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CRITICAL FRIENDS? THE ROLE OF NON EXECUTIVES ON WHITEHALL BOARDS

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The Constitution Unit

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Foreword

This is the first major study of the role and contribution of non-executive members of departmental boards in Whitehall. It has taken 18 months, divided into three broad phases. In 2016 we painstakingly compiled a database of non-executives appointed since 2000, recording their biographical data. In 2017 we started a programme of interviews, and in all we have interviewed almost 70 people. Then in the autumn of 2017 we tested our findings at a private seminar at the Institute for Government; and we began writing our report, the work of five different hands, which we completed in December.

The study would not have been possible without the generous help of many different people. We owe a particular debt to Sir Ian Cheshire, the government lead non-executive, who was very generous with his time and advice, and to Fiona Hoban and Sophie Chapman in his team in the Cabinet Office. They encouraged us to do a survey of non-executives, in addition to interviews, and helped by publicising this. Others in Cabinet Office who showed a special interest include John Manzoni and Sue Gray. We should also acknowledge the generous help and advice about boards which we received from Professor Andrew Kakabadse, specialist adviser to PACAC for their inquiry into the Civil Service.

We are especially grateful to all the non-executives, ministers, permanent secretaries and others who kindly agreed to be interviewed, in the midst of their very busy professional lives. Their insights have greatly enriched this report, and quotations from their interviews have helped to bring it alive. And we should record our thanks to our contacts in our four case study departments who helped to organise the interviews, Jayne Thomas in DWP, Mark Selfridge in MoD, Roshnee Patel in MoJ, and Katy Matthewson in BEIS.

The main work on the project was done by nine volunteers. The interviews were conducted by three retired senior civil servants, Alan Cogbill, Hilary Jackson and Howard Webber, and by two of our research volunteers, David Owen and Susie Smith. Two other research volunteers, Scott Partridge and Ascher Nathan, compiled the database of non-executives, which was completed by David Owen and Lucas Chebib. David Owen, Harmish Mehta and Lucas Chebib analysed all the literature on non-executives, and Susie Smith kindly organised the seminar at the Institute for Government. The report was written by Alan Cogbill, Howard Webber, David Owen, Lucas Chebib and myself, but as the overall editor I must take responsibility for any mistakes, and for all our findings and conclusions.

One of our main findings is that non-executives in Whitehall show a great deal of commitment, and typically contribute twice as much time as they signed up for. So it has been with our own team: they have contributed very generously of their time, goodwill and expertise, and I am very grateful to them all.

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Executive Summary

Scope of this study

This is the first major study of non-executive board members in Whitehall (commonly known as non-executive directors, or NEDs). It was carried out by four former senior civil servants, with assistance from five younger researchers. We analysed all the literature; compiled a detailed database of all NEDs appointed since 2010; organised a survey, with 55 responses from NEDs in 19 departments; conducted 67 interviews, with NEDs, ministers, permanent secretaries, and senior officials; and tested our findings in private briefings with senior NEDs, officials, and a seminar with 25 people. We focused on four case study departments, BEIS, DWP, MoD and MoJ, where we did two thirds of our interviews.

History of non-executives in Whitehall

Non-executives were first introduced in the early 1990s. In 2005 the first corporate governance Code recommended that each Whitehall department should have at least two NEDs, to sit on the management board chaired by the permanent secretary. At the time there were 37 NEDs, in 14 departments.

In 2011 the Code was significantly revised and relaunched by Francis Maude, the new Cabinet Office minister. Boards would be chaired by the secretary of state, with at least four NEDs, largely drawn from the commercial private sector, to advise on performance, delivery and strategic leadership. They have an explicit cross-cutting role in spreading best practice through a network of lead non-executives. In April 2017 there were more than 80 NEDs in 20 departments.

Who the non-executives are, and how they are appointed

NEDs are high calibre, mainly from business but also professional backgrounds, successful and very senior in their own fields. They are committed, energetic, keen to make a difference. They are not in it for the money, or to build a CV. Their motivation is a wish for public service, and fascination with the business of government.

Almost 150 NEDs have been appointed since 2010. Their average age is 58 on appointment. Half were privately educated, almost half attended Oxbridge, and three quarters Russell Group universities – backgrounds not very different from those of most senior civil servants or ministers. 80% had careers in business, finance and commerce. Just over 60% have been men, but of those in post in late 2017, 44% are women.

NEDs are appointed by the secretary of state, but in practice the permanent secretary takes the leading role. In our survey, over half said they were approached, by the department or headhunters; only 20% responded spontaneously to an advertisement.

NEDs can also be dismissed by the secretary of state. In 2015 the new Lord Chancellor Michael Gove dismissed all the NEDs on the MoJ board to make his own appointments. In 2017 one of them, Sir Theodore Agnew, was made a minister, together with another former NED Rona Fairhead.

What they do

Appointment is for a three year term, renewable once. The average time served is 41.5 months (median 40 months), suggesting a lot of NEDs leave early, or serve only one term. The advertised time requirement varies from 20 to 35 days a year; but our survey showed that NEDs do a lot more, contributing 45 days on average. 25% of time is spent preparing and attending board meetings. They also chair the audit and risk, and nominations committees; but their main input falls outside these meetings.

NEDs advise on projects, conduct reviews, mentor senior staff, and generally act as in-house consultants. They contribute generic expertise (in finance, HR, digital, data, change management, etc.), and subject specific expertise (e.g. on food, transport, trade). They are generally paid £15,000 per annum, with the lead NED in each department receiving £20,000. One third of NEDs waive the fee.

What impact they have achieved in departments

Most NEDs feel they make their greatest contribution outside the board. This includes leading on assigned themes (e.g. talent management, procurement, digital delivery), coaching and mentoring, advising on major projects, testing delivery chains. Senior officials greatly value their advice and expertise, the mentoring role, their willingness to take on additional tasks. They particularly value the discipline and experience they bring to chairing the audit and risk committee.

NEDs expressed less satisfaction with the central part of their role, as board members. But the literature on private sector boards suggests that board performance is often mixed, with NEDs' effectiveness being highly dependent on personal, cultural and contextual factors.

The experience with Whitehall boards is similar, but the negative aspects are exacerbated by two factors. First, these boards have no legal role or status: their effectiveness depends on the commitment of all parties. Second, a form of 'structural deference' is built in. They are chaired by the secretary of state; NEDs' role is advisory, and subordinate in a way not paralleled in the private sector.

Few Whitehall boards are said to be working well. Ministers fail to understand their purpose, and NEDs' expertise is not tapped to its full potential. Ineffective boards reduce NEDs' effectiveness in other ways: they fail to get an overview, and are less well placed to advise on the capacity of the department overall, its management of resources and risk, its strategy, planning and priority-setting. As a result, many departments have failed to gain full advantage of the benefits NEDs can bring.

Within the management of risk should be included identifying risk at the early stage of policy development. Our interviewees said the doctrine that policy is not for the board has frustrated NEDs, wasted a valuable resource, and contributed to poor decision making. Policy formulated without a shrewd appreciation of how to deliver it will be flawed policy.

There is no single model of an effective board. The MoD board meets monthly, and operates much like a good private sector board. Another good example is BEIS, where the NEDs make challenge a reality, and take the trouble to assess and record their impact. Outside our case studies, other departments with effective boards were said to be DfT and DIT.

Boards only work well when the secretary of state takes them seriously; which not enough do. But there was no wish to revert to the pre-2010 model: it was felt NEDs would be taken less seriously by the department if not part of a board chaired by the secretary of state.

Nor was there any wish to strengthen the board by giving NEDs stronger powers, closer to the private sector model. Accountability in Whitehall cannot easily be shared: ministers are accountable to parliament for policy, and the permanent secretary for propriety and value for money (which now includes feasibility). NEDs had no wish to share this accountability: they accepted that they could only have an advisory role.

In sum, in the few departments where boards work well, non-executives have been particularly effective. They have managed to influence strategic choices. Where boards work less well, NEDs have still found numerous ways to help departments improve their performance.

What impact they have achieved cross-departmentally

Cross-departmental groups of NEDs have shared best practice on talent management, the governance of arm's-length bodies, and management of risk. But there are limitations to what they can achieve, because of weaknesses in the centre of Whitehall, and lack of prime ministerial interest, exacerbated by Brexit.

NEDs themselves are part time, which limits what they can achieve even in their own departments. Half of all NEDs do no cross-departmental work; the remainder report that it occupies one-sixth of their time. There are real limits on what they can achieve in such a small fraction of their time.

NEDs alone cannot be expected to address systemic weaknesses in Whitehall. There are longstanding weaknesses in how government clarifies strategy, applies lessons learned from previous failures, and configures the relationship between the centre and departments. Brexit throws the first and last weaknesses into acute prominence. The centre has not been able to guide even on broad types of possible outcomes. This militates against effective risk management.

Success factors

One key success factor is to continue to attract high quality recruits. For all their frustrations, non-executives still speak warmly of their experience. They could be more powerful recruiting agents if their frustrations were more actively addressed.

NEDs easily find affinity with permanent secretaries, with shared interests in leadership, management and delivery. But the key relationship is for the lead NED to gain the trust and respect of ministers. This takes time; and NEDs have to understand and accept the political context.

For board meetings, the key to success is ministerial engagement. Ministers who take the board seriously can make it work; but it takes time, regularity, and commitment. And it requires the board to focus on core governance issues: strategy, resourcing, capability, delivery, and risk.

The single departmental plan (SDP) is the vehicle to achieve strategic clarity, realistic planning matched to resources. Framing and managing SDPs should oblige ministers to decide which projects to shed or downgrade. SDPs have improved, but too many still consist of long lists of projects stapled together.

NEDs must be consulted on the single departmental plans. But there is still reluctance to challenge ministers' wish to do everything, with consequential risks of overstretch. NEDs' role could interlock more with the permanent secretary's duty as accounting officer to seek ministerial directions before proceeding with programmes which are not feasible, or offer poor value for money.

Strengthening the contribution of non-executives

Non-executives have definitely proved their worth: they are high calibre people, who have shown real commitment, contributing a lot more time than they signed up for. Civil servants greatly value their input and expertise; but many NEDs find the role frustrating, and feel they could be more effective if the system only allowed.

But there was no wish for NEDs to have more formal powers, and no wish to change their title. They prefer soft power to hard power. Their powers include: chairing the audit and risk assurance committee, and nominations committee; being consulted on the single departmental plan; ensuring the chair acts on regular performance evaluations of the board; the right to have their concerns formally recorded in the board minutes; the right to echo any concerns in the department's annual report, and the annual report of the government lead non-executive; and power to recommend dismissal of the permanent secretary.

