodies Hub but involving members of central teams with relevant expertise in setting requirements and carrying out the evaluation.

E Ryan
15 November 2021

Progress Review of Scottish Government Relationships with Public Bodies - Remit

Purpose

The exercise will make proposals for improvements on the ways in which Scottish Government manages its relationships with public bodies in both normal operation and more challenging situations, to maximise the impact of public resources in delivering outcomes for the people of Scotland.

Scope

The exercise will review the current delivery of sponsorship within Scottish Government building on the previous work in this field particularly the review in 2015 led by Linda McKay - "Smarter Sponsorship".

It is envisaged that the exercise will review the current position on implementing 'Smarter Sponsorship' and the learning from experiences of sponsorship over recent years to provide recommendations on how Scottish Government should organise and manage its relationship with public bodies and a draft action plan for their implementation.

The review will consider the following issues:

- How Scottish Government teams and public bodies can most effectively manage risk and escalation of issues when challenges arise; and
- The organisation and management of the relationship with public bodies across Scottish Government, and how both sponsor teams and public bodies can be supported effectively;.

Process

This will be a **short life review**: the review will start in March and is expected to report by the autumn. The exercise recognises the breadth of expertise and knowledge within public bodies, and will therefore draw on the experience of public body Chief Executives, Chairs and Board members as well as key Scottish Government internal stakeholders, including Sponsor Leads and corporate functions such as Finance, Procurement and HR.

The review will report to the Executive Team and make recommendations in the areas outlined above. The Permanent Secretary will engage with the Cabinet Secretary for Finance to determine how the recommendations will be taken forward in the context of the development of an improvement programme within Scottish Government and with public bodies.

Review lead and support

The review will be led by Eleanor Ryan. It will be supported by the Public Bodies Unit.

Public bodies, groups and teams who took part in interviews for this review

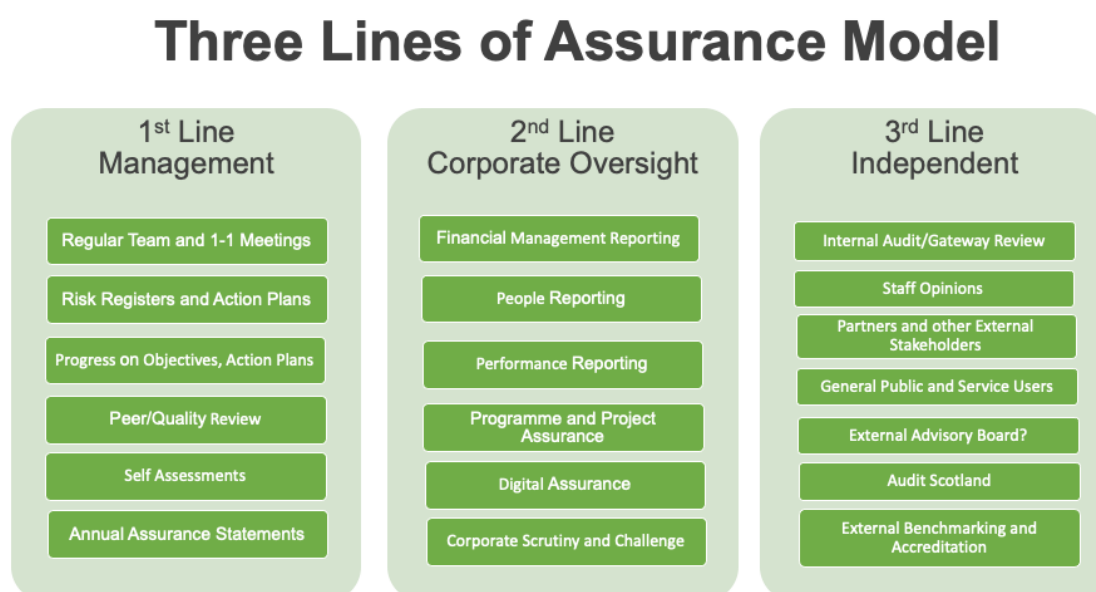
- Audit Scotland
- Bòrd na Gàidhlig
- Bòrd na Gàidhlig sponsors
- Community Justice Scotland
- Community Justice Scotland sponsors
- Crofting Commission
- Crofting Commission sponsors
- Enterprise and Skills Strategic Board
- Enterprise and Skills Strategic Board Secretariat
- Environment bodies – Cairngorms National Park, Loch Lomond and the Trossachs National Park, NatureScot, Royal Botanic Garden of Edinburgh, Scottish Environmental Protection Agency
- Environment bodies sponsorship hub
- NHS Corporate Business Management Team
- National Records of Scotland
- National Records of Scotland senior sponsor
- NDPB Chief Executives' Forum
- Scottish Funding Council
- Scottish Funding Council sponsors
- Scottish Government Delivery Bodies Group
- Scottish Police Authority
- Scottish Police Authority sponsors
- Scottish Public Pensions Agency
- Scottish Public Pensions Agency senior sponsor
- Scottish Qualifications Authority
- SG Digital Directorate
- SG Finance Programme Management
- SG Governance and Risk Team
- SG Internal Audit
- SG Legal Directorate
- SG Pay and Pensions Fiscal Policy Team
- SG People Directorate
- SG Public Appointments Team
- SG Public Bodies Unit

