Partnership Working: Proportionate Autonomy for ALBs

Introduction/Background

As laid out in *The Partnerships between Departments and Arm's Length Bodies: NI Code of Good Practice (the Code)*, there are around 120 Arm's Length Bodies delivering public services in Northern Ireland, and they account for roughly 70 per cent of the NI Executive's Departmental Expenditure Limit budget. The partnerships/relationships between these Arm's Length Bodies (ALBs) and departments are therefore critical to the delivery of high quality public services.

While ALBs should all operate with a level of autonomy in order to deliver their services/business, departments will always be responsible to the NI Assembly for the funding granted to them. As reflected in Managing Public Money NI, the Accounting Officer of a department should make arrangements to satisfy themselves that the ALB Accounting Officer is carrying out his or her responsibilities, and that their organisation, or any organisation funded by the ALB operates effectively and to a high standard of probity. It follows therefore that there will always be a certain level of engagement and assurance required from ALBs.

As partnerships and the nature of relationships between departments and ALBs will vary according to the purpose, size, structure and public interest in the Body, so too will the level of autonomy with which an ALB operates at any one point in time i.e. not one size fits all, all of the time. It is also important to remember that the level of autonomy may also depend on the judgement of Ministers concerning the degree of risk that they may be prepared to bear as well as the accountability that is required.

Partnership Agreements

Partnership Agreements set out the overall governance framework within which ALBs should operate, including the framework through which the necessary assurances are provided to stakeholders in order to satisfy accountability requirements. The various roles/responsibilities of partners within the overall governance framework are also outlined.

Delivering Public Services in Partnership

Good public policy requires a focus on outcomes rather than on outputs, processes or inputs. An Outcomes Delivery Plan has been developed as a basis for delivering public services in as effective and co-ordinated manner as possible. Based on the framework of outcomes prepared by the Executive formed after the election in May 2016, the aim is to build ways of working within the Northern Ireland Civil Service and wider public sector that are outcomes-based and are characterised by focus on impact through collaboration with others. For this system to work well and achieve good outcomes, it is essential that relationships between departments and ALBs are based on trust, shared values and outcomes, transparency and clear lines of accountability and responsibility.

In this system the focus of engagement between departments and ALBs will be on strategic issues and delivery of outcomes.

Partnership Working

As reflected in the Partnership Agreement template, there should be strategic alignment between the aims, objectives and expected outcomes and results of the ALB and department concerned. Departments and ALBs should be clear about the outcomes they are seeking to achieve, and when planning and discussing performance focus on what high-level outcomes the ALB is required to achieve.

Important features of partnership working to help achieve these outcomes are shared values and vision; open, transparent and honest two-way communication – there should be no surprises to either party; shared and agreed understanding of risk and increased co-operation and collaboration. In order to achieve better outcomes and more collaborative working, departments and ALBs need to embed a co-working partnership approach recognising they are part of one eco-system. This should lead to a better understanding of the delivery of our public services on an outcomes-based approach, and the ability to identify and understand emerging risks and trends.

Partnership working may require more strategic engagement at a senior level (primarily executive but also non-executive) with the onus on the ALB Board for the delivery of agreed outcomes.

What is “Proportionate Autonomy”?

The concept of “proportionate autonomy” is about the level of independence and autonomy with which an ALB can operate from the department, and relates to the extent and nature of engagement and assurance required between a department and an ALB. Essentially, it is about trust, and the basis for it. It is however flexible, and will be subject to individual circumstances – i.e. not one size fits all, all of the time.

In practice, therefore, this should mean that ALBs that deliver their agreed outcomes on an ongoing basis, and provide sound and reliable assurances should be able to operate with a high degree of autonomy from their department in recognition of that level of trust that has been established and consistently demonstrated through evidence of good standards of governance, good financial management, compliance with relevant guidance and provision of reliable and accurate information.

Where ALBs are not yet in this position the interactions necessary will be reflected in the Engagement Plan. In some instances specific issues may have arisen, in which case the extent and nature of engagement may need to change for a period of time until they are resolved.

How to assess “Proportionate Autonomy”

Due to the differing nature of ALBs, it is difficult to be prescriptive about what proportionate autonomy should look like. While there will be some commonality, each case will be unique and as stated above, “not one size fits all, all of the time”. In general as partnerships mature, trust will grow and as confidence increases in the efficacy of systems, so too will the level of autonomy.

In practice, ALBs should all be operating with a certain level of independence/autonomy in order to deliver their services/business, and where they achieve their agreed outcomes in line with any policy set, this should be taken into consideration as part of the overall assessment to determine the appropriate level of autonomy.

Further areas for consideration include an assessment of the effectiveness of the ALB's governance procedures, systems of internal control and assurance mechanisms, together with any relevant risk issues, quality of financial management and general compliance with guidance. All of these, together with an assessment of the relevant assurances provided, will help assess what is an appropriate level of autonomy, and set the tone for the relationship. It is important that departments rely on assurances from ALBs as appropriate, and do not carry out excessive checking of information/returns provided by ALBs or duplicate administrative functions of ALB staff.

It should also be recognised, that the level of autonomy with which an ALB operates can change. Where things do go wrong however, any response by departments should be proportionate to the risk posed.