The final chapter considers how NEDs could make greater use of their powers. The role of NEDs is to challenge, and they are failing in that core task if they do not challenge more effectively the unreality of many departmental plans. The report ends with the following recommendations:

Ministers

- Need to make the most of departmental boards. This means allowing regular meetings, at least quarterly; for at least two hours; allowing for effective, robust discussion.
- Recognise non-executives as top quality troubleshooting allies – they can check that plans are credible, and help turn policy into results
- Allow NEDs to discuss policy as well as implementation, because good policy making requires discussion of delivery mechanisms from the start
- Allow a strategy awayday (or half day) meeting for the board to discuss the single departmental plan (SDP) candidly and critically, and set fresh priorities – this includes dropping things to make room for new ones
- Consider allowing the lead non-executive to chair those parts of board meetings which call for detailed scrutiny of the department's performance or plans
- Meet privately with the NEDs at least once a year.

Permanent secretaries

- Agree with each secretary of state how the board will be used, explaining the key elements of the Code; and the need to comply or explain departures from it, with an explanation in the governance statement
- Ensure there is a formal and rigorous annual evaluation of board performance
- Appoint high fliers as board secretaries, to liven up meetings, and engage the interest of ministers
- Agree with the secretary of state how NEDs will be used for optional tasks beyond core governance
- Talent spot and foster interest in their sector, maintain a good panel of potential applicants
- Arrange briefing for new NEDs, including face-to-face meetings, on the business environment, key challenges facing the department, the expectations of NEDs, with 'how to' scenarios.

Cabinet Office

- Work to maintain a high quality cohort of NEDs, with more candidates from the public and voluntary sectors, and continued emphasis on diversity
- Recognise the full range of NED activities beyond core governance
- Monitor and record the range of NED activities
- Continue to support cross-departmental network of NEDs and lead NEDs
- Provide central training to new NEDs on the basics like parliament, the role of the centre and Cabinet, arm's length bodies, government accounting and the accounting officer.

Lead non-executives in departments

- Play a key role in positioning the board and NEDs with the secretary of state

- Ensure the chair acts on the results of the annual and triennial performance evaluations, by recognising the strengths and addressing the weaknesses of the board (as required by paragraph 4.13 of the Code).
- Be more assertive about the risks of overload, especially cumulative overload, and use the departmental planning system as the main vehicle for more realistic planning and prioritisation
- Voice warnings about the risks of projects or programmes to the board as well as in the audit and risk committee; if unheeded, encourage the permanent secretary to request a ministerial direction.

Government lead non-executive

- Continue to provide strong leadership to the non-executives, and be their collective voice
- Re-issue Sir Ian Cheshire's 2016 note on board responsibilities, with backing from the prime minister.

Prospective non-executives

- Explore non-executive board membership: if you are motivated by challenging work in government, it provides a unique opportunity
- Establish how the secretary of state uses the board; do not assume that it meets the aspirations of the Code
- If the secretary of state is not engaged, work with the permanent secretary to construct an influential role: there is still a fulfilling job to do
- These posts are fascinating. Be prepared to contribute beyond the advertised time, to do the work justice, with extra effort at the start for induction and familiarisation.

1.0 Introduction

Secretaries of state should chair their departmental board. Boards should comprise other ministers, senior officials, a lead non-executive and non-executive board members (largely drawn from the commercial private sector…). The remit of the board should be performance and delivery, and to provide the strategic leadership of the department. (Cabinet Office, 'Corporate governance: Code of Good Practice', April 2017)

Why look at non-executive board members?

1.1 This is the first major study of the role and contribution of non-executive members of departmental boards in Whitehall.[1] It is surprising that they have been so little studied. How Whitehall departments are directed, controlled and led – their corporate governance – makes a big difference to government performance. Non-executive board members are intended to play a significant part in this. They are charged with providing leadership, 'advising on strategic and operational issues affecting the department's performance' as well as 'scrutinising and challenging departmental policies and performance, with a view to the long-term health and success of the department'.[2] How well they succeed, what works best and how it could be improved are therefore well worth studying.

1.2 This introductory chapter summarises the history of non-executive board members in central government. It outlines the questions explored in this report and how it is structured. It then summarises how we have approached the task of addressing these questions. Although non-executive members of Whitehall boards have a purely advisory role, very different from the formal responsibilities of non-executive directors on company boards, everyone refers to them as NEDs for short, and we have followed the same nomenclature in this report.

Phase one: early development

1.3 NEDs were first introduced into Whitehall about 25 years ago. Their evolution can be divided into three broad phases. Official records at the time were largely silent, but the first

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[1] There have been only two previous studies: Ruth Levitt and William Solesbury's *Evidence-informed policy: what difference do outsiders in Whitehall make?* in 2005, and the Institute for Government's report *All Aboard? Whitehall's new Governance Challenge* in 2011. The first was a wider study of outsiders in Whitehall, with just one chapter on NEDs; the second was an interim report from a study which produced no final report. There was also a short report by Insight Public Affairs in 2013, *Non-Executive Directors: A Quiet Revolution Transforming Whitehall.*

[2] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017).

appointments appear to have been made in the early 1990s at the time when Next Steps agencies were being introduced.[3] The potential of non-executives was recognised in guidance on establishing agencies – whether on agency boards, on the boards to advise ministers on the oversight of some agencies, or on departmental management boards.[4]

1.4   In this first phase, not all Whitehall departments had NEDs. Their use was discretionary, depending on the needs of the department, with no central co-ordination or direction. The initiative came from individual permanent secretaries (the permanent secretary being the most senior official in a department, responsible for accounting for its use of public funds). It was permanent secretaries who appointed NEDs, with little ministerial involvement, to sit on the departmental management board chaired by the permanent secretary. NEDs at this time were almost as likely to come from a public sector as a private sector background. Many of them were singletons, but by around 2000 they had come together sufficiently to organise an annual conference.[5] By 2005 all Whitehall departments except one had NEDs, and the numbers had grown so that most departments had two or three.[6]

Phase two: growth of central co-ordination in 2005

1.5   In 2005 the first 'Code of Good Practice' for corporate governance in central government was published. It acknowledged that: 'the material on the operation of boards and the role of non-executive members is largely new, reflecting an agenda which has developed rapidly in recent years'.[7] For the first time, it specified that every department should have at least two, and ideally more, 'independent non-executive members' on the departmental board. Their role was to ensure that executive members were supported and constructively challenged.

1.6   In this phase, the Code referred to the possibility of ministers chairing or attending boards, or asking special advisers to attend on their behalf, adding that the appropriate choice would 'depend on the work of the department and the degree of delegation from ministers to officials'. In practice almost every board was composed only of senior officials and non-executives.[8]

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[3] Insight Public Affairs, *Non-Executive Directors: A Quiet Revolution Transforming Whitehall.* (May 2013).
[4] Cabinet Office, *Creation, Review and Dissolution of Executive Agencies.* (April 2004).
[5] Information in this paragraph based on the recollections from their time as cabinet secretary of Lord Wilson of Dinton and Lord Turnbull. The annual conference did not last, after DfE (where they took place) decided it could no longer pay for the sandwiches.
[6] Levitt and Solesbury record 37 NEDs in 14 Whitehall departments in March 2005; the only department with none was the Department of Health.
[7] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (July 2005).
[8] A minister who had served in several departments reports that in one, there was a board that gave a sense of bringing the whole operation together. For the other departments, the only time that he became aware of a board existing was when someone he knew, met unexpectedly in the departmental reception area, explained his presence as arising from his membership of the departmental board.

1.7 The rationale for using non-executives was given as being the need to prevent any small group of individuals from dominating decision-making, and to ensure that the board drew on a wide range of experience. Non-executives were tasked with challenge across all the board's business, in particular monitoring performance and use of resources, financial and risk management and the quality of the policy formulation process.

Phase three: relaunch under Francis Maude in 2010

1.8 The most dramatic development in the use of non-executive board members came following the 2010 election. The new minister for the Cabinet Office, Francis Maude, aimed to overhaul how departmental boards were run and improve corporate governance.[9] To assist him he appointed Lord Browne of Madingley in the newly-created post of government lead non-executive. Lord Browne was charged with working with ministers to appoint non-executives to the boards of each government department. He became the chief head hunter, charged with recruiting very senior figures from the private sector to serve on Whitehall boards.

1.9 It also became government policy to promote greater ministerial engagement in departmental business.[10] In May 2010, the new edition of the ministerial Code for the first time required secretaries of state to chair their departmental boards.[11] This was another significant change. Non-executives whose key relationship had been with the permanent secretary now faced a more complex challenge of managing a tripartite relationship between ministers, senior officials and non-executives. The Code made no reference to how officials would manage departments beneath the level of the ministerially-chaired board. In practice, departments continued to have some form of executive committee, sometimes itself termed a 'board', consisting of the same officials who had previously formed the departmental board alongside non-executives. Typically, non-executives no longer attended these meetings, with some exceptions.

1.10 The new style 'Maude boards' were required to include non-executive members 'largely drawn from the commercial private sector'. The remit of departmental boards was summarised as performance, delivery and the strategic leadership of the department. The rationale for non-executive members placed more emphasis on drawing on the expertise of those with experience of managing complex organisations in order to make departments more business-like.

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[9] Cabinet Office, 'Lord Browne appointed to key Whitehall role' [https://www.gov.uk/government/news/lord-browne-appointed-to-key-whitehall-role]. (30 June 2010).
[10] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (July 2011).
[11] Cabinet Office, *Ministerial Code.* (May 2010).

1.11 Non-executive board members were to be appointed by the secretary of state. This was a change. While the 2005 Code had specified that appointments were to be made in 'consultation and agreement' with the secretary of state, it was the head of the department who made the appointment and to whom the non-executive was accountable.

1.12 A protocol for enhanced departmental boards was issued in 2010 and incorporated in 2011 in a revised corporate governance Code of Good Practice.[12] It drew on private sector good practice, for example adopting principles of leadership, effectiveness and accountability from the UK Corporate Governance Code as well as that code's approach of 'comply or explain'.[13]

1.13 Another source was the Higgs review on the role of non-executives in the private sector. Higgs summarised the essential elements of the non-executive role as relating to strategy, performance, risk and people.[14] The Cabinet Office protocol set out the main areas which a departmental board should supervise and on which it should advise as being:

- strategic clarity;
- commercial sense (including risk management);
- talented people;
- results focus (including monitoring and steering performance);
- management information.[15]

   With regard to the role of non-executive board members, innovations of the protocol and 2011 Code included:

- introduction of the role of departmental lead non-executive;
- authority to recommend the removal of a permanent secretary where he or she is an obstacle to delivery;
- the ability (and requirement) for non-executives to report their views, in their own section of the departmental annual report and through an annual report by the government lead non-executive;
- establishment of a 'nominations and governance' board subcommittee chaired by a non-executive board member;
- an explicit cross-cutting role in spreading best practice and the establishment of a network of lead non-executive board members;
- a requirement for the secretary of state to meet non-executive board members collectively alone 'from time to time';

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[12] Cabinet Office, *Enhanced Departmental Boards: Protocol.* (December 2010).
[13] Financial Reporting Council, *The UK Corporate Governance Code.* (June 2010).
[14] Higgs, D., *Review of the role and effectiveness of non-executive directors.* (January 2003).
[15] Cabinet Office, *Enhanced Departmental Boards: Protocol.* (December 2010).

- a requirement for board agendas to be agreed with the lead non-executive as well as the secretary of state.

1.14 As part of its objective to give non-executive board members more prominence, the 2011 Code specified that each department should appoint at least four. The 2011 Code acknowledged as a significant change the removal of references to the independence of board members, with focus instead on managing conflicts of interest.

Non-executives since 2010

1.15 Since 2010 there have been two general elections and notable ministerial changes. However, policy on corporate governance in central government remains essentially unchanged. The Code was updated in April 2017 to reflect developments such as single departmental plans, but with no 'fundamental changes'.[16]

1.16 The policy has done more than exist on paper. Around 150 non-executive board members have been appointed since 2010, with 70-80 in post at any one time. Boards have met and have been chaired by ministers. Non-executives have reported their views in annual reports and the lead non-executive has published a report annually including information on how non-executives have pursued their remit. The ministerial foreword to the 2017 Code describes this as 'a step change in the governance of central government departments' and concludes that 'this departmental board model is now embedded as a key element of the fabric of corporate governance'.

1.17 In the early phase, non-executive board members attracted little attention from the outside world. Since 2005, and more particularly since the ambitious reforms of 2010, they have not passed unnoticed. The following chapter summarises information available from published sources, including external analysis and commentary. A range of questions has been posed. How well has the Code worked? Has it promoted good governance? Has it had unintended side-effects? The evidence base is relatively limited, and such conclusions as others have drawn tend to be tentative.

Our study: purpose and scope

1.18 While non-executives have become more prominent since 2010, unlike special advisers, they have managed to avoid the headlines. In consequence they have remained largely invisible. Yet they have privileged access to the highest level of government, and the potential to

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[16] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017).

influence key decisions on how the country is run. Their role deserves to be better known and understood.

1.19 It is in the context of a relative dearth of information that we have undertaken this study. Our objective is to obtain insight into what non-executives do and the impact that they have. As the study will show, many NEDs feel they could have more impact; so we have also explored how their effectiveness might be improved.

1.20 There are many non-executive roles in central government. Subdivisions of departments may have their own boards with non-executive members. High profile projects may be run by boards with non-executive membership. Board subcommittees such as the audit and risk committee have non-executive members who are not members of the departmental board itself. Our study focuses only on non-executive members of departmental boards as defined in the Cabinet Office corporate governance Code.

1.21 In keeping with the approach of the reports of the government lead non-executive, we have included Her Majesty's Revenue and Customs (HMRC) in our analysis. It is an exception in being a non-ministerial department, the board of which is therefore not chaired by a minister. Nevertheless, it is among the most significant operational departments and in other respects uses non-executives as recommended by the Code. The Code does not apply to devolved administrations, which are beyond the scope of our study.

1.22 Section one of the corporate governance Code reaffirms the existing accountabilities to parliament of the minister in charge of a department and of the departmental accounting officer. The widest consideration of the options for deploying non-executives and improving corporate governance could raise questions about these arrangements. Indeed, the 2011 corporate governance Code identified the accountability of permanent secretaries as meriting further study in order to address shortfalls in governance. However, for reasons of practicality and because we see no likelihood of these arrangements changing quickly, such questions are beyond the scope of this study. Any review of this system of accountability should consider the position of non-executives.

Our report: structure and questions explored

1.23 In this chapter, we have summarised how policy on non-executive board members has developed, and described our approach to our research. Chapter two reviews the literature on non-executives. The following chapters explore the questions which have driven our research:

- Who the non-executives in Whitehall are, and how they are recruited (chapter three)
- What they do, in theory and in practice (chapter four)

- What impact they have achieved, in which areas (chapter four)
- What factors have contributed to their success or failure (chapter five)
- Whether they have achieved more than the sum of their parts (chapter six)
- What could be done to improve the performance of non-executives, and of departmental boards (chapter seven).

Our study: methods

1.24 In this study we used four main research methods. First, we have trawled through the literature on non-executives. There is very little academic literature on non-executives in Whitehall: this study is only the third, and in the number of interviews, the largest of its kind. So we have relied heavily on the official literature: in particular, departmental annual reports, the annual reports by the government's lead non-executive, Cabinet Office and Treasury guidance on the role of NEDs and departmental boards, and the reports of parliamentary committees scrutinising their role and performance.

1.25 Second, we compiled a detailed database of all the current and previous NEDs whom we could trace. The database of NEDs in office since 2010 has 147 entries, with details of their age, sex, education, previous career, periods of service, job held on appointment, and additional roles (for example, 'departmental lead non-executive', 'chair of audit and risk committee, and so on). In addition, we collected further information on non-executives serving prior to 2010. Information here was less easy to come by. Nevertheless, we compiled information covering almost all departments, including biographical details where these were readily available. A summary of the educational and career backgrounds of NEDs is at Appendix B.

1.26 Third, in co-operation with the Cabinet Office, we organised a survey of those who have served as NEDs since 2010. We received 55 responses to our survey of NEDs from 19 different departments, including ten from lead non-executives. Appendix A contains detailed information on the survey questions and responses.

1.27 Fourth, we conducted a programme of interviews, mostly between May and July 2017. Each interview lasted about an hour, and was recorded and transcribed. Our 67 interviewees came from right across Whitehall. They included:

- 29 non-executive board members, including 11 lead non-executives;
- 11 permanent secretaries
- 8 ministers
- 4 other departmental board members
- 5 board secretaries

- 10 other informed parties.

  Interviewees were predominantly those serving currently, but included those with experience before and after the 2010 reforms.

1.28 To gain maximum value from triangulating the different perspectives of NEDs, officials and ministers, our interviews focused mainly on four case study departments: Business, Energy and Industrial Strategy (BEIS); Work and Pensions (DWP); Defence (MoD); and Justice (MoJ). These departments were chosen to include departments dealing with large capital projects (MoD), major customer service operations (DWP) and a mixture of policy and operational functions (MoJ). Finally, in BEIS we chose the department with the closest interest in the commercial sector, from which the current group of non-executives are largely drawn.

1.29 Out of our total of 67 interviews, 46 were from the case study departments. Our interviewees between them had experience of the operation of boards in every current major Whitehall department, as well as in predecessor departments with largely overlapping responsibilities and in the former departments of Energy and Climate Change (DECC) and Innovation, Universities and Skills (DIUS). All interviewees were promised confidentiality, and the anonymised quotations in this report come from a wide range of Whitehall departments.

1.30 Following completion of our interviews and survey, we tested emerging findings in meetings with senior non-executives, with board secretaries, and at a private seminar of 25 people held at the Institute for Government in October 2017.

1.31 Our study is not a full, formal evaluation. Our evidence base is largely qualitative and drawn from testimony of those involved. We have tested whether what people tell us is consistent with the rationale and approach set out in the official documentation about NEDs. The evidence that we have collected varies in strength. Throughout this report we seek to be clear on the strength of evidence that leads to our conclusions.

2.0 The Literature on Non-Executive Directors

Structures are no guarantee for an effective board working: they are only a facilitator. Structures are 'brought alive' by people. (Van den Berghe and Levrau, 2009)

The board is neither accountable for strategic governance nor for operational effectiveness and as such is necessarily limited in its impact. (DWP non-executives, 2010)

NEDs within Whitehall departments have no defined role, no fiduciary duties, and it is not clear who can hold them to account. They are more like advisers or mentors than company directors. Their value depends entirely on how ministers and senior officials seek to use them. (Public Administration Select Committee, 'Truth to Power', 2013)

The available literature and the scope of this review

2.1 While the literature on the contribution of NEDs on Whitehall boards is small, the background literature on NEDs generally, and on the reasoning behind their deployment in Whitehall, is comparatively large. This literature review includes the wider literature on the role of non-executives in the private sector, but it starts with the literature on the failings of Whitehall to which NEDs were intended to be a solution, and ends with the limited literature on NEDs in Whitehall, analysing what they do and how well they do it.

The challenge for government, to which NEDs were eventually to be a response

2.2 A good starting point is the Northcote-Trevelyan report of 1854. The role and structure of the Civil Service has its origins in the gradual implementation of the recommendations of Northcote and Trevelyan. Significant positive reforms, such as the implementation of government policy by advisers and administrators appointed on merit and with a view to the long-term, gave the Civil Service the status of a powerful constitutional check on the ambitions of elected representatives.[17]

2.3 These reforms also spawned new problems, however. One that concerned Normanton (1966) was the lack of accountability that results from a lack of independence of state audit from the executive.[18] If the officer responsible for audit is also responsible for efficiency and

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[17] Wallas, G., *Human Nature in Politics.* Constable & Co. (1920).
[18] Normanton, E., *The Accountability and Audit of Governments: A Comparative Study.* Manchester University Press (1966).

effectiveness, then who is there to hold him accountable for any failings? The problem of independence and accountability was explored further in the 1977 Eleventh Report of the Expenditure Committee entitled *Civil Service Efficiency*, which recommended that 'the Exchequer and Audit Department should be empowered to conduct audits of the management, efficiency and effectiveness of all that it audits financially, and *should for this purpose further change its recruitment policy*' [italics added].

2.4 As documented in major studies by Fulton (1968) as well as in the 1982 House of Commons Third Report from the Treasury and Civil Service Committee, *Efficiency and Effectiveness in the Civil Service*, this was by no means merely a theoretical concern. The Civil Service had been found lacking in efficiency and effectiveness, including in the implementation of government policy. Following the election of the first Thatcher government in 1979, two studies were commissioned on the subject of how to improve Civil Service management and efficiency with public money – 1979's *Efficiency Strategy* and 1982's *Financial Management Initiative*. Among other recommendations, it was proposed that an Efficiency Unit be established, headed by then managing director of Marks & Spencer Derek Rayner, to identify ways of improving efficiency and oversee their implementation. The Efficiency Unit published early lessons in *Making Things Happen: A Report on the Implementation of Government Efficiency Scrutinies* (1985).