Annex C: Example of development work on DG Communities assurance arrangements

1. The issues highlighted and the recommendations in this section on assurance will mostly likely be familiar to DGs and their teams, and there will already be work underway in many areas to address them. Sharing good practice between DG areas will be really important, and the Public Bodies Unit can assist in that process if they have a nominated lead person to work with from each team. To start the process of sharing practice, some recent development work on DG assurance arrangements is included here as an example. This work has been carried out by Sarah O'Donnell on a secondment from her role as Director of Finance and Contractual Services at the Scottish Fire and Rescue Service, and demonstrates the potential value of drawing on expertise from public bodies.

2. Sarah and the DG Communities team have developed an approach based on the 'Three lines of assurance' model that will already be familiar to DGs – and which is summarised for reference in Figure 3 below.

Figure 3: Three lines of assurance model



3. To apply this model in DG Communities, a draft assurance checklist has been developed covering five broad areas:

- A. People resources
- B. Financial resources
- C. Policy & delivery
- D. Strategic partnerships
- E. Public/user involvement

This document provides a template for working through all of the key questions identified for each area, considering for each an assessment of current performance,

the level of confidence in the assessment, sources of assurance and what could be done to increase the confidence if required. Section D on strategic partnerships covers relationships with public bodies. An extract from the current draft of the document for that area is shown in the table below.

Table 4: Extract from draft assurance checklist for DG Communities

Ref	Assurance Area	Assessment (1 Poor -10 Excellent)	Confidence in Assessment (1 Not Confident at all – 5 Very Confident)	How would you know....? (list sources of assurances)	If Confidence is less than 5, how could it be increased?
	Example – How good is your broadband connection?	7	3	Contract/provid ers literature Technical performance test – last week Live experience – past 2 months	Longer period of live experience
D	Strategic Partnerships				
D1	Do you have Effective Processes in place to Engage with the partners that support your area in delivering its services/policy aims, and are they working well?				
D2	Is there Clarity as to the Roles and Responsibilities of your area and its delivery partners?				
D3	Are there good Informal Relationships between your area and the key individuals within partner organisations/areas?				
D4	Is there good Alignment between your area and its strategic partners to facilitate the Achievement of Outcomes and Best Value ?				
D5	Are your partners Delivering the Objectives Agreed between you?				

Ref	Assurance Area	Assessment (1 Poor -10 Excellent)	Confidence in Assessment (1 Not Confident at all – 5 Very Confident)	How would you know....? (list sources of assurances)	If Confidence is less than 5, how could it be increased?
D6	Are there strategic Interdependencies between your area and your partners that impact on achieving your outcomes?				
D7	Are your partners carrying Risks or facing Issues that have the potential to impact on your/DGC/SG Objectives?				

4. The assurance checklist is one tool within a wider approach which recognizes that overall assurance requires:

- that success is well-defined, measured and reported;
- a culture of openness, trust and transparency;
- a process of assurance mapping and reporting; and
- a learning mindset.

Sarah and the DG Communities team are still developing the full approach and would be happy to share more information about the work that they are doing with others.



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