The Engagement Plan Annex within the Partnership Agreement allows flexibility for an ALB and a department to specify and agree the nature and extent of engagement between them, and will reflect the level of ALB autonomy. This should be considered on an annual basis, and in conjunction with the principles laid out in the Code.

Annex A provides a summary of assurances/indicators that departments and ALBs should consider when establishing their engagement plans. Engagement Plans will reflect the appropriate level of ALB autonomy based on assurances/indicators of good governance and the maturity of the partnership/relationship.

Benefits of a higher degree of autonomy

Potential benefits though from a practical point of view may include the following:

- Reduced bureaucracy and burden of duplicate checking/compliance/ assurance processes for both ALBs and departments.
- Streamlining of processes – information should only be provided once.
- Increased delegated levels of expenditure for ALBs.
- Better use of resources.
- Potential efficiency savings.

It is important to remember that the pace of movement towards higher degrees of autonomy will differ and the end point may also vary depending on the nature and structure of the ALB and department.

Review

Departments and ALBs should consider and review the nature of their relationship (as part of the review of the Engagement Plan within the Partnership Agreement) either on an annual basis as part of existing governance processes, or in the case of any specific event that has the potential to change the relationship and the level and nature of engagement that may be necessary.

It is also important to emphasise the need for departments to be careful not to introduce disproportionate measures in response to specific governance events or failings. Departments should review on a periodic basis (at least every 3 years) the extent to which its practices adhere to the principle of proportionality so as to ensure that excessive processes have not been introduced over time.

Developing/sharing best practice

In taking forward the transition to partnership working, it will be beneficial to share lessons learned and best practice between departments to help embed the new arrangements and to build contacts through a more formalised network. This may include some common training, events around common issues and problems as well as a repository of best practice available on the Accountability and Financial Management section of the DoF website. The departmental implementation group, set up to help implement the new approach, will remain as a forum for departments to meet and share experience and will also be a forum to develop knowledge and expertise around partnership working with ALBs through peer-led learning.

Annex A

Assurances/Indicators to consider in determining Proportionate Autonomy and establishing Engagement Plans

Guide for Departments and ALBs

A qualitative overall assessment of the effectiveness of available assurances should be carried out.

1. Board Effectiveness

Assurance Sources

- **Most recent internal and independent Board Effectiveness Review**

Considerations

- What were the results of the last Board Effectiveness Review?
- What actions were planned as a result?
- Did the review highlight significant issues to be addressed?
- If so what progress has been made in implementing these?
- What are the results of the most recent Chair and Board Member appraisals?
- What are the results of the most recent Board Chair peer review?
- Are there any indications of ineffective Board relationships?
- Are there any other indications that the Board may not be operating effectively or in accordance with its role and Code of Conduct?

2. Independent Audit Opinions - Internal Audit

Assurance Sources

- **Head of Internal Audit (HIA) Annual Report and Opinion**

Considerations

- What overall opinion has been provided by the HIA?
- What areas of concern/limited assurance have been referred to in the HIA's annual opinion and report?
- Does the report indicate concern in relation to the timely implementation of audit recommendations?
- What was the result of the most recent External Quality Assessment of the Internal Audit Function?

3. Independent Audit Opinions - External Audit

Assurance Source

- **Annual External Audit Opinion – Annual Report and Accounts**
- **Annual Report to Those Charged With Governance (RTTCWG)**

Considerations

- Is the external audit opinion “clean” or qualified?
- If qualified what actions are in place to address the qualification matters?
- Are there any regularity or other matters referred to in the opinion?
- What matters are raised within the RTTCWG?
- What plans are in place to address matters raised within the RTTCWG?

4. Risk Management

Assurance Source

- **Risk Management Framework**

Considerations

- Has the organisation a Risk Management Framework in place integrated with the business and strategic planning process?
- Have shared risks been identified and evaluated through shared understanding on strategic alignment?

5. Annual Governance Statement

Assurance Source

- **Governance Statement – Annual Report and Accounts**

Considerations

- Are there any significant internal control weaknesses referred to in the Governance Statement?
- If weaknesses are identified what actions are in place to address the identified weaknesses?
- What is the Board’s recorded assessment of compliance with the Corporate Governance Code of Good Practice?

6. ALB Assurance Statements

Assurance Source

- **In year ALB Assurance Statements**

Considerations

- Are the ALB Assurance Statements signed by the Accounting Officer (considered by the ALB Audit Committee and provided to the Board where possible) and agreed by the Chair or Board before submission to the department, in line with the process set out in the Partnership Agreement?
- What issues have been identified within the Statements?

7. Other Assurance Sources

Assurance Source

- **Outcomes Delivery/Performance Targets**
- **Financial performance**
- **Annual ALB Accounting Officer declaration of Fitness to carry out the Accounting Officer role**
- **Robustness of expenditure decisions in Business Cases/Economic Appraisals**
- **Other departmental returns**

Considerations

- Has the ALB consistently demonstrated a sound track record of delivery against required outcomes and performance targets?
- Has the ALB consistently demonstrated the ability to deliver within budget?
- Has the ALB Accounting Officer provided annual declaration of Fitness to carry out the Accounting Officer role?
- Where Business Cases/Economic Appraisals are presented to the Department for approval are these compliant with the NI Guide to Expenditure Appraisal and Evaluation and Managing Public Money NI requirements and provide a robust case for the proposed expenditure?
- Are returns provided to the Department by the ALB of good quality with minimal need for revision following review?