

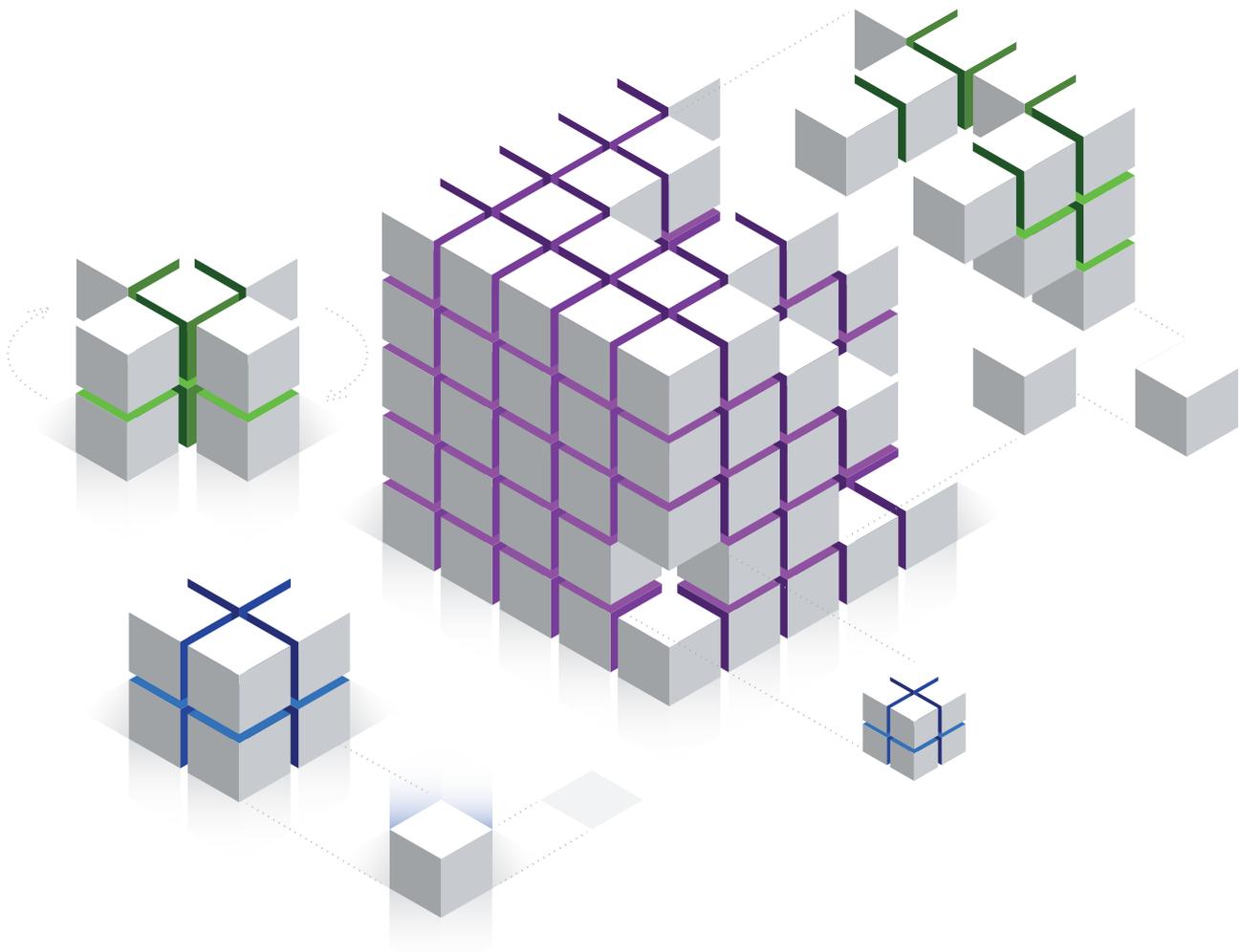


PUBLIC CHAIRS'
FORUM

INSTITUTE
FOR
GOVERNMENT

PIECING TOGETHER THE QUANGO REFORMS

A PRACTICAL GUIDE FOR MANAGING TRANSITIONS



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Foreword

The Public Chairs' Forum and the Institute for Government are pleased to be working together on this guide which is designed to offer practical advice to Arms Length Bodies and Departments on managing transitions.

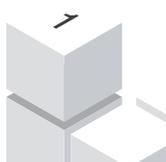
All Arms Length Bodies are affected by the reforms initiated by the Coalition Government. Many of them face challenging transitions over the coming months and years as they are closed down, merged with other bodies, significantly restructured, or moved back into Government Departments. But whatever the changes may be, one thing is certain: the management of these transitions will be crucial to their success, particularly given the accelerated timeframe and their unprecedented scale.

The role, accountability and structure of Arms Length Bodies are a fundamental issue for the effectiveness of Government. This is a difficult time for many people working in them and it is in everyone's interest that the reforms are managed well. We need to ensure that the benefits that Government envisages are secured. That is why we were so keen to do this report, which captures experiences and lessons learnt from previous transitions, and brings them together in one comprehensive guide.

At the time of change, it is important to ensure that internal processes are managed smoothly and fairly to ensure that the public interest that bodies serve does not suffer. It is also vital, as the Institute for Government made clear in its report [Read Before Burning](#), that a regime emerges out of the current changes to manage of Arms Length Bodies on a more stable and consistent basis in the future. For those bodies that will remain in reformed or merged form, change now needs to have that longer-term objective in mind and the Institute sets some principles in its report to help achieve this objective.

As past experiences reveal, it is very easy to get transitions wrong, which is one of the reasons why people have been so eager to contribute to this guide. By capturing lessons learnt from across the public sector and drawing attention to common pitfalls, we hope that this guide will provide practical advice to Arms Length Bodies and Departments currently managing transitions and reforms in order to avoid 'reinventing the wheel' in the future.

The primary responsibility of public sector management through this period will be to ensure that service to the public is maintained and improved at a time of organisational change. The success of managing a workforce through change will be critical to achieving continuity of service. However, there are important issues of transparency, organisational management and propriety that are about the orderly closure and merger of bodies. What we attempt to do here is balance



these two sides – the human and service with the practical and technical.

The first half of this publication focuses on the experiences of six different transitions. Whilst the perspectives and situations vary, there are a number of consistencies throughout. No matter what the transition, never underestimate the importance of human aspects; you cannot over communicate; and getting the technical aspects right is essential.

This publication also includes a summary of a checklist that is being produced by Cabinet Office, which will help Arms Length Bodies and Departments to ensure that the most important aspects of managing transitions are being considered. Inevitably, no one transition is identical to another one and depending on the type of transition you are involved in, there will be certain things within the checklist that don't apply to the specific circumstances of your transition.

So, rather than having to explore which parts are relevant to your circumstances, the Public Chairs' Forum is designing an application that will do this for you. By answering some simple questions about your transition, the application will produce a customised report and checklist, ensuring you focus on the right issues at the right time. We hope that the combination of the checklist and application will help to bring clarity, focus and practical solutions to an often complex process. Look out for its launch on our [website](#) soon.

One of the reasons that we were keen to compile this publication is the lack of existing guidance available to of Arms Length Bodies and Departments at the moment. This work recognises that similar challenges faced by Whitehall and its of Arms Length Bodies will benefit from a shared pool of knowledge and a grasp of the potential pitfalls based on the experience of others. To this end, we hope that the use of case studies and signposting to existing materials is helpful. Whilst it would not be possible to provide an exhaustive guide on all transitions, we hope that this publication makes a valuable and positive contribution to the reforms.

If you would like to follow up on any on the contents of the report please contact the contributors direct or contact Amy Noonan, Manager of the Public Chairs' Forum.

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Lord Adonis
Director, Institute for Government



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Key Points:

- Maintain staff morale and ensure they are equipped with all the right information, support and training when making decisions about their future.
- Recognise the importance of partnership between Arms Length Bodies and Department and ensure clarity about goals and who does what, early on.
- Communicate, communicate, communicate – and never lose sight of the big ambition for the change when stuck in the treacle of transition.

Rob Wye, current Director of Strategy at the Young People's Learning Agency (YPLA) and soon to be Chief Executive of LSIS, and Geoff Russell, Chief Executive of the Skills Funding Agency, spoke to us about their experiences of managing transitions.

When it was agreed that the Learning and Skills Council would split into the Young People's Learning Agency and the Skills Funding Agency, and 16-19 responsibilities would pass to Local Authorities, Rob led on the creation of the YPLA and the transition into it, as Senior Officer and interim Chief Executive during shadow working arrangements. Geoff was Chief Executive of the Learning and Skills Council (LSC) during the final year of transition and oversaw the entire transfer of responsibilities to new arrangements, before being appointed to his new role at the Skills Funding Agency upon its creation in April 2010. The overall transition process took some three years as it involved primary legislation.

A complex transition such as this inevitably brings many challenges. When asked to pinpoint the principle challenges associated with the transition, this is what Rob said:

“Unpacking the one sentence announcement outlining the LSC's abolition into a detailed plan was tough. Given the nature of the transition, there were complex relationships to manage involving two sponsoring Departments and Local Government. Don't underestimate the challenge of maintaining staff morale and progress over a long transitional period – we had one of the biggest and most complex of staff transfers – with over 3000 staff moving to over 150 organisations.”

Geoff added, “the close down period was too long; the civil servants did not appreciate the operational risks of the closure and wanted to be more involved in the operational detail of the new arrangements than was helpful.”

Our research has pointed time and time again to the importance of people during transitions. “Overlook the vital people issues at your peril” has been a central message throughout. Talking about these issues specifically, Geoff described some of the challenges that he encountered, “Uncertainty for staff presented many issues: uncertainty caused by the length of the close down

period; uncertainty caused by officials too involved in the operational detail of the new arrangements.”

Rob outlined how crucial it is to keep staff informed and involved throughout the transition, “Maintaining morale and ensuring all staff had a place in the new arrangements and providing them with all the information, support and training they needed for a new position was so important.”

Another very important aspect relating to Arms Length Body transitions is relationships, and in particular, the relationship between Arms Length Bodies and sponsoring Departments. This can have an enormous impact on the effectiveness of a transition. We asked Rob and Geoff for their tips on making this work. Rob explained how staff were seconded into a joint team to work with the Department, “As well as the large steering group, we established a weekly three-person decision taking group to drive change.”

Communicate, Communicate, Communicate

He also reiterated the importance of good communications “in order to avoid any surprises, ensure there is a regular dialogue. Clarity about goals and who does what makes a big difference.” This point was reiterated by Geoff, “a clear understanding at the beginning about the boundary between policy and operations and the agreed mechanism to deal with tensions between the two really does help. Recognise it is a partnership and have regular senior level meetings to deal with planning and monitoring.”

Transitions bring about big cultural changes and changes in culture carry risks. We were interested to hear from Rob and Geoff about the steps they took to reduce these associated risks. Having clarity about a simple definition of the new world and what’s different about it was something that both Geoff and Rob recognised as important. Communication was another. Rob stressed this point, “effective communication is vital - not just in written form, but lots of visits to staff. On a practical level, we set up an email address for queries, which were regularly responded to and added to FAQs.” Geoff pointed to the important role of leadership in managing cultural change as well as to regular and honest communication.

Any transition will carry big technical challenges, many of which can be complex, confusing and unfamiliar. Rob identified his key technical challenges and offered some advice for dealing with them: “TUPE transfer for large numbers of staff – involve HR and the lawyers from the outset; Premises – understand the legal position early; Information Management– specify early what the new world needs, involve IM and systems from the start, and budget adequately for the change (but don’t get held to ransom by your IT suppliers!).”

Geoff’s top tip for managing transitions?

“Clarity in governance of the process.” And Rob’s? “Communicate, communicate, communicate – and never lose sight of the big ambition for the change when stuck in the treacle of transition to it.”



Key Points:

- The CEO and Senior Management must show real leadership and control from the off.
- Cultural change is needed during a transition – it can't be 'business as usual'.
- Never underestimate the amount of planning needed; take control and get the transition done properly for the public and your staff.

Stuart Holland project managed the abolition of the Hearing Aid Council (HAC) and the transfer of some its powers to a successor body, the Health Professions Council. He is also author of the HAC's [10 Lessons report](#), published in July 2010, which captures experiences and lessons learnt from managing this transition.

Since 1968, the Hearing Aid Council was the UK wide statutory regulator of private sector hearing aid dispensers and their employers. It was a Non Departmental Public Body whose sponsor department was within the Department for Business, Innovation and Skills. The Health Professions Council regulates many health professions and is linked to the Department of Health.

Stuart was initially appointed for one year but the whole process of close down and transition eventually took around three years after it became clear to civil servants that two pieces of primary legislation were needed to make it happen. Here, he talks about his experiences and offers his advice on managing transitions, which are shaped around some common themes.

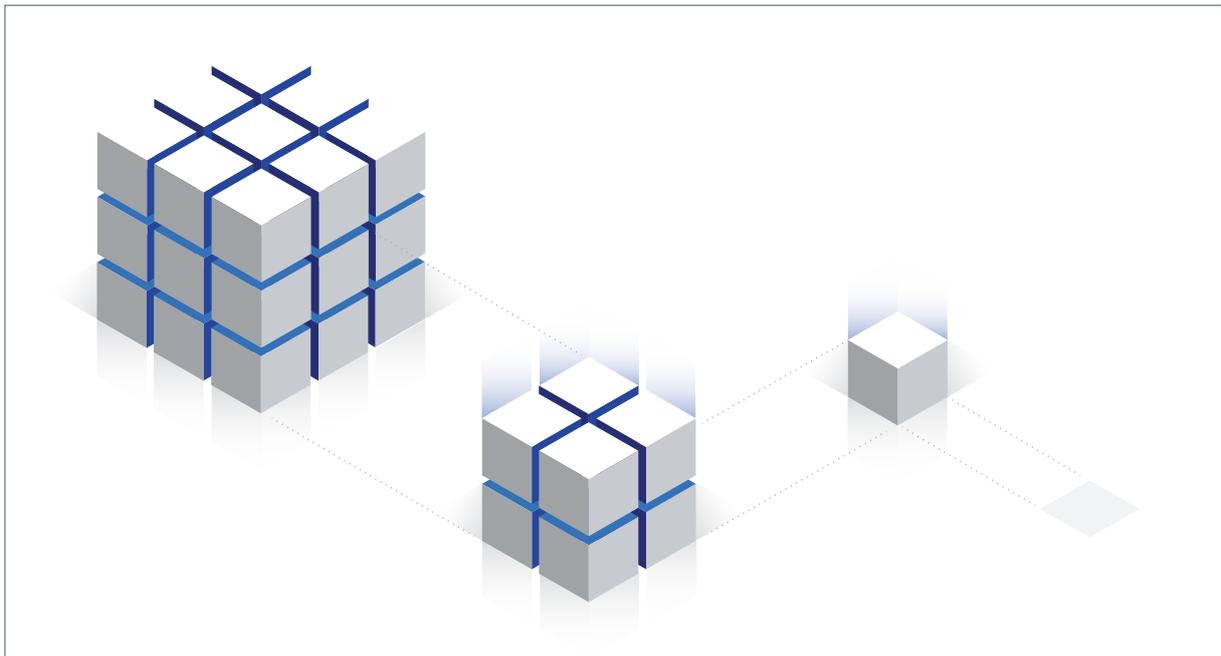
Overall Challenges

In our 10 Lessons report, we split the challenges in to three: getting the legislation right, getting the relationships rights and getting the process right. So, you have to make sure that plans makes sense, you have to get people working together and sharing expertise openly and you have to make sure the nitty gritty gets done properly right to the very end.

There is no bigger change for an organisation than its abolition or merger: it affects every Department and every person.

Suddenly you have to answer very different kinds of questions and work in very different ways. You will likely need to bring some new skills in to the organisation very quickly and to get people working together in new ways. All this at a time when people's emotions are understandably running very high.

It is vital that the Chief Executive and Senior Management team visibly take control of the situation from the off. They need to show real leadership, communicating very openly and honestly with their staff, board and stakeholders about what will and won't



happen in the coming months, how staff will be treated, and how they will be supported. Without support from the staff, a successful abolition is hard to achieve as they have the expertise you need. Then plan, plan, plan.

People

Staff need support during what can be a very stressful time as people face uncertainty about their futures and upset at the end of valued working relationships.

Good, open communication is important. Trust between staff and management is vital throughout, so it's as important to be honest about what you can't do for staff as well as what you can. HAC line managers spoke with staff about their individual plans, then helped them into training or adapted job roles within the transition plan that would help them realise those ambitions. Staff were encouraged to be open about which jobs they were applying for from Chief Executive level down, they helped each other with

applications and CVs and attended group training on career development. Staff who were needed until the end were given financial incentives to remain in post.

Lastly, it's much less tangible but perhaps the most important thing at the HAC was the excellent atmosphere we had between staff. This was cultivated from Chief Executive level down and we took care to make sure we took time out during the transition to reflect and have some fun together. This spirit was key in not only helping us get the work done but in supporting each other when things got a bit tougher.

Arms Length Body and Sponsoring Department relations

Wherever possible, support your department by taking some control, get external advice if you need it and come to them with proposed solutions to the problems you are facing together. For example, we had an excellent legal advisor with experience of what we

were trying to achieve who could productively advise Government lawyers and reassure civil servants.

Again, open communication was key. We had a very transparent transfer plan and risk register which we shared and explained to our sponsor department, making clear how we were getting on, showing where we needed their help and when with the implications if these deadlines were mixed.

Lastly, we found it helpful not to deal with our sponsor department in isolation. We fostered a relationship between our sponsor department and the National Audit Office. We also had to work across Government with a team in the Department of Health. Again, it paid dividends to support them by taking control where possible and giving the civil servants suggested solutions to the problems they were facing, for example with legislation, stakeholders or more practical issues like data or IT.

Managing cultural change associated with transition

Cultural change is needed during a transition. You are doing new work, solving new problems, with new teams and so you need a new culture; it cannot be 'business as usual'.

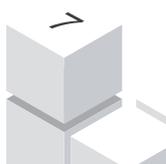
In our case, the key was to make sure we had the right skills in place to bring this new culture about and to excel within it. Then, again, to explain to people (internally and externally) why things were changing, what was expected of them, and the opportunities the new culture offered them to expand their jobs and skills. To reassure them about their futures we brought in support and training.

A big risk is that you get a negative kind of culture change, that you fail to support people adequately or understand their concerns and they begin to take their foot off the gas or working relationships begin to break down. The transition is a very emotional time for people and individual behaviour can become unpredictable. At board and audit level it is important to tighten governance and to put resources in place to support staff, but ultimately again it comes down to good leadership, good management and good communication.

Technical Challenges

Never underestimate the amount of planning needed; the inevitability of some things going wrong; or unforeseen events erupting at the worst time. The end of the plan is rarely the end of the process; the accounting officer and accountants may find they have a few lingering duties for a while. There is a limit to the definitive advice you can get from lawyers, civil servants and auditors so take control where possible, invest time and resources in coming up with solutions and get all parties to sign up to them.

Some practical points though, for data, give everyone (staff and successor bodies, sponsor departments and auditors) a record of where everything has gone and what has been destroyed. When transferring data or resources get the recipients to sign for it. Start work early with recipients and IT teams on what is going where and how and do some dry runs to check your processes. With accounts, make sure you get someone who understands public accounting and start working with National Audit Office and sponsor Departments as early as possible to



get definitive agreement on how final accounts will be signed off. If you handle disciplinary tribunals and such like, minimise the number of cases you have open at closure.

Key learning

The main thing I learnt was the scale of the job that is involved in closing or merging an organisation. What on paper sounds a simple task, just closedown and turn off the lights, is a change management process on a scale your organisation can never have experienced previously. It really does affect every person, every Department and every stakeholder and you have to be ready for that. There is advice and expertise out there from people who have done this before so I'd seek out as much of it as I could, most of us are very happy to share our experiences.

Stuart's top tip for managing transitions

Don't fight it; take control and get the transition done properly for the public and your staff.

I have heard some Chairs and Chief Executive understandably shocked by the scale and pace of change they have to deliver. If you want to control the process, your staff, board and civil servants have to believe you have the ability and credibility to deliver the transition. If your first response is to threaten to resign or fight it then you risk forfeiting that credibility immediately, letting down your staff and losing the chance to take control. Accept the reality of your situation and set about doing it as well as possible for the public and your team. It can be quite good fun.



Key Points for Mergers:

- ▣ Teams that are integrated into similar teams in the new body report much greater cultural integration than those which are lifted and put into the organisation as new functions.
- ▣ All involved must see the merger not as a point in time, but as a process which extends before and after the merger date.
- ▣ It is helpful to have a detailed baseline report highlighting the differences in business model of the two organisations. Small issues, overlooked, can take on a major significance.

For four years Luke Bruce was the Director of Policy and Communications for the Postgraduate Medical Education and Training Board (PMETB), a statutory body with responsibility for standards and the quality assurance of postgraduate medical education and training across the UK. The body was merged with the General Medical Council on 1 April 2010.

Whilst the presentation to staff and stakeholders was of a merger, Luke explained to us that in describing the merger the reality was closer to an acquisition by the GMC. PMETB was one tenth the size of the GMC and in most aspects of the transition (for example, office location and branding) the GMC was dominant.

The transition took a total of two years. The Secretary of State for Health announced the merger in 2008 following a period of about 12 months when the issue was debated within the wider policy community. The merger took place on 1 April 2010.

Post-merger, Luke led the GMC's post-merger integration project including the benefits realisation programme and reporting to the Department for Health (GMC's sponsoring department). Alongside this he wrote up the design and integration aspects of the merger for a dissertation as part of an MBA course at Cass Business School. Luke talks about his experiences and offers his advice on managing transitions below.

Key Challenges

There were three central challenges that we had to overcome:

Length of transition

- The speed of merger was dictated by the parliamentary process which meant that the inevitable uncertainties were extended over a long period of time. Specific challenges included: retaining staff; ensuring an appropriate and helpful relationship with our Board; maintaining authority amongst those we regulated; and resourcing the merger.

Lack of knowledge and skills to deliver the merger

- Neither the GMC or PMETB had extensive experience to draw on to support such a transition. Nor was there a source of obvious advice within the DH or the wider Arms Length Body community. This was a practical problem at the apex of both organisations where some senior staff may have found the merger difficult.

Tension between merger work and maintaining business as usual.

- There was a tension between planning for change and getting on with the day job which manifested itself in a debate about the best way to merge the organisation. This led to two approaches to the handling of PMETB functions during the transition – ‘lift and shift’ versus ‘integration’.

People

In any transition, there are likely to be challenges relating to retaining staff and maintaining morale:

- There was considerable uncertainty for staff given the gap between announcement and merger. We were in the fortunate position to be able to promise no redundancies because of the merger. Once this promise was made, and seen to be credible, a some uncertainty was removed., The position of PMETB senior team, who could not be guaranteed jobs after the merger, was different and the key was to resolve their position quickly to enable them to focus on the merger.

It helps to employ a range of communications methods

- Staff integrated quicker if they had opportunities to make sense of what is going on around. Formal communications played an important role in understanding what was happening, particularly at the contractual level. but less formal communications were probably more important in bringing the two teams together. These include ‘getting to know you’ meetings and joint working on projects. Opportunities for staff to contribute to specific merger projects planning played a significant role in getting staff comfortable with the process.

All communications must be underpinned by trust:

- Organisational leaders need to be very honest when communicating merger issues. If there are difficulties they should not be hidden; when information is not available this should be explicitly explained and when difficult decisions are being made it is important to be as open as is possible about what is happening.

Paying attention to the little issues can make a big difference:

- Those directly working on the merger tended to focus on the big issues such as TUPE, pay and pensions. Yet for some staff some seemingly minor issues are actually of huge personal significance. Concern about managing childcare arrangements after the office move was one such issue. Finding a process to discuss and negotiate these aspects of the transition was of vital importance.

Arms Length Bodies and Sponsoring Department Relations

- Put in place a clear governance structure which separates the day to day operational aspects of planning the merger from oversight of the process. The oversight body should include representatives of both the organisations governing bodies and the sponsoring body. Resource the governance structures well with high quality reports..
- Recognise that there are pressures on the representatives of the sponsoring department. In our case the civil servants had their own concerns. During our merger the civil servants were finding their way as much as the merging body staff. Soon after the merger a number of those who had worked on the merger from the DH were made redundant, a possibility they may have known about prior to completing the project.

Managing Cultural Change associated with transition

It helps to think of mergers as processes, not events:

- There is a significant literature on private sector mergers that suggests the success or failure of mergers comes down to human aspects such as culture. Yet the literature has something of a 'black box'¹ feel to it, demonstrating that culture is important but not seeking explain how it might be handled. My research on our merger found a significant difference in the extent of cultural integration based on

the design of the merger. Those teams that were to be integrated into similar teams in the new body reported much greater cultural integration than those teams which were lifted and put into the GMC as new functions. The reason appears to be that integrating teams had much more opportunity to make sense of the process.

- The key lesson is that rather than seeing the merger as a point in time, it is best thought of as a process which extends before and after the actual merger date. As far as possible there should be no transition point but a transition period. Staff should be encouraged to get to know the new organisation. They should be helped to explore the new way of working and issues that are of concern to them.
- Management staff should be supported to deal with strategic change. Be wary of assertions of 'business as usual'. In some cases managers, including senior managers, seek to protect their existing work and way of doing things (for understandable reasons) which results in harm to the merger. It is of importance to tackle this issue as the consequences for cultural integration might be far reaching.

¹ Teerikangas, S., & Very, P. (2006). The Culture-Performance Relationship in M&A: From Yes/No to How. *British Journal of Management*, 17, S31-S48.



Technical Challenges

Get an early baseline of organisational, technical and employment issues:

- Although not particularly complex it was helpful to have a detailed baseline report which highlighted the differences in business model of the two organisations . Issues such as the approach to sick leave, financial year start date and Christmas shut down were among some of the more minor issues that it was helpful to have surfaced early. For the larger issues, different pensions arrangements for example, the earlier work starts on these the better.

TUPE:

- Understanding how TUPE might apply is of great importance not least because there is a lot of misunderstanding about the regulations. One approach that

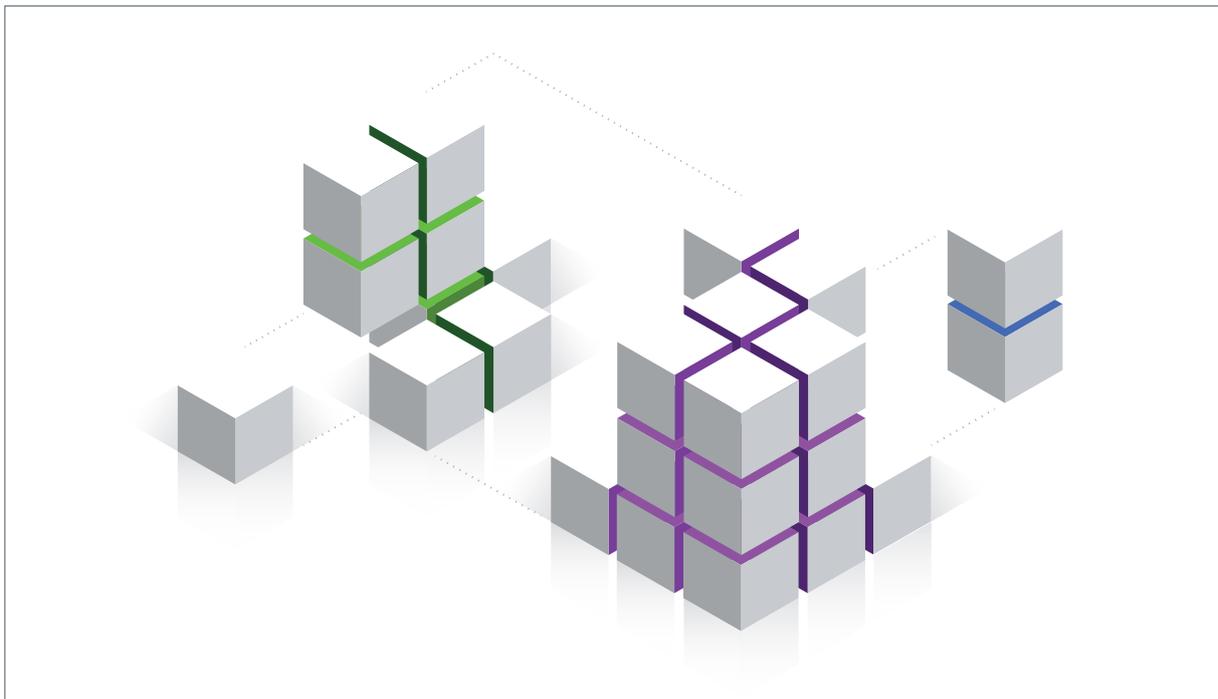
worked for us was to invite a speaker from ACAS who talked the staff through what TUPE might mean for them.

Accounting officer status:

- As a result of the transition it is possible that no accounting officer will exist. This presents significant problems for closing down the accounts of the old body. Ultimately, in the case of PMETB, the Department for Health acted as accounting officer with GMC drafting a Letter of Representation.

Luke's top tip for managing transitions

Find someone outside of the process, who is not directly involved in the transition but who has experience of similar processes, to provide support to you. Getting some perspective and advice could be of great help.



Key Points:

- Each Arms Length Body must have a clear view of the functions that will continue and which will stop.
- There needs to be a clear statement for each transfer of functions or new merged body as to the legal status of staff. In particular pension liabilities and transfer schemes need to be worked through so that the liability to the public sector is clear.
- Identifying the Accounting Officer responsibility for the closing accounts and ensuring they know and fulfil their responsibilities is essential.

Ian Moss, now Whitehall Fellow at Institute for Government, talks about his experiences of managing transitions.

Those of us who have been through the process of managing the closure of public bodies will have an instinct for many of the issues that people are trying to wrestle with. I was involved in the close down of all the legacy bodies whose functions formed Ofcom - a complex transaction involving two Departments and five Arms Length Bodies with differing organisational status.

Many of the most difficult challenges will come down to management of people through a period of uncertainty. These range from the more intuitive end, of staff and stakeholder management, to those that hint of problems that are more opaque, relating to the structures and responsibilities of public bodies. One thing I took from my experience with Ofcom is that institutional memory is short, and the movement of people in the civil service leads to a lack of expertise in many of the technical questions that need to be solved. This is a scalable operation –

decisions from the Treasury on how financial matters are scored, decisions from the Cabinet Office on the treatment of pension liabilities and an approach to transition of relevant staff back into Departments are some of the issues worth having a consistent view on.

Functions still exist, and are important. There must be a complete clarity on the tasks that are to be maintained, even if they will at some point be transferred. Equally clear are the tasks to stop otherwise costs will be put in place and burdens imposed that in the long term are unnecessary. Each Arms Length Body needs a clear view of the functions that will continue and which will fall. The Ofcom experience showed the strength of good clear arrangements for transfer of staff, dealing with potential redundancies and supporting organisations through change. The complex job matching process tried to link expertise with ongoing functions, whilst allowing for the building of a new organisation, a core intention of Ofcom's management.

However, the Ofcom experience also showed that closing organisations exposes a web of existing contracts and a complex set of responsibilities for public financial management that is difficult to navigate through, particularly if many bodies are closing at once. The financial issues at stake can lead to some surprising costs, particularly as assets and liabilities are disposed of and transferred to unwitting Departments. In the Ofcom case there were ongoing leases for office buildings, IT equipment that needed to be disposed of and set up costs for the new organisation that ran to a shade under £80m, £18.5m of which was for liabilities on the leases of vacated buildings.

From my perspective in the Treasury, the main focus of closure was the problems it throws up in respect to Government Accounting as bodies have to account for assets held and report to Parliament on their final accounts. As a matter of record, data has to be managed and transferred and there are responsibilities to archive and register public information.

Early decisions need to be made on the status of the new public bodies and of the staff within them where functions are going to be transferred. There needs to be a clear statement for each transfer of functions or new merged body as to the legal status of staff. In particular pension liabilities and transfer schemes need to be worked through so that the liability to the public sector is clear. Particularly where there is potential for staff to transfer from bodies that do not have civil service status at present. This was managed extremely carefully in the Ofcom legacy bodies, and they had a long lead in time to signal change to staff as the policy took several years from Green Paper to Ofcom going live.

Where there are clearly going to be job losses, there is scope for a service to existing staff to talk through their options and improve their employment prospects. People who may have had long service in one organisation may need to have confidence built and advice on how best to market themselves for new opportunities.

Organisations also own buildings and maintain contracts. My experience on the technical side would make me itchy to see an up to date complete inventory of ownership and contracts, full disclosure of all long term commitments and any penalties for termination. These need to be transparent to the taxpayer but also clear to the managers of the task. Sometimes both sides will be working on an assumption on buildings, for instance, that may not practically be the case. The finances are not simple. Costs need to be clear to Parliament, write off of capital expenditure must be undertaken properly and transparently and the full cost of close down must be accounted for. Ofcom legacy bodies had capital assets that had a current value to the taxpayer.

Most importantly, someone has to be responsible for the final accounts. Identifying the Accounting Officer responsibility for the closing accounts and ensuring they know their responsibilities, and are being contracted and remunerated on that understanding, is crucial as it will happen long after the organisation has gone. Finance staff will also have to remain in place to tie up the books after the organisation is closed down. The Accounting Officer has to remain responsible until finally signing off, something they may not be entirely comfortable with given they may be losing their job or moved on to a new career.

Stakeholders need to be kept informed about plans for future functions. In some instances the bodies to be closed down will have historic functions that impose regulations or other requirements on bodies or people. Relationships need to be maintained and handed over to reduce transaction costs to those dealing with the body. There are real costs to business of having to engage with several bodies in transition that those undertaking the transformation need to consider and minimise.

As I set out at the start, most people undertaking this process will have no prior

experience, and each Department undertaking the process may have several different sponsorship teams whose expertise is not often in the management of organisational change, as their focus may be on the policy of the arms length bodies they sponsor. There is, I believe, a dividend available from Departments setting up project teams to deal with a number of closures, taking the advice from policy teams on functions but looking at this as an organisational change management task which requires a consistency of approach and a measure of expertise in the human and technical aspects of the transformation.

Key Points:

- Sharing learning from previous transitions will help Departments and Arms Length Bodies to understand how best to handle structural change.
- Departments and Arms Length Bodies need to develop clear, consistent joint messages about the rationale behind the change and the vision for the future.
- Create a project team by pooling staff and resources from the Arms Length Body and the Department – foster a culture where both organisations are working together to deliver the transition.

Sarah McAdam is Chief Executive and Accounting Officer of the Commission for Rural Communities (CRC), a Defra-sponsored executive Non Departmental Public Body with 80 staff and an annual budget of £5.8m. The CRC is to be abolished whilst some of its work and staff will transfer into a new Policy Unit within Defra. This decision was announced in June 2010 and Defra has set the CRC the objective of reducing its operation to a minimum by March 2011 by which time the new Unit will be up and running.

The CRC will remain a statutory body until passage of both the Public Bodies Bill and the supporting secondary legislation. Recent amendments to the Bill mean that the CRC is now seeking to design and implement a new very low cost operating model for the organisation which will enable its Board of Commissioners to demonstrate that they continue to fulfil their statutory functions for a period of up to two years from April 2011.

Here, Sarah talks about the challenges and offers some very practical advice on

managing a successful transition based on her experiences to date.

Key Challenges

Transitions can result in reduced control for the Arms Length Body, which may create delays and uncertainty during the process.

The Department's experience and understanding of handling structural change has a big impact on the transition process. Sharing learning from previous transitions will help to support Departments and Arms Length Bodies.

The requirement for legislative change has presented challenges. Although the CRC's abolition was announced by Government in June 2010, the current expectation is that it will take two years for this decision to be given effect in statute. This is resulting in a prolonged period during which stakeholders are confused by our status and our Sponsor Department is understandably reluctant to continue funding activities which will shortly be coming to an end.

People

One of the key challenges concerning our staff has been the lack of pace resulting from a prolonged period of transition, which has led to uncertainty and changing messages.

We have responded by putting a huge amount of time and energy into internal communication. This has included:

- Setting up special pages on our staff intranet which have been updated sometimes daily with information, links to Parliament, Project Board minutes, guidance, informal updates and FAQs.
- Regular whole staff meetings at which senior management has provided frank and open updates.
- Emphasising the areas where there is clarity and the issues over which the organisation can exercise control. Demonstrating that staff interests are being taken into account in any decisions being taken by the CRC.
- Making clear what senior management is seeking to achieve in our negotiations and discussions with others.

One of the key tasks for a leader is to foster and direct a sense of collective common purpose within an organisation. However, the most well-integrated and purposeful team can start to break up at the point at which it is clear that the organisation is to be closed down.

We have responded to this by:

- Explicitly talking about this issue to staff and to managers at an early stage in the process and returning to the issue regularly, emphasising the need for sensitivity and respect towards colleagues who may be in a different position to your own.
- Segmented communication – using whole staff briefings to give everyone a broad update about everything, but calling meetings of staff with particular issues or interests to go into detail which will not be relevant to others.
- Carrying out detailed modelling of the potential impact of different compensation packages across the whole staff profile, identifying the different effects on different groups of staff to ensure managers had a clear understanding of likely impacts in terms both of morale and decisions regarding voluntary exits.

A drop off in delivery can leave staff unengaged and isolated, potentially reducing their employability.

We have sought to maintain staff morale and maximise future employment opportunities by:

- Arranging short terms secondments with a wide variety of stakeholder organisations to enable individuals to use their skills and knowledge to build the capacity of other bodies to carry on aspects of the CRC's work. This has provided people with opportunities to strengthen their CV, network and maintain or expand their knowledge of a particular field. Some have even secured jobs through this route.

- Arranging short term internal placements designed to enable people to learn new skills or demonstrate particular competences whilst also contributing to planned delivery.
- Offering a modest individual training allowance which could be spent flexibly on activities which demonstrably increase employability.
- Encouraging sharing of skills and knowledge across the team, supporting individuals and groups of staff to get together to review CVs, invite in speakers (e.g. people with experience of setting up consultancies or running small businesses) and share information and experiences about working in particular sectors or certain types of jobs.

Advice on managing successful Arms Length Body and Departmental relations

- Spend a decent amount of time at the start of the process agreeing common objectives clarifying roles and responsibilities, checking assumptions and establishing what decisions will be made collectively and which need to be taken either by the Department or the Arms Length Body. Rushing through this process will lead to frustration and wasted effort later.
- Create a project team by pooling staff and resources from both bodies. It will be essential to foster a culture whereby the two organisations are working together to deliver the transition rather than a sense that the Department is doing this to the Arms Length Body.

- Identify early the support and advice that will be needed from the Department beyond what can be provided directly by the sponsor team. There will almost certainly be a need for input from HR, legal, finance, estates, IT and knowledge management teams and it is helpful to know contact points from the start and build a whole team approach to delivering the change.

Managing Cultural Change:

- Departments and Arms Length Bodies need to work together to develop clear, consistent simple messages about the rationale behind the change and the vision for the future. It may take some negotiation to find a message that works for both parties. There needs to be a strong collective sense of the benefits that the transition is intended to bring about.

Technical aspects

Challenge:

Confirming which, if any, functions were transferring to other public bodies and what this means in terms of transfer rights for individual members of staff. 'Receiving' bodies are often ignorant of the HR implications of taking on new areas of work.

Advice:

Ensure access to good quality legal and HR advice and seek to develop an agreed joint process (including how appeals or challenges will be handled). Arms Length Bodies need to demonstrate that they will take a robust, reasonable approach when providing

information about current staff roles to encourage constructive engagement from the receiving body and maximise the chances of secure continuing employment for relevant staff.

Challenge:

Knowledge management and preserving access to evidence and information.

Advice:

Consult early with knowledge management team within your sponsor department, National Archive and British Library. Explore scope to take and preserved snapshot of your organisation's website and discuss with external stakeholders whether they're prepared to signpost how researchers and other can get access to 'legacy material'.

One thing I wish I had known earlier

It took some time for us to be aware of the various Cabinet Office protocols and statements of practice that apply in these circumstances; it would have been helpful to identify these earlier and review them carefully with our Sponsor Department.

Sarah's top tip for managing transitions

You will need to be resilient and be able to adapt calmly and in a measured way to changing requirements and expectations. You can only do this if you look after your own health and well-being and encourage your senior management team to do the same.

Key Points:

- Clarity over the exact nature of any future arrangements early on is very important, but in our case, has not been easy to achieve.
- It would have been helpful to have had good consultation and engagement with Ministers prior to any announcement in the interest of ensuring a joined up approach.
- Having a face to face meeting with the Permanent Secretary of our Sponsoring Department right at the start would have been useful, in order to thrash out the nature of the working relationship throughout the process.

The Sustainable Development Commission (SDC) is an Executive Non Departmental Public Body and limited company jointly owned by the UK, Scottish, Welsh and Northern Ireland government. 2009/10 turnover was around £5.5m of which about £2m came from Defra.

In July 2010, it was announced that Defra would cease funding to the SDC from the end of Financial Year 2010/11, and that Sustainable Development would instead be mainstreamed within Government with a joint Ministerial lead from Defra and DECC. As part of this, it was announced that the SDC's scrutiny role would be transferred to the Environmental Audit Committee.

SDC as an entity is therefore due to cease UK wide as from 31 March 2011, though residual functions and activities (such as the legal wind-up of the company) may continue for some months after.

Andrew Lee is Chief Executive Officer and Accounting Officer and is currently leading on the transition to new arrangements, supported by Geoff Gibbs, Director of

Corporate Resources. Geoff has been involved in the management of a number of different transitions throughout his career.

Andrew and Geoff talk about their experiences to date here.

Key Challenges

Andrew:

Clarity over the exact nature of any future arrangements is really important and has been a key challenge for us from the outset:

- Lengthy decisions about the transfer of functions during the transition creates uncertainty for staff and compromises effectiveness. In the case of the SDC, it took four months from the announcement to agree with Defra which functions might be transferred back to the department.
- It is helpful to have good consultation and engagement with Ministers prior to any announcement in the interest of ensuring a joined up approach, particularly where devolved administrations are involved.

Government should also try to involve Arms Length Bodies as much as possible in discussions about their future. Not doing so can damage relations and make people working within the Arms Length Body feel removed from decisions about their future.

Handling of processes has a big impact on the effectiveness of a transition:

- Try to establish good relations with your sponsoring department. This includes ensuring that both sides have clear and transparent processes in place.
- It is helpful for civil servants to have a clear understanding of how the process of winding up an Arms Length Body works within Departments. It would be useful for there to be a system in place that facilitates the sharing of this knowledge and experience from previous transitions in order to give Departments a clear sense of what to do and when. Being left to learn this from scratch can be counterproductive and unnecessary mistakes end up being made.

Geoff:

Top challenges for this particular transition have been:

- Lack of clarity
- Speed of implementation
- Conflict of interest at times between the various parties involved.
- Motivation of staff

Arms Length Body and Sponsoring Department relations

Andrew:

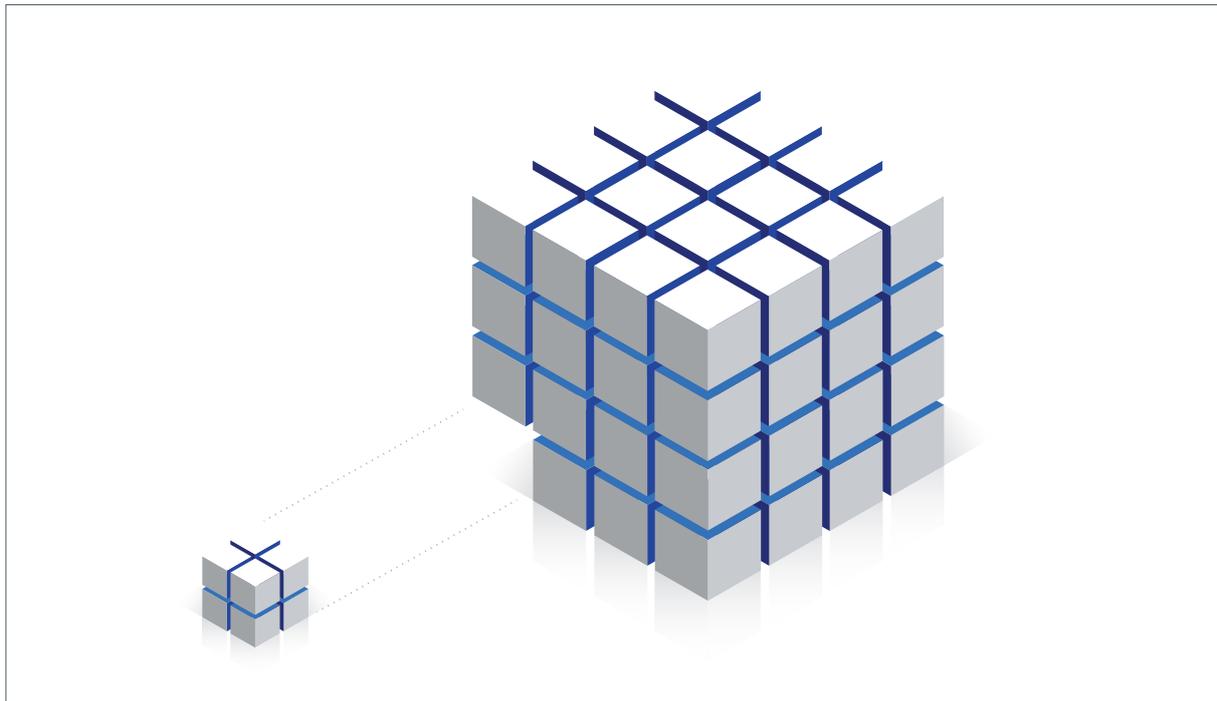
Facilitating a sharing of knowledge from previous transitions coupled with good communications between Arms Length Bodies and Departments would help to avoid:

- Confusion over where responsibility lies for decision making, which can result in the sponsor team appearing to need to consult up and down the line and across the HR, finance or legal functions within the department, ultimately leading to delays.
- An absence in high-level understanding about the relative spheres of authority for the Arms Length Body and the sponsoring department.

A good understanding of how winding up an Arms Length Body works from within Departments will help to alleviate common issues relating to redundancy and position on business critical staff, micro-management and over-involvement in operational issues.

Geoff:

There needs to be mutual trust between Departments and Arms Length Bodies. Sponsoring bodies need to trust the Arms Length Body senior management team and let them get on with the job. The SDC has had a rollercoaster relationship with its sponsoring department – we recognise there are processes to follow but it can be very bureaucratic.



People Issues

Andrew:

It can be very difficult to maintain trust and open communication with staff, who have legitimate concerns and questions, when many of the key issues on which they have wanted information are unresolved.

This can be dealt with, in part, by very active and regular communications throughout, via staff meetings, walking the floor, 1:1s and email updates.

Handling the Board and Commissioners also brings challenges, when they are pressing for clarification and resolution of issues which are out of your hands. In the case of the SDC, the board applied a private sector perspective and sought immediate assurance that the SDC Ltd was not trading insolvently and illegally by continuing to operate knowing that major redundancy liabilities would arise

in the future but with no guaranteed source of income to cover them. Assurance from the Permanent Secretary was eventually secured, but a pre-emptive letter from the Department to Board members would have been useful.

Geoff:

From a manager's perspective, it can often prove quite challenging to detach yourself from your own emotions and provide staff with the vital leadership that they need during a transition, particularly when you are faced with the same challenges and the same feelings of uncertainty. The senior management team should work closely together and support one another in the transition. The SDC management team have done very well at this.

People often refer to the transition curve and the various different stages of acceptance and adjustment within it. But do not be



surprised if your emotions do not happen in a linear fashion. You will go through many different emotions and these can often happen in the same day.

In terms of trying to tackle these challenges, emotional intelligence and good communications play a key role. Ensuring transparency in terms of what is happening will help to increase trust. Make meetings and communications regular. One of risks with any transition is a continually reducing headcount - try to share the load through effective teamwork.

Cultural Change

Andrew:

The most important issue would be to be clear and up front about transfers of function. One of the hardest things in our scenario is that we could see no clear future for Sustainable Development in Government.

Geoff:

Try and rejuvenate staff to new arrangements. And communicate. Adapt procedures where possible. In the case of the SDC, because of the lack of clarity, staff have suspected management are keeping things from them, but in actual fact, they just haven't known.

If I had a crystal ball...

Andrew:

If I could have known anything pre transition, it would have been the following:

- How enormously time-consuming the process of wind-up would be.

- How little practical and definitive guidance or support the Department would be able to supply
- The extent to which the process would require skill sets we either don't have or are present in only one or two people in the organisation.

And Geoff:

One thing I wish I had known would be to know bad news (and the full extent of it) early on. And having an awareness of what we could and couldn't do for staff.

Top tips for managing transitions

Andrew:

Have a face to face meeting with the Permanent Secretary of your sponsoring department right at the start, and thrash out the nature of the working relationship through the process – who is responsible for what, the expectations on both sides. Keep these conversations regular, as many issues with your sponsor department may arise which can only be cut through at the most senior level.

Geoff:

Start as early as possible. It will take longer than you think. You need dedicated resources to be able to respond quickly. We had 9 months from start to finish. And don't take it personally – a lot of people are in the same situation. It helps to depersonalise the situation.

Cabinet Office is producing a practical checklist, which will provide Departments and Arms Length Bodies with pointers on issues they may need to address in implementing reforms. It is presented in the form of questions that organisations need to ask themselves, to help identify which issues are relevant to the particular body, function, or context they are working in.

The checklist spans a wide range of areas, including governance; communications and stakeholder relations; impact assessment; people issues; legal, EU and devolution issues; operations; accounting; finance and budgeting; knowledge transfer and information management; pensions; assets and liabilities; IT; and public appointments.

The checklist also addresses considerations for specific changes, for example, moving functions into a department; becoming an executive agency; merging organisations; moving to charitable status; abolishing a body that is also a company limited by guarantee; and reconstituting advisory committees.

At the time of writing, the checklist is in development and being tested with Departments. We will add a link to final version once it has been published.

Inevitably, no one transition is identical to another one and depending on the type of transition you are involved in, there will be certain things within the checklist that don't apply to the specific circumstances of your transition.

So, rather than having to explore which parts are relevant to your circumstances, the Public Chairs' Forum is designing an application that will do all of this for you. By answering some simple questions about your transition, the application will produce a customised report and checklist, ensuring you focus on the right issues at the right time. We hope that the combination of the checklist and application will help to bring clarity, focus and practical solutions to an often complex process. Look out for its launch on our [website](#) soon.



Below is a quick reference guide that draws out the key learning from the various contributions featured within this guide. These pointers are grouped around five central themes.

People

- The CEO and Senior Management must show real leadership and control from the off.
- Communicate, communicate, communicate – and never lose sight of the big ambition for the change when stuck in the treacle of transition.
- Maintain staff morale and ensure they are equipped with all the right information, support and training when making decisions about their future

Cultural Change

- Cultural change is needed during a transition – it can't be 'business as usual'.
- All involved in a merger must not see it as a point in time, but as a process which extends before and after the merger date.
- Create a project team by pooling staff and resources from the Arms Length Body and the Department – foster a culture where both organisations are working together to deliver the transition.

Teams that are integrated into similar teams in the new body report much greater cultural integration than those which are lifted and put into the organisation as new functions.

Arms Length Body and Departmental relations

- Recognise the importance of partnership between Arms Length Body and Department and ensure clarity about goals and who does what, early on.
- Sharing learning from previous transitions will help Departments and Arms Length Bodies to understand how best to handle structural change.
- Departments and Arms Length Bodies need to develop clear, consistent joint messages about the rationale behind the change and the vision for the future.
- It is helpful to have good consultation and engagement with Ministers prior to any announcement in the interest of ensuring a joined up approach.
- Have a face to face meeting with the Permanent Secretary of your Sponsoring Department right at the start, and thrash out the nature of the working relationship throughout the process.

Practical

- Never underestimate the amount of planning needed; take control and get the transition done properly for the public and your staff.
- Clarity over the exact nature of any future arrangements early on is very important.
- It is helpful to have a baseline report highlighting the detailed differences in

business models of the two organisations. Small issues, overlooked, can take on a major significance.

- Each Arms Length Body must have a clear view of the functions that will continue and which will stop.

Technical

- There needs to be a clear statement for each transfer of functions or new merged body as to the legal status of staff. In particular pension liabilities and transfer schemes need to be worked through so that the liability to the public sector is clear.
- Identifying the Accounting Officer responsibility for the closing accounts and ensuring they know and fulfil their responsibilities is essential.

Further Reading

[Read before burning: how to increase the effectiveness and accountability of quangos](#), Institute for Government, 2010.

[Alternative Models for Service Delivery in Arms Length Bodies](#) – Public Chairs' Forum and Reynolds Porter Chamberlain, 2010

[Ten Lessons](#), Hearing Aid Council, 2010

[Short Guide to Reorganising Arms Length Bodies](#), National Audit Office, 2011