2.5 The most comprehensive report on improving efficiency can be found a couple of years later in 'Next Steps', published in 1988 – full title *Improving Management in Government: the Next Steps*. This consisted in a study of the workings of the Civil Service, informed by 150 interviews that were carried out with ministers, permanent secretaries and other officials; one element of the study was a comparison with private sector companies Barclays, ICI and Shell. Among other things, the report recommended that the Civil Service be reconstructed with a small central core charged with managing more autonomous departmental bodies. Each would specialise in the delivery of particular policy areas, in such a way that 'as far as possible, the delivery of services is separated from policy work and executed by agencies operating under business-style regimes'.[19]

Why it was suggested that NEDs might be in a position to improve things: a lesson from big business?

2.6 At the same time, changes were taking place in the governance arrangements of private sector companies. The Cadbury report of 1992 (*Report of the Committee on the Financial Aspects of Corporate Governance*) included a code of best practice. To assure accountability, it was proposed that, on a comply-or-explain basis, companies be headed by a governing board

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[19] Flynn, A., 'Taking the Next Steps: The Changing Management of Government' in *Parliamentary Affairs*, 43:2, pp 159–178. Oxford University Press (1990). Flynn tables some criticisms of his own in response to this way of thinking about public sector improvement. He argues (p177) that 'the government persists with a touching faith in the ability of these systems to bring about private sector style success', which 'overlooks the way in reality such success comes from effective choices about products and markets'.

with a clearly defined chairman and chief executive; boards were to be partly composed of NEDs, at least three of whom should serve on an audit committee, and who, in the majority, should make up remuneration committees for board members.

2.7 Subsequently, Greenbury (1995) recommended that remuneration committees should consist 'exclusively' of NEDs.[20] Hampel (1998), meanwhile, 'found general acceptance that non-executive directors should have both a strategic and a monitoring function […] and particularly in smaller companies, non-executive directors may contribute valuable expertise not otherwise available to management'.[21] The London Stock Exchange's *Principles of Good Governance and Code of Best Practice* drew on these three reports, codifying for listed companies the comply-or-explain culture that Cadbury (1992) had recommended. These recommendations have endured; the Financial Reporting Council's 2016 *UK Corporate Governance Code* underlined the importance of NEDs on company boards, particularly in terms of holding executives to account through monitoring, auditing and risk assessment. The FRC set out further recommendations, including the appointment of a 'senior' NED on the board and the proposal that at least one NED-only meeting should take place per annum. The importance of NEDs in the areas of auditing, risk assessment and overseeing company effectiveness is emphasised in a number of recent publications, including by the Institute of Directors (2017).[22]

How effective are non-executives in the private sector?

2.8 Evidence for the overall effectiveness of NEDs on company boards is scant, and research is scarce. This is partly as a result of the difficulty of evaluating influence of this kind (what measure to use? how to eliminate other variables?). Much of the available literature tends to be relatively conservative in its remit and conclusions, and/or difficult to reconcile with the conclusions of other pieces of similar research. For instance, whereas Weir et al. (2011) reached the tentative conclusion that NEDs who are executives in other firms make a generally positive contribution to monitoring and advising, Padgett and Feng (2013) reported that 'the results in our paper contradict the common sense view that increasing the proportion of non-executive directors is good for the company'. This last study adds to the very mixed literature on whether board performance is affected by the proportion of NEDs (see Weisbach (1988), Byrd and Hickman (1992), Shivdasani (1993), Cotter et al. (1997), Bange and Mazzeo (2004), Andres and Vallelado (2008)).

2.9 If there is any consensus, it is that there is a large degree of variation in NED effectiveness depending on circumstance. For example, McNulty and Pettigrew (1999) found that NEDs' capacity for positively influencing strategy is highly dependent on personal, cultural and contextual factors. Likewise, Stiles and Taylor (2001) concluded through interviews with

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[20] Greenbury, R., *Greenbury Report*. House of Commons (July 1995).
[21] Hampel Committee, *Committee on Corporate Governance, Final Report*. (January 1998).
[22] Institute of Directors, *2017 Good Governance Report*. (2017).

board members, company documentation and a range of other material that NEDs have the potential to be more than just 'poodles', or 'rubber stamps' for the decisions of the executive; but this potential is highly dependent on NEDs' roles, abilities, detailed knowledge of the organisation, willingness to engage with issues, and degree of trust between each NED and the rest of the board. In a broadly similar vein, Long et al. (2005) discovered, through analysis of 25 semi-structured interviews, considerable differences in NED function depending on whether they were serving on the board of a listed or unlisted company, due to differing structures and expectations surrounding the role in each case.

2.10 Despite the fact that research on the performance of NEDs is generally thin on the ground, the Higgs review – the *Review of the role and effectiveness of non-executive directors* (2003) – drew on a large body of data to reach its recommendations on the subject of NED effectiveness. Higgs was able to amass 250 written responses, interviews with directors of FTSE 350 boards and with directors of smaller companies and others, 605 MORI survey responses of board members and detailed data on board and committee make-up of the UK's 2,200 listed companies. It is a pity, then, that Higgs did not disclose much of his 'workings'; rather, he presents the results of the data analysis as a series of recommendations, broadly endorsing the comply-or-explain approach, as well as setting out requirements for the function of the board and of each of its constituent roles.

2.11 All of this means that there is not a great deal of empirical scholarship to fall back on in trying to ascertain whether NEDs on government boards are likely to be a great success, wholly ineffective, or anything in between. What there is, however, is sound 'constitutional' reasoning behind the widespread introduction of boards and NEDs to government departments. As the 2001 Sharman report on government auditing and accountability advised, there are important attractions to boards made up, in part, by NEDs:

> *In particular, they can act as the main source of advice to the accounting officer, potentially improving the decision making capabilities of the department. They also make it clearer to senior officials other than the accounting officer that they are accountable for performance in specific areas.* (Lord Sharman, 'Holding to Account: The Review of Audit and Accountability for Central Government', 2001)

In other words, it was possible that boards partly constituted by independent NEDs could in this way provide a way of solving the dual problems of a lack of accountability and lack of efficiency, which were complaints levelled at the Civil Service going back to Northcote-Trevelyan. This reasoning relies on an equivalence of relevant elements of the functioning of businesses and of government: boards with NEDs are common practice in efforts to maximise efficiency in the private sector – the public sector should follow suit. Nearly a decade after Sharman, the rhetoric would begin to play up precisely these functions of NEDs on government boards.

2.12 Of course, there had been NEDs serving in Whitehall since the early 1990s (see paragraphs 1.2-1.3). Yet it is notable that there is almost no literature documenting their usefulness, or even their use, in government until a few years before the 2010 reforms. The existence of NEDs in Whitehall received only a brief mention in a small number of government publications in those years.[23]

2.13 Aside from these, the push for NEDs found its voice pre-2010 mainly in the discussions and speeches of Tony Blair as prime minister. He sowed the seed for the modern departmental board reforms that would eventually come to fruition in 2010. In 2004, he started speaking of 'a Civil Service open to the public, private and voluntary sector and encouraging interchange between them'.[24] Then in 2006, speaking about the first of the new 'Capability Reviews' of delivery competency in Whitehall, he suggested that 'the reviews are expected to lead to strengthened boards, with more outside non-executive directors'.[25]

2.14 In a speech at the 21st Century Public Services Conference in 2006 Blair noted that 'we use the obvious truth that the purpose and ethos of public services are not like business, to ignore the fact that, in many respects they do indeed operate like businesses'.[26] In the Financial Times, Blair explained the manner in which public services are like businesses: 'they operate like businesses in the sense that their ultimate purpose is to look after their customer'.[27] It was then in the run-up to the 2010 general election that MP Francis Maude began to focus attention on NEDs once more as a way of contributing to reform of the Civil Service, along similar lines to Blair. In speeches in 2009 and 2010, Maude outlined a number of measures to 'renew' and 'revive' the Civil Service because, in his words, it 'is not working today as effectively as it needs to'.[28]

The 2010 reforms

2.15 As we have related in chapter one, 2010 saw a relaunch of NEDs on government boards, led by Francis Maude as the new Cabinet Office minister for the Civil Service. The *Enhanced Departmental Boards Protocol* was published with new sections in the Ministerial Code about the structure of departmental boards. Secretaries of state were to be chairs of boards which would function as in the private sector: operating 'according to recognised precepts of good

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[23] The Cabinet Office's 2006 *Executive Agencies: A Guide for Departments* stated that 'guidance on the recruitment, appointment and development of non-executive directors [was] being developed by the Board Effectiveness and Corporate Leadership Team at the Cabinet Office'.

[24] Blair, T., *PM speech on reforming the Civil Service* [https://www.theguardian.com/politics/2004/feb/24/Whitehall.uk1]. (February 2004).

[25] As quoted in Timmins, N., 'Back risk-taking civil servants, says PM', (Financial Times) [https://www.ft.com/content/40862992-1685-11db-8b7b-0000779e2340]. (19 July 2006).

[26] Blair, T., 'The Prime Minister's Address' at the 21st Century Public Services Conference. (June 2006). In print: National School of Government, *Reforming public services: 21st century public services – putting people first*. Her Majesty's Stationery Office (2007), p30.

[27] As quoted in Timmins, N., 'Back risk-taking civil servants, says PM', (Financial Times) [https://www.ft.com/content/40862992-1685-11db-8b7b-0000779e2340]. (19 July 2006).

[28] Maude, F., 'Delivering a Better Public Service', speech to civil servants. (26 November 2009).

corporate governance in business' to promote both accountability and effectiveness. A new cadre of NEDs was to be appointed, with a 'lead NED' in each department, and NEDs were given new powers to recommend the removal of the permanent secretary. The accompanying press release emphasised that these board reforms would help greatly to improve Civil Service efficiency, as did the new government lead NED Lord Browne of Madingley before the Public Accounts Committee.[29;30]

2.16 Despite describing the new-look boards as 'supervisory and advisory', with NEDs leading annual effectiveness reviews as well as serving on audit committees, Lord Browne insisted that there would be no change to ultimate ministerial accountability for policy and permanent secretary accountability for audit. This was in response to questioning by the chair, Margaret Hodge MP, who enquired 'if you have non-executive board members who have the power written into the draft Code to go up to Number 10 and say "actually, sack this perm sec", I think the dynamics change and I think there is a real issue about: who do we, parliament, then hold to account?' Browne predicted there would be better scrutiny in the areas of sensible policy-making and assessment of performance, as well as sharing of valuable expertise. Boards were to have 'very similar' structures to those in the private sector, audit committees included. More detailed roles for NEDs were set out anew in departmental board operating frameworks, in fact sheets and guidance published by the NAO, and by the Civil Service Commission. Francis Maude characterised this efficiency and accountability drive as a course of 'radical reform' (as did a write-up in *The Guardian*).[31;32]

2.17 Increased prominence of the Whitehall NEDs, and of departmental boards more generally, led to greater attention being paid to them. Their existence on boards and their broader remit was frequently held up by ministers in the media (Maude above all) as an example of the government's commitment to doing more with less taxpayer money.[33] Elsewhere, in a small number of newspaper articles and op-eds, rather brief reproaches were made of the new NED scheme: that NEDs' talents were going to waste due to an early lack of clarity over their role, that private companies run by government NEDs were accused of wrongdoing or that some departments were failing to make proper use of NEDs.[34] Writing in the Financial Times in December 2010, Elizabeth Rigby commented that 'some senior

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[29] Cabinet Office, 'UK leaders appointed to support Whitehall's transformation' [https://www.gov.uk/government/news/uk-leaders-appointed-to-support-whitehall-s-transformation]. (16 December 2010).

[30] House of Commons Public Accounts Committee, *Accountability for Public Money – Minutes of evidence.* (19 January 2011).

[31] Maude, F., 'Delivering a Better Public Service', speech to civil servants. (26 November 2009).

[32] Wintour, P. & Stratton, A., 'Conservatives plan radical reform of government', (The Guardian) [https://www.theguardian.com/politics/2009/oct/05/conservatives-civil-service-reform]. (5 October 2009).

[33] e.g. Maude, F., 'Francis Maude: non-executive directors are "making a significant splash"', (The Guardian) [https://www.theguardian.com/public-leaders-network/2012/dec/14/francis-maude-neds-significant-splash]. (14 December 2012); Maude, F., 'Tackling the shocking level of public sector fraud is our target after cutting waste' (The Telegraph) [http://www.telegraph.co.uk/news/politics/9085407/Tackling-the-shocking-level-of-public-sector-fraud-is-our-target-after-cutting-waste.html]. (15 February 2012).

[34] e.g. Chambers, J., 'Neds' firms face legal probes', (Civil Service World) [https://www.civilserviceworld.com/neds-firms-face-legal-probes]. (24 April 2013); Johnstone, R., 'Non-execs in Whitehall "underused"', (Public Finance – CIPFA) [archived]. (8 May 2013).

figures have pointed out that the [NED] appointments threaten to undermine the independence of the Civil Service as government parachutes people on to boards'.[35] More vehement were occasional accusations that the government was guilty of 'employing former poachers ["keen to get their claws on lucrative public sector contracts"] as gamekeepers'.[36]

2.18 In Whitehall the specification and remit of NEDs was further codified in the Treasury's 2011 *Corporate governance in central government departments: Code of Good Practice* (updated in 2017); see also the Treasury's *Audit and risk assurance committee handbook*. Departmental NEDs were mentioned in passing in other government press releases, details of their remit was to be found in government advertising for recruitment of NEDs, and their 'considerable impact' was mentioned in the government's 2012 *Civil Service Reform Plan*. The NAO's 2016 *Accountability to parliament for taxpayers' money* further described the role of NEDs and their relationship to ministers and civil servants as one of 'oversight and challenge', echoing Lord Browne's phrase 'advisory and supervisory'.

2.19 Parliamentary reports were a little more substantial in their discussion of NEDs. The 2013 report by the Public Administration Select Committee (PASC) *Truth to Power: how Civil Service reform can succeed* reviewed progress made since the *Civil Service Reform Plan*, based on evidence from ministers, civil servants, NEDs and others. It clarified one reason why there had been a reluctance to discuss more openly the role of NEDs in government departments before the 2010 reforms. The suggestion was that there had been no easy answer to the question 'what were the boundaries of the role they could legitimately occupy without intruding into the proper responsibilities of ministers?' and that this had been a barrier to their more successful deployment historically.

Parliamentary and government literature on the evaluation of NEDs in Whitehall: a small, mixed bag

2.20 *Truth to Power* concluded that these unresolved questions remained barriers to NEDs' successful deployment even after the 2010 reforms:

> *NEDs within Whitehall departments have no defined role, no fiduciary duties, and it is not clear who can hold them to account. They are more like advisers or mentors than company directors. Their value depends entirely upon how ministers and senior officials seek to use them.*

It reported that 'many departments [were] failing to use the expertise of their NEDs' and that there was a 'lack of clarity over their roles and responsibilities': it recommended a review of their 'value and effectiveness'. In an earlier review of how the new governance

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[35] Rigby, E., 'Mandarins risk dismissal, Maude warns', (Financial Times) [https://www.ft.com/content/b870a6ca-088f-11e0-80d9-00144feabdc0]. (16 December 2010).

[36] Green, J., 'Introducing…British Government Plc', (London Progressive Journal) [http://londonprogressivejournal.com/article/791/introducing-british-government-plc]. (19 December 2010).

structures were functioning in 2011, PASC had also recommended a review of NEDs to look at how they affected the management arrangements in departments. PASC expressed an intention to conduct an inquiry into the subject of NEDs 'with particular regard to the supervisory and advisory aspects of their remit, and to what extent, if any, the new boards have affected the accountability relationship between the secretary of state and the permanent secretary'.

2.21 PASC's successor committee, the Public Administration and Constitutional Affairs Committee (PACAC) returned to the issue in the 2015 parliament. Giving oral evidence to PACAC in May 2016 on the subject of government accounts, new government lead NED Sir Ian Cheshire remarked on the failure of some departments to make full use of their NEDs:

> *As with most human things, that [significant NED performance discrepancies between departments] is probably the case. One of my jobs in helping organise the network is to try to assess the effectiveness. It is an action area I am looking to develop over the next year or so — we will obviously have broad effectiveness reviews — to try to get a sense of performance in the sector.*[37]

2.22 Three further select committee reports have some discussion of the value of NEDs on departmental boards, provided by PASC's specialist adviser Professor Andrew Kakabadse. The first is a PASC report from 2011 entitled *Good Governance and Civil Service Reform*. Professor Kakabadse, in his analysis of interviews conducted soon after the 2010 reforms, concluded that he did not

> *detect sufficient awareness of the need or desire to provide holistic governance to support the delivery departments in meeting the government's priorities. I recognise that the Cabinet Office brief points to the role of departmental boards and the contribution its non-executive members should play in guiding each department. I do not detect similar emphasis given to departmental boards in the briefs of the delivery departments.*

2.23 This lack of what might be called 'joined-up' thinking between individual departments and central government was also reported by Kakabadse in the *Future of the Civil Service* (PASC 2013). Central government set out the kind of 'monitoring and mentoring' (recall Browne's 'advisory and supervisory') NEDs are expected to do, but this was not always implemented at the departmental level:

> *The monitoring side is about asking the hard questions. Asking the hard questions is what I am detecting is not happening. Mentoring is, yes, but we have non-executive directors who are more like social workers: 'we are here to look after you and make you feel better'.*

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[37] House of Commons Public Administration and Constitutional Affairs Committee, *Accounting for democracy – Minutes of evidence.* (May 2016).

He questioned the closeness of the analogy between the private sector's use of NEDs and their use in the public sector. And more recently, the 2017 PACAC report *The Work of the Civil Service* – this one again drawing on the advice of Professor Kakabadse – found after an analysis of 31 interviews with ministers, advisers and NEDs that 'advisory boards are widely not valued, but the adviser input of certain NEDs is deeply appreciated […] few boards are identified as working well, but certain sub-committees, such as audit, are considered to offer high value'.

2.24 The Select Committee reports, then, offer a mixed review of the value of NEDs in the period since the 2010 governance reforms. This impression is reinforced by remarks made by Lord Browne, who in the course of the interviews conducted as part of *Truth to Power* rated his satisfaction with the contribution of the new NEDs at 'about two' out of ten in 2011, which he upgraded to 'four to five' the following year.[38] The picture emerges that a few of the teething problems of the early days of the new NEDs had subsided, but a number were more persistent.

2.25 It is striking that the single largest source of literature on the performance of NEDs on Whitehall boards shows little or no indication of any of the issues highlighted in repeated Select Committee investigations. This source is the bank of annual reports written by the lead NEDs of each government department published to accompany the departmental annual report and accounts. This includes those annual reports written by the overall government lead NED (Lord Browne until 2015, when he was succeeded by Sir Ian Cheshire). In the main, these annual reports draw attention to the high value that NEDs bring to their departmental boards, and the effectiveness and efficiency of the boards themselves, while documenting the key affairs of the board in the previous year. Almost universally, the annual reports are largely positive, unremarkable and rather bland.

2.26 Lord Browne's are the most enlightening of an unenlightening set. His, while generally upbeat, do point to a few recurrent themes concerning areas for improvement. Limitations in areas such as 'prioritisation and agenda setting, quality of information, engagement by junior ministers and calibre of secretariat support', mean that 'not all departments are using their non-executives to best effect'. Browne hinted year on year that these issues persisted to a greater or lesser extent depending on the department, but that improvements were being made.

2.27 The focus has shifted slightly since Sir Ian Cheshire has replaced Browne as government lead NED, with different priorities highlighted as areas for improvement in his annual reports. For instance, in 2015 Cheshire reported that he wished to 'push forward cross-cutting priorities' better with use of the NEDs. This theme recurred in 2016, when Cheshire

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[38] House of Commons Public Administration Select Committee, *Truth to Power – Minutes of evidence.* (12 February 2013), Q260.

additionally expressed his concern at a marked 'decline in the number of board meetings […] in a General Election year when there has been a significant turnover of ministers'. But the general tone of Cheshire's reports has continued in the positive manner of Browne's.

2.28 There is one more interesting piece of literature written by NEDs on the 2010 board reforms which is worth mentioning. In 2010, a group of NEDs from the Department for Work and Pensions responded to a Cabinet Office invitation to comment on the previous workings of Whitehall boards and the changes proposed by Francis Maude. They expressed the following prescient concerns: (1) 'The board is neither accountable for strategic governance nor for operational effectiveness and as such is necessarily limited in its impact'; (2) it was often difficult to provide operational advice to a political team whose minds were made up; (3) 'it is very unlikely that secretaries of state and ministers will have any experience of chairmanship'. The authors recommended that the board chair be a NED as opposed to the secretary of state, that there be 'a quarterly review meeting chaired by the secretary of state who can hold the board and the permanent secretary to account' and that greater efforts be made to reform the culture of Whitehall so as to make it more open to radical change.

2.29 Also outside annual reports, Lord Browne has offered some degree of critical observation in speeches in the House of Lords (2014) and the Institute for Government (2015), towards the end of his tenure as government lead NED. In the Lords, he noted that while 'we have made some progress' in making government 'more businesslike', soon enough 'incremental change will not be enough' to respond effectively to the ongoing challenges facing the modern Civil Service; he hoped a review of lines of accountability and of the relationship between ministers and civil servants would be ordered, the recommendations of which would be seriously considered.[39] At the Institute for Government, Browne observed that while 'success is hard to define and progress can be hard to measure', he noted improved capacity to deliver major public projects, the introduction of more consistent benchmarking of management information, and better attendance at board meetings.[40] He suggested improvements should still be made in talent management and engagement with boards, but concluded that the current rating he would give to the performance of NEDs – six out of ten – was not far off the seven out of ten he saw as the maximum possible.

Further literature on the evaluation of NEDs in Whitehall: a smaller mixed bag

2.30 Browne did not expand on why this was the maximum possible score. To understand the reasons, and why up to that point NEDs had not achieved even these heights, we need to

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[39] House of Lords Hansard, 'The Future of the Civil Service' (16 January 2014) col. 361-362.
[40] Browne, J., at the Institute for Government
[https://www.instituteforgovernment.org.uk/sites/default/files/Lord%20Browne%20of%20Madingley%20-%20Speech%20to%20the%20Institute%20for%20Government%20280115.pdf]. (28 January 2015).

consult the independent literature on NEDs' performance in Whitehall and the barriers to their further progress.

2.31 The first study was completed in 2005 by Levitt and Solesbury as part of their series on 'Evidence-Informed Policy': *What difference do outsiders in Whitehall make?* The researchers carried out 30 interviews, 18 with 'outsiders'. Key findings included the following: NEDs' contributions were typically received well by other board members, and there was generally effective separation of policy-making from policy oversight and management. On the other hand, NEDs' experience of inductions was highly variable – some did not attend at all and for those who did 'some found it overwhelming in quantity and hard to absorb'. Lastly, it was not always clear to NEDs when or if they were being at all useful, and some of their efforts to influence board members were met with hostility from the senior Civil Service, whose 'infinite ability' to neutralise or defend against outsiders was noted.

2.32 Secondly, a 2011 preliminary study by the Institute for Government entitled *All Aboard? Whitehall's new governance challenge* was published following the new board protocol arrangements introduced in 2010. Following a study of the new board protocols and a series of interviews with board members, the authors of the report concluded that there was great potential for these new-look boards to perform well, with 'the prospect of a powerful triumvirate of secretary of state, permanent secretary and lead NED operating in concert at board level'.

2.33 The Institute for Government made the following key recommendations. Boards should have more clearly-outlined accountability structures, and board members more clearly-defined roles; as chairs, secretaries of state should be committed to regular attendance and act as effective chairs; there should be a high degree of transparency to guard against misconduct; the board should be externally assessed; the board secretariat position was an important one and should be treated as such; and lead NEDs should be involved in the assessment of all board members. Previous deficiencies of Whitehall boards had been documented by the IfG's short 2010 publication *Six Steps to Making Whitehall Boards Work* and the longer *Shaping Up: A Whitehall for the Future* (also 2010).

2.34 The third study on the performance of NEDs on government boards was conducted by Insight Public Affairs in May 2013 and was entitled *Non-Executive Directors: A Quiet Revolution Transforming Whitehall.* The report contained some very general comments about the functioning of NEDs in Whitehall and made similarly general but wide-ranging recommendations. The report was based on very little research, and was essentially a collage of published information by a public affairs company.

2.35 There is also one further study worth mentioning. This is a 2015 Cabinet Office internal review – a *Stocktake of the Enhanced Board Programme* – presented to lead NEDs. 24 semi-structured interviews were conducted with various board members, an online survey

circulated which received 28 responses, and workshops were run with board secretaries and Governance Deputy Directors. On the positive side, it was found that NEDs were generally of a high quality and were passionate and engaged with the department; there were high levels of trust and good relationships between NEDs and executives. Less positively, however, it was reported that NEDs' expertise was still not being tapped to its full potential, in part because some ministers were failing to understand the purpose of the boards. There were high levels of variation in how well the board was working and in effective use of NEDs. NEDs lacked a clear remit even by 2015, with no clear position in the governance structure. A new finding not encountered often in other publications was a lack of cross-departmental thinking, adversely affecting board effectiveness and leading to a sense of isolation.

2.36 Perhaps in response to these internal worries, Sir Ian Cheshire published *How Departmental Boards Add Value to Government: A Best Practice Summary Guide* in October 2016. In two crisp pages, Sir Ian set out the basics of how boards might raise their game, with separate sections on how to plan better, manage performance and raise departmental capability. The board should, he said, debate and approve a single departmental plan, with realistic implementation plans, and clear resources set against desired results; identify personal accountabilities beyond just the accounting officer; identify key major projects that require specific attention; and ensure risks are clearly defined and managed. To manage performance, it should hold regular reviews of progress; run 'deep dive reviews'; and look for early indicators and external data to check for advance warning of any problems. In a final section, 'How boards work best', Sir Ian recommended at least four meetings per year, with clear action points, and monthly performance packs between meetings to monitor progress. With implicit acknowledgement of the single most important factor affecting board performance, he added 'the personal visible commitment of the secretary of state is probably the most critical factor in enabling boards to have successful impact'.

Further concerns about the new system of NEDs and overhauled boards

2.37 In academic scholarship, part of the push-back against the notion of business-like government boards has come from a scepticism about whether boards in general – in the public or private sector – provide a guarantee of improved effectiveness or efficiency. Kakabadse has been a prominent sceptic. He supported (Kakabadse et al. 2009) the conclusion of Van den Berghe and Levrau (2009) that 'structures are no guarantee for an effective board working: they are only a facilitator. Structures are "brought alive" by people'. And in Kakabadse et al. 2013 he called into question whether corporate governance structures in the form of boards are effective in any of the ordinary ways we think they should be. Other studies by Conger et al. (2001), Charan (1998), Hendry and Kiel (2004) have underlined the inherent limitations to board effectiveness.

2.38 A 2015 report by the High Pay Centre think-tank, written by Professor Stephen Wilks, also contained some discussion of NEDs in Whitehall. *The Revolving Door and the corporate colonisation of UK politics* raised concerns about corporate involvement in government, including the use of NEDs. The primary worry Wilks had with NEDs concerned potential conflicts of interest. Given the close contact NEDs are designed to have with ministers,

> *they gain confidential information about policy and spending, they gain an understanding of how government works, and they have opportunities to inject their own views and priorities into the policy process. This should allow them to contribute constructively to the work of government but the traffic is obviously two-way. It also gives these executives and their companies privileges and advantages.*

2.39 Specifically, Wilks drew attention, for instance, to the position of Sam Laidlaw, lead NED at the Department of Transport from 2010:

> *It might be felt that the fact that the CEO of Centrica was the lead NED on the Department for Transport Board gave him and his company some advantage in their disputes with OFGEM and DECC over fuel pricing; or subsidies for renewables; or the future of nuclear power; or fracking.*

This is a subject Wilks has also touched on in his 2013 book *The Political Power of the Business Corporation.*[41] Concerns have also been raised in articles published in *Private Eye* and *The Guardian* over potential conflicts of interest for individuals serving on the non-ministerial HMRC board, including lead NED Ian Barlow (2012-16), a former Senior Partner and Head of Tax at KPMG.[42;43]

2.40 To return to the contribution of NEDs in improving government performance, a more general answer was offered by the Commons Public Accounts Committee in their 2016 report *Managing Government Spending and Performance*. The committee came to the conclusion that while 'there has been some progress in the way that government plans and manages business across departments', still 'there is not yet an adequate approach in place to support achievement of government objectives and safeguard value for money across government'. Perhaps most crucially from the standpoint of an effective evaluation of the contribution of NEDs and boards to the functioning of government as a whole, the inquiry reveals 'deep-seated problems that prevent government measuring performance and linking outcomes to funding – which is ultimately taxpayers' money'. In other words, there can be no clear answer from government on the question of how well NEDs – indeed any of the delivery

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[41] See also: Wilks, S., *Boardization and Corporate Governance in the UK as a Response to Depoliticization and Failing Accountability*. Policy and Public Administration (2013).

[42] 'In the Back: Meet the Jolly Dodger', (Private Eye). (July 2012).

[43] Garside, J., 'HMRC chair confirms giving 'business advice' to Candy brothers', (The Guardian) [https://www.theguardian.com/business/2015/jul/07/hmrc-chair-confirms-giving-business-advice-to-candy-brothers]. (July 2015).

structures across the whole of government – are performing or have performed. The necessary evaluative structures are not in place.

Conclusions

2.41 This chapter has reviewed the literature on NEDs. In the private sector, their role has become formalised following a series of reports (Cadbury 1992, Greenbury 1995, Hampel 1998, Higgs 2003). They contribute additional expertise, a focus on strategy, and hold executives to account for their performance through monitoring, audit and risk assessment. But the literature on board performance is mixed. Structures are no guarantee for an effective board. NEDs' effectiveness is highly dependent on personal, cultural and contextual factors: on their roles, abilities, detailed knowledge of the organisation, willingness to engage, and degree of trust with the rest of the board.

2.42 NEDs were introduced into Whitehall to increase the efficiency of the Civil Service. Their role is advisory and supervisory, and their relationship to ministers and civil servants is one of oversight and challenge. But successive reports have criticised a lack of clarity about their roles and responsibilities, and failure by many Whitehall departments to use them effectively. Few Whitehall boards are said to be working well. Ministers fail to understand their purpose, and NEDs lack a clear remit. They say that their expertise is not being tapped to its full potential; where they do make a contribution, it tends to be outside of board meetings, through their advisory and mentoring role.

3.0 Who Non-Executives Are and How They Are Appointed

I appointed all the non-execs effectively myself. (Permanent secretary)

I wasn't used to getting really big hitters wanting to do public sector non-exec jobs, but in [our department] we have that. (Senior official)

The people that want to do it are from equivalent traditional industry… these are people who are comfortable with bureaucracy and regulations. (Senior official)

Appointment of non-executives: the formal process

3.1   The Ministerial Code specifies that non-executive board members should be 'appointed by the secretary of state in line with Cabinet Office guidelines'.[44] The corporate governance Code goes on to say that appointments should be made 'on merit, with due regard for the benefits of diversity'.[45] It refers to the appointments process as 'open'.

3.2   The corporate governance Code is supported by guidance. The guidance has lesser status: departments need not explain if they choose not to follow it. The guidance recommends that 'information must be provided in the public domain about vacancies, the process of appointment and the appointments made'.[46] It recommends that the appointment panel include 'the secretary of state, the permanent secretary of the department and the government lead non-executive' (for appointments to the role of lead non-executive board member) or lead non-executive board member (for all other non-executive board members). The approval of the prime minister should be obtained before the departmental lead non-executive is appointed.

3.3   Commenting on the appointment of the first non-executive board members under the 2010 reforms, the then minister for the Cabinet Office, Francis Maude, said: 'they've been appointed by ministers, for sure, but with permanent secretaries having a veto on the

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[44] Cabinet Office, *Ministerial Code.* (December 2016), paragraph 3.5.
[45] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017).
[46] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice – guidance note.* (April 2017).

appointment'.[47] His justification for the veto was that boards work best when reasonably well bonded; the veto of the permanent secretary prevented the appointment of a non-executive with whom the right 'chemistry' would be lacking. These comments came prior to the issuing of the guidance note, which makes no explicit mention of a veto.

Appointment of non-executives: process in practice

3.4   Government lead non-executive Lord Browne described three sources from which a list was drawn up from which the first cohort of non-executives was selected:

- open advertising;
- use of *pro bono* headhunters;
- asking every secretary of state and permanent secretary what qualities were required before drawing up the final list.[48]

3.5   Of the potential sources of candidates, open advertising does produce successful applicants, but these have been a minority. Some 20% of our survey respondents report responding to an advertisement without having received a prior approach to prompt them to do so.

3.6   The Cabinet Office continues to support departmental recruitment by maintaining a list of potentially suitable candidates. Some departments rely to a degree on this. One board secretary reported: 'we've managed to do it through adverts and/or Cabinet Office lists'. However, others are active in supplementing it.

> *We advertised all the roles…we didn't just wait passively. We contacted lots of people. We visited lots of different types of places. We generated a lot of interest.* (Permanent secretary)

> *We're really bad at picking good people. The Cabinet Office, Civil Service recruiting or resourcing… They don't know how to do it. They don't know how to assess candidates, they don't know where the candidates are.* (Permanent secretary)

3.7   There is some evidence of practice changing over time. Whereas 80% of our survey respondents reported initially being approached, in 2005 a study found the norm to be for non-executives to approach departments themselves. In the first wave of appointments following 2010, departments appear to have been active in approaching possible candidates. Existing non-executives are now playing a part in encouraging their contacts to apply.

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[47] House of Commons Public Accounts Committee, *Accountability for Public Money – Minutes of evidence.* (19 January 2011), Q34.
[48] Ibid., Q44.

3.8 Processes prior to 2010 tended to be informal, and the system since still leaves a degree of latitude. Ministers may nominally appoint non-executives but that is not always the reality. As one permanent secretary reported, 'I appointed all of the non-executives effectively myself'. While a veto for permanent secretaries may not be written into guidance, another permanent secretary commented 'I made sure that at no point did we let in any non-executive directors that I did not think were up to the job'. There is also the requirement that departmental lead non-executives be appointed only on approval of the prime minister. The evidence we have gathered indicates that David Cameron did have some influence on the appointment of the initial group of departmental lead non-executives. However, we have heard no evidence of the prime minister since then objecting to any candidate put forward by a department. On the other hand, cases have been reported to us of candidates preferred by the centre being rejected by the department.

3.9 The commonest experience among survey respondents was for recruitment to be initiated by contact from the department. For some, this was a surprise.

> *I got an email out of the blue from somebody in the department saying they were looking for a non-executive member.* (Non-executive)

> *I received an email saying 'The secretary of state is very keen that you should apply for this role…'* which *really knocked me for six because I don't know any secretaries of state.* (Non-executive)

More typically, those selected were already known to the department in some way. Speaking of non-executives recruited to the department, one permanent secretary reported: 'I knew two of them well and I knew two of them not really terribly well'. For the initial contact to come from a politician or political aide is not unknown. Of five instances reported by our survey, four involve a single minister.

3.10 It is now standard practice for positions to be advertised as vacancies arise. These typically attract a high level of response. For example, the Department for International Trade reported receiving 181 applications, including 'exceptionally well qualified individuals from a wide range of backgrounds'.[49]

Appointment of non-executives: qualities sought

3.11 The Treasury and Cabinet Office Code is very clear that the majority of non-executives should come from business backgrounds, and should have worked in big businesses: 'they will come primarily from the commercial private sector, with experience of managing large

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[49] Cabinet Office, 'Dr Liam Fox announces new DIT non-executive board members'
[https://www.gov.uk/government/news/dr-liam-fox-announces-new-dit-non-executive-board-members].
(November 2016).

and complex organisations'.[50] But departments are also encouraged to have at least one non-executive with experience of the public or not-for-profit sectors, and at least one female among their non-executives.[51]

3.12 Recent advertisements for non-executive directors have typically included a standard set of required skills or qualities:

- proven leadership in large and complex organisations, with main board-level experience;
- experience of risk, performance and financial management;
- experience of leading major projects;
- an understanding of the key challenges faced by the public sector, particularly around the efficiency agenda;
- the ability to inspire confidence with a wide range of internal and external partners;
- sound judgement and a high level of integrity;
- genuine interest in contributing to the effective running of the department.

3.13 Departments often add further requirements, such as finance, HR, IT/digital, change management, communications, customer service, or other experience of particular relevance to the department's business. Skills in managing 'quality and safety' are noted as desirable in recent advertisements for NED roles in the Department of Health.[52] A 2016 advertisement for a NED vacancy in the Department for Education mentions 'we would particularly welcome applications from individuals who have experience in the field of children's services'.[53] And BEIS, as well as specifying 'proven leadership in large and complex organisations in the private (FTSE 250), public or voluntary sectors' (as other departments also specify), additionally seeks experience in 'small businesses and new business models'.[54]

Non-executives: the deal

3.14 The going rate for a non-executive board member, confirmed by recent advertisements, is £15,000 a year or £20,000 for a lead non-executive or committee chair (this is 'in line with the Bank of England's non-executive Directors of Court').[55] Descriptions of the time requirement vary. DExEU (October 2016) advertised '15-20 days' a year. DfE (July 2016) quoted 'approximately 24 days' for a lead non-executive while DH (March 2017) advised '2-

[50] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017), p6.
[51] Ibid.
[52] Department of Health advertisement for vacancies in three NEBM positions, (Centre for Public Appointments) [archived]. (2 March 2017).
[53] Department of Education advertisement for vacancy in NEBM position, (Centre for Public Appointments) [archived]. (June 2016).
[54] Department for Business, Energy and Industrial Strategy advertisement for vacancy in NEBM position, (Centre for Public Appointments) [archived].
[55] Cheshire, I., *The Government Lead Non-Executive's Annual Report 2015-16.* Cabinet Office (July 2016).

3 days a month', or 24-36 days a year. Non-executives report putting in more time in practice than is specified in advertisements: our survey showed that on average they contribute 45 days a year.

3.15 Non-executive board members are typically advertised as three-year appointments renewable by mutual agreement for three years – however, board members are not employees and their appointments may be terminated at any time. This has happened, for example, when the Department of Energy and Climate Change ceased to exist. More controversially, the non-executive team at the Ministry of Justice were all stood down in 2015 on the appointment of Michael Gove as secretary of state, because he wished to bring in his own team. In November 2017 the lead non-executive at DEFRA, Steve Holliday (former chief executive of National Grid) resigned after less than two years when Michael Gove reportedly asked him to work three days a week.[56]

3.16 Steve Holliday was not alone in leaving early: a quarter of NEDs leave after less than two years. This may reflect frustrations with the role; but in other cases it may be for wider reasons, such as taking on a new job which does not allow sufficient time, or which presents a conflict of interest. Figure 3.1 below shows the length of service of 62 NEDs in our database for whom we have start and end dates. It shows that the average period served is three years and five months, with a median of 40 months. On either side of this median are twin peaks, with half the number serving between one and 40 months, and half serving between 41 and 80 months. 20% of NEDs serve for more than five years, showing that it is relatively rare for them to last for two full three year terms.

Figure 3.1: Frequency chart representing length of service of 62 non-executives who served between 2010 and 2017
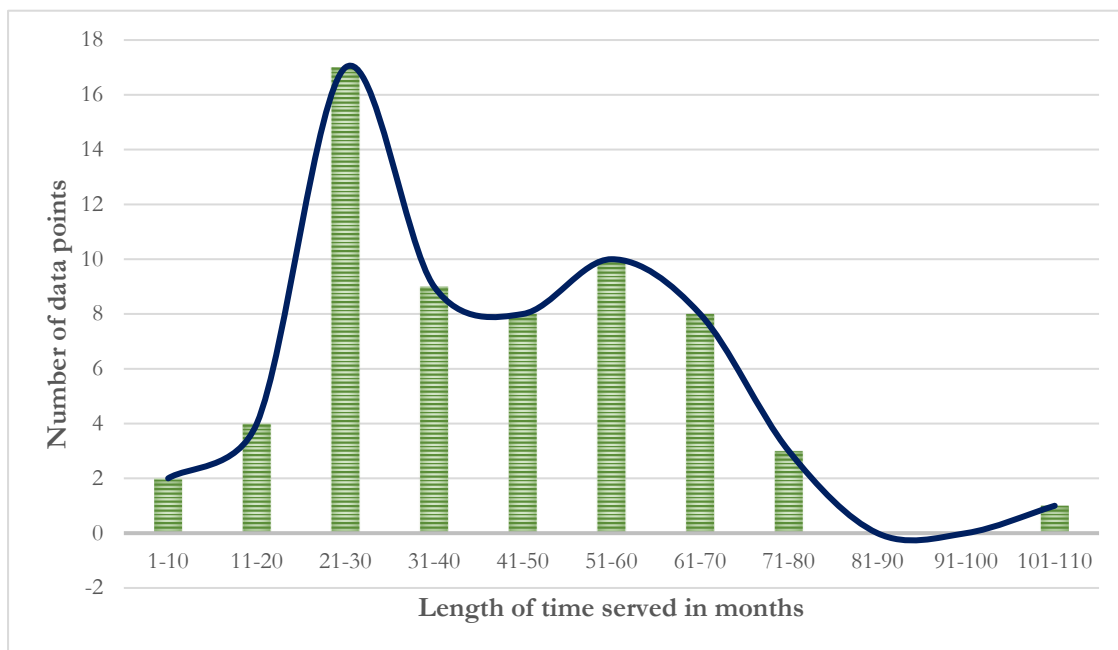
[56] Ashmore, J., 'Michael Gove under pressure after top DEFRA board member resigns over time demands', (Politics Home) [https://www.politicshome.com/news/uk/environment/news/90817/michael-gove-under-pressure-after-top-defra-board-member-resigns-over]. (November 2017).

3.17 There was a strong consensus that direct financial remuneration was of negligible significance in motivating applicants: 'they're definitely not in it for the money', declared one senior official. A minority of non-executives consider on principle that extra work should be remunerated; as one told us: 'when I was asked to do a couple of quite time-consuming things I refused to do it for my £15,000 and…I made them pay me about another eight or nine grand'.

3.18 A significant number of non-executives waive their fees or donate them to charity – 30% in 2015-16.[57] Of more importance to them than payment is the nature of the work, for example the prospect of regularly advising ministers about the running of the department's business.

> *The issues that people are dealing with are so incredibly interesting, massive scale and really impactful… Even if you make a relatively small contribution at the edges, you're contributing to something that's really worthwhile.* (Non-executive)

Appointment of non-executives: results

3.19 The government has been strikingly successful in obtaining interest from its avowed target group: 'senior people from the commercial private sector, with experience of managing complex organisations'.[58] A significant proportion of those appointed have had board experience, including as chair, chief executive or finance director, at some of the largest public sector companies – e.g. Vodafone, Morrisons, Barclays, EasyJet, BP, Siemens, Rolls Royce, GlaxoSmithKline. The success in appointing people of the high calibre sought has been acknowledged by David Cameron and by the Cabinet. [59;60]

3.20 Interviews confirmed the picture that departments are generally more than satisfied with the quality of applications:

> *They're a very high-powered group.* (Permanent secretary, of non-executives)

> *In other bits of the domestic public sector…I wasn't used to getting really big hitters wanting to do public sector non-exec jobs, but in [our department] we have that.* (Senior official)

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[57] Cheshire, I., *The Government Lead Non-Executive's Annual Report 2015-16*. Cabinet Office (July 2016).
[58] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice*. (April 2017).
[59] As quoted in Browne, J., *The Government Lead Non-Executive's Annual Report 2012-13*. Cabinet Office (June 2013).
[60] Cheshire, I., *The Government Lead Non-Executive's Annual Report 2015-16*. Cabinet Office (July 2016).

3.21 Despite wording advertisements to discourage those without first-rate qualifications, departments receive a high volume of applications. There have been instances where posts have remained unfilled, where departments with specific requirements have been careful in selection. A board secretary we interviewed said, of one NED vacancy, that 'when we did the advert, we had like 100 plus people apply…when we sat through them, their CVs didn't have what we needed, really'.

3.22 The background by sector of non-executive board members has been reported by the government lead non-executive, most recently in 2014-15. We also asked survey respondents about their backgrounds.

Figure 3.2: Career backgrounds by sector

Sector	Source		
	Cabinet Office 2012-13	Cabinet Office 2014-15	Constitution Unit Survey 2017
Government/not-for-profit	12%	6%	14%
Consumer/retail	8%	6%	6%
Energy/extractive industries	5%	3%	4%
Industrial, manufacturing, pharmaceuticals, transport & infrastructure	14%	5%	10%
Technology , communications, media and creative	14%	19%	20%
Professional services, legal, consulting, health and academia	22%	34%	26%
Financial services	25%	27%	20%

The predominance of those with a background in either financial or professional services observed in 2012-13 appears to have been maintained: although it should be noted that our survey is not a current snapshot, including as it does responses from former as well as current non-executives.

3.23 As noted in paragraph 1.25, we have also compiled a database of our own, based on publicly available data on 147 NEDs in post since 2010. An analysis of this data follows in the next five paragraphs. (For a fuller analysis, refer to Appendix B.)

3.24 There have been disproportionately more male NEDs (62%) than female. The government's aspiration that half of all public appointees should be women applies to non-executive board members. Of those in post in August 2017, 44% are women. Of those appointed in 2017, 64% are women. Government policy is that the board of any department should be diverse, with applications encouraged from 'candidates with the widest range of backgrounds'. Of the current 18 lead NEDs, five are women.

3.25 Based on the available data on 122 NEDs, the average age at time of appointment is 58 years. This is unsurprising given the experience that NEDs typically need in order to have the requisite qualifications for the job. The youngest was aged 34 when appointed; two were 36. Yet this relative youth is atypical. Only seven have been younger than 48 and most have been 58 or older when appointed; the oldest was 78.

3.26 28 (54%) of the 52 NEDs for whom we have data on their UK secondary schooling went to fee-paying schools, a marked divergence from the wider population, for whom the figure has typically hovered around 7%. Of the 24 NEDs we know went to state-funded secondary schools, 63% went to grammar schools. This figure is also disproportionately large: even in 1947, when the numbers of school children in grammar schools were at their highest, the percentage of children attending state-funded grammars did not exceed 38%.

3.27 We have data on UK undergraduate study for 109 NEDs. Of those for whom we have data, 42% read for undergraduate degrees at Oxford or Cambridge, and a further 33% were admitted to other Russell Group universities. The only comparative data set – a 2012 DfE publication of university destinations of UK school leavers – shows that, of those who went to university, around 2% were admitted to Oxbridge, with a further 15% admitted to other universities in the Russell Group. The rate of participation in higher education has increased from 3.4% in 1950, 8.4% in 1970, 19.3% in 1990 and 33% in 2000 to 48% in 2015. [61;62] This tells us that at the time when most NEDs would have been leaving school, going to university at all was still relatively unusual.

3.28 The employment sectors into which the NEDs have been divided according to the Cabinet Office data, shown in Figure 3.2, give a good idea of the kinds of company NEDs have worked in, but give less of an indication as to what their careers have involved. 82% of NEDs have a background in what we can call Business, Commerce and Financial Services (BCFS), as either a primary or secondary professional area. The next most represented area is Politics and Policy, with 16 instances (11%) among the NEDs. Third Sector work constitutes the next, with five instances (3%). So no professional area comes close to appearing with the frequency of BCFS. This is hardly unexpected, given the government's stated aim of recruiting people predominantly from the commercial private sector. The difficulty with being more specific about the area of BCFS is that we find a high degree of mobility in many of the NEDs' careers: many move freely from roles that might typically be understood as 'financial', to 'consumer' or 'manufacturing' roles. These NEDs have developed careers in appraising and managing the running of a company (chiefly in the private sector). These skills are transferable across the sectors grouped separately in the Cabinet Office data, under, say, 'consumer', 'professional services' or 'financial services', disguising a relative homogeneity in the kind of function being performed. So, a natural

[61] Dearing, R. et al., *National Committee of Inquiry into Higher Education, Report 6: Widening participation in higher education for students from lower socio-economic groups and students with disabilities.* Her Majesty's Stationery Office (1997).
[62] *Participation Rates in Higher Education: Academic Years 2006/2007-2014/2015 (Provisional).* Department for Education (2016).

career progression might be from a managing or auditing role (in HR or accounting, say), to director or head of department, to senior board member, to chief executive or chair of the board.

Induction

3.29 Once appointed, non-executives undergo an induction process. Views on the importance of this vary: around 20% of non-executives felt that it was vital, while around 40% did not rate it as important (while acknowledging it to be useful). Designing a standard process is a challenge. The need for a tailored approach is generally recognised, but the extent to which this is successful varies. Some non-executives were greatly appreciative of departmental efforts. Others flagged poor induction as a significant handicap: 'induction processes are particularly weak – very poor compared to private sector boards', one said.

3.30 Non-executives can expect to receive an extensive pack of documents including the corporate governance code, the Code of Conduct, the board operating framework, recent minutes, the departmental plan and performance information. Introductory meetings with senior officials and the government lead non-executive are also standard. Good practice guidance does not, however, refer to meeting ministers. The Cabinet Office facilitate contact with an established non-executive from another department to provide advice and support.

Issues: diversity

3.31 Before 2010, government was already able to attract a range of impressive people to act as non-executive board members. Since the advent of ministerially-chaired boards, quality has if anything improved. Recruitment is therefore highly successful, and the duties described in job descriptions are attractive. Any changes should take care not to disturb a system that is achieving its primary goal.

3.32 But there may be scope to do more. Several non-executives said that they had come to be applicants essentially by chance. In some cases, they were simply unaware of the opportunities; in others, they had misconceptions about the role or the public sector more widely. Such factors may be particularly prevalent among groups that are under-represented in comparison to the general population.

3.33 Diversity matters for three reasons. The first is the risk of groupthink: professional groups who share similar backgrounds need to be challenged by outsiders from similar backgrounds who will bring a different perspective. The second is simply fairness and equal opportunity: both in actuality and in public perception it is important to avoid non-executive appointments being a closed shop, open only to those with the right connections. The third

reason is the need for role models, to encourage those from under-represented groups to apply.

3.34 The pool of candidates is populated in part through networking. It would clearly be counter-productive to penalise candidates, simply on the grounds that they may be known to ministers, senior officials or current NEDs. But some backgrounds tend to dominate.

> *I just wonder if we've got enough people that are bringing this cutting edge knowledge…the people that want to do it are from equivalent traditional industry…these are people who are comfortable with bureaucracy and regulations.* (Senior official)

3.35 Once in office, non-executives should, as part of their role, be challenging their departments to draw on a wide breadth of perspectives and to champion systems to achieve that. An active and imaginative outreach to identify and persuade qualified individuals with the target profile to put their names forward is required. In order to widen the potential field of candidates, each vacancy could be reviewed to consider whether qualifications which might typically be considered important are in fact necessary in the case in question.

Issues: tenure

3.36 Non-executives and officials generally agreed that a minimum time was needed in post before an individual started to make a full contribution. Several said it took at least a year; but interviewees mentioned periods between three months and two years. The factors affecting this included quality of induction, extent of previous public sector experience, prior exposure to the business of the department in question and the complexity of that business. This points to a relatively lengthy tenure in order to exploit learning to the full, and provide continuity of board membership. Ministers, senior officials and board secretaries all tend to change posts frequently: some NEDs said they found themselves providing the institutional memory.

3.37 Both officials and non-executives agreed that the current policy of a three-year term, renewable once, was about right. But in practice the average period served by NEDs is just over three years (see paragraph 3.6): many do not serve a second term. With half of all NEDs serving less than 40 months, they will have to get up to speed unusually fast to make an impact before they leave.

3.38 Another reason for early departure is abolition or merger of the department, or dismissal by the secretary of state. Fortunately no ministers have followed the example of Michael Gove, in his wholesale clearout of non-executives at the MoJ; he did not repeat the exercise when he became secretary of state at DEFRA. it is undesirable for it to become standard practice

for a non-executive appointment to terminate on a change of secretary of state; ministers should be discouraged from changing their non-executives, and where a change is sought, avoid changing the whole non-executive team at once.

Conclusions

3.39 All non-executive board positions are now openly advertised, but most of those eventually appointed had been approached and encouraged to apply. Ministers formally appoint, