

# Good Practice Regulatory Change: Building team and governance structures

## The wider literature on structures and resourcing

The NAO (2021) suggests it is important for regulators and policymakers to have the right governance in place to maximise the effectiveness of regulation. They argue that good governance structures make decision-making more effective, which in turn strengthens regulation. The NAO (2021) also found that having a strong team structure, where individuals and teams were clear on their specific roles and the aims of the programme, helps a regulatory change project to be more effective. Similarly, Ostroff (2006) suggests it is important to have strong project and governance structures in place, which can ensure a project is rolled out smoothly.

One area identified in the literature is the impact that external factors can have on staff structures and resourcing availabilities, particularly in the context of austerity and staffing restrictions (Everett, 2019; Mustchin and Martinez Lucio, 2020; Mustchin and Martinez Lucio, 2022). This highlights how a driver for regulatory changes moving away from inspector-led approaches can be due to financial restraints (Mustchin and Martinez Lucio, 2020; Mustchin and Martinez Lucio, 2022).

## Findings from the interviews

### Team structures, resourcing and skills

Interviewees highlighted how a key risk of change programmes is that organisations must be ready for change and employees can feel overwhelmed if there is too much uncertainty or multiple requests on their time. This is particularly important if employees are split between working on the change programme and their usual day-to-day work. Several regulators described how they had established centralised change management teams to oversee their programmes. This had the benefit of enabling a 'bird's eye' view of an organisation's change portfolio, allowing programmes to be coordinated effectively.

"They're all programmes within their own right with business cases but they sit under a portfolio so we can really manage that interdependency. So, we're managing the implementation as a single programme rather than individual programmes. We're then able to provide that coordinated approach to enable us to really work out how best to land this and manage the business change internally but also externally as well."

Taking a centralised approach can help to ensure appropriate expertise in change management, provide SROs and avoid overburdening teams where an organisation has competing priorities. One regulator argued that a small central team in particular helps to manage expectations for what they may be able to achieve, while allowing the team to influence others across an organisation. This helps reduce the risk of a loss of momentum or clarity on a project, supporting the fast implementation of a new way of working.

A challenge in many regulatory change programmes was limited resources within the project team. Interviewees highlighted how the extent of resource was not always articulated or planned fully at the start of a programme, resulting in high workloads or the team not having the appropriate skills. Centralised teams can help to ensure dedicated resource as members are fully committed to the work. One regulator described how they had taken ten percent off wider budgets across the organisation to resource their change fund. This ensured there was adequate funding for the changes required, and supported the central team to deliver.

In contrast, a number of regulators built teams by drawing on resources from across an organisation. While this had the benefit of using existing resources effectively and selecting required skills from within a regulator, it could result in challenges if individuals were not resourced full-time onto the project. Interviewees highlighted risks around handing over the implementation of change programmes to delivery teams who may not have as much understanding or knowledge of the earlier stages of designing the programme.

“We knew we would find it a challenge, so we took people from the business teams and pulled them into the programme. We thought they could sell the positivity of the changes back to their teams but relationships with the change team broke down.”

The importance of strong project management was highlighted as essential for change programmes. One regulator described how they established a specific project management function in response to learning from earlier programmes. This reflects a recognition of the specialist skills required for successful project management, and subject matter experts with the relevant knowledge that is applicable to a programme, for example expertise in IT systems. In a number of cases, interviewees commissioned external teams to support with the design, implementation or delivery of a programme recognising the need for these specialist skills and additional resource. This also reflected the nature of some programmes which focused on technological changes, for example rolling out new IT systems.

Regulators also developed and delivered training courses for staff as part of a programme to help teams apply changes to their role. This was seen as a way of communicating the reasons for a change and what it meant in practice to all staff or those specifically affected, as well as providing staff with the new skills required for delivery. This reflected the importance of building support for a programme. However, there can still be challenges associated with encouraging staff to embed changes despite training. For example, where resources are limited or there is significant cultural resistance to the proposals.

## **Establishing clear decision-making structures**

### **Building a routine**

Regulators emphasised the importance of having routines and creating structures, while implementing a change programme. By creating a structure of regular meetings and milestones, programmes can create a sense of momentum and clarity on what is required by when. This supports transparent stakeholder management and also ensures there is greater clarity on resource requirements and wider organisational demands.

A number of regulators described decision making structures including fortnightly forums, programme boards, regular executive committee presentations or updates, and mechanisms for feeding back progress at a senior level. This provides a way of getting senior level steer on the direction of a programme as well as building in accountability mechanisms and opportunities to flag any risks or concerns. For example, one regulator held a programme board meeting every six weeks. Ahead of this, they provided a highlights report to the programme board to talk through the progress achieved and any issues in delivery. This approach helps to overcome key risks associated with keeping stakeholders informed of changes, reducing the chance they may

oppose a decision at the last minute.

### **Senior ownership**

Having an SRO with clear decision-making powers was emphasised as a key part of ensuring decisions can be taken in a timely way and navigating internal structures. Where possible, interviewees pointed to the value of having continuity and the same person in this role, so they can see a change programme through from start to finish. This brings benefits in terms of understanding where the project is heading among senior leadership, as well as avoiding new leaders from feeling they need to put their own 'stamp' on an approach. Without an identifiable SRO, the programme can be put at risk due to a lack of clarity or direction. Centralised team structures can support this by providing a standalone team with key decision makers who can share learning and manage a portfolio of projects together.

"Each [change] programme has a programme board, so the heads sit on the different programme boards to provide advice. In the policy making phase, there was cross-pollination across the programme heads to ensure lessons had been shared. We learnt a lot from a previous programme rolled out shortly before ours, and a subsequent programme has learnt a lot from us on delivery."

Having senior sponsors, who are supportive of the programme's vision, on the board or executive committee of an organisation also helps to manage internal relationships and ensure external messaging is consistent. Interviewees described how they spent significant time engaging with senior leaders within their own organisation to ensure they understood what the programme was trying to achieve and why. Keeping the executive committee informed through regular updates was regarded as a way to help take people through a programme step-by-step. This can make the changes feel more manageable and avoid any surprises or challenging feedback in the final stages of the design or implementation phases of a programme from senior stakeholders.

### **Environment Agency case study: Applying change management principles to regulatory change**

The Environment Agency commissioned a regulatory review of their projects and initiatives in an effort to bring their various change programmes under one umbrella, rather than addressing issues separately. This review provided them with an opportunity to look back at previous changes they had made and decide on what they could change in the future. It also helped to try and avoid duplication of initiatives.

The agency has recently placed a strong emphasis on applying change management principles to their regulatory change programmes. This includes looking in particular at the impact of changes on people. Their own research has demonstrated that they have typically focused on the technical side of change and neglected the people side of change. This can lead to resistance from internal and external stakeholders not embracing or adopting the changes.

To place emphasis on the people side of change, the Environment Agency use the [Prosci change management framework](#) (Prosci, 2022) to underpin their work and take people through a structured approach to change management. The Prosci Change Triangle (PCT) Model is based on four core aspects:

- Success: the purpose of a project
- Leadership or sponsorship: the strategy and direction of an initiative of a project
- Project management: the technical side of a project
- Change management: the people side of a project

The framework also emphasises the importance of individuals, arguing that the success of a project lies with each employee working in a new way. It argues that “without an individual perspective, we are left with activities but no idea of the goal or outcome that we are trying to achieve” (Prosci, 2022).

Reflecting this, the Environment Agency place certified change practitioners at the heart of change programmes. They also conduct training sessions for staff on the Prosci framework. They changed their organisational model for giving out permits, which has helped to create more efficient structures for delivery. These changes were based upon adapting to more modern and flexible approaches to working. They then brought a group of team leaders through training to lead people through change. They allowed themselves a three-to-six-month lead in time to plan this. As a result of their new approach and focus on the people side of change, they recently moved over 400 employees to new structures and faced little resistance to this.

## **Ofgem case study: building trust through engagement and assurance processes**

Ofgem recently delivered a change programme that aimed to provide faster and more reliable switching services across the energy sector. They have built a new centralised switching system, to enable suppliers to switch consumers, introduced data reforms into the market, and introduced new regulation to require suppliers to switch consumers in five working days.

Throughout the programme, Ofgem focused on building trust with industry through transparency and strong stakeholder relationships. While Ofgem was fundamentally responsible for decision making, they aimed to make decisions through consensus by understanding the impact across industry and consumers and taking account of those concerns. They did this through a regular series of closed meetings with industry representatives that reflected diversity within the market, however all material was made available to industry.

Lower-level working groups (which were still decision-making groups) were open to anybody that wanted to attend. This was important as Ofgem did not have capacity to talk to everyone but could hear thematic concerns across the sector by talking to a wide range of people. Decisions would be made at these meetings by reaching consensus with the wider group. Where consensus was not possible Ofgem would take the decision in the broader interests of consumers and the market, in line with their regulatory objectives.

Although the higher-level meetings were closed, the team wanted to ensure all interested parties had information about what and why decisions had been made. They did this by:

- Publishing programme papers online that had informed decisions at the Delivery Group meetings. This included the papers for the meeting a week in advance, an immediate communique following the meeting to highlight the key outcomes, and minutes from the meeting published a week after the meeting. This gave all interested parties the opportunity to review the information and contribute.
- A day after publishing the papers, and five working days before the meeting, the team would hold a regular WebX, video conference broadcast to talk through key information in a more digestible format. This was seen as important for explaining material and therefore avoiding opposition by helping stakeholders see the reasons behind an approach. This was a broadcast meeting, and Ofgem did not take questions from parties at this session. Instead, parties were encouraged to raise questions via their representative in the meeting.
- After these broadcasts, industry representatives were responsible for gathering opinions from across their group to inform their input into the meeting.

This regular process of engagement was seen as essential for building trust across industry while providing clarity on how decisions were made and could be influenced.

“When we have had to make hard decisions, industry have accepted them because they trusted the process and the people making them.”

In addition, the programme built independent assurance processes into the programme through two bodies that reported into Ofgem: a Core Systems Assurance Provider (responsible for assurance over the parties who ran the central industry systems impacted by the Programme) and a Licensed Party Assurance Provider (responsible for conducting sample-based assurance over the user of the system, pre-dominantly energy suppliers). This gave industry a way of asking for an independent view if they disagreed with information, building credibility and trust.

“The success of this approach has been demonstrated in the ability of Ofgem and programme participants to be confident that the information being provided to the Programme was accurate, and could be relied upon. This enabled all parties to ensure that their opinions, and ultimately decisions were based on evidence, rather than the pre-conceptions of other parties.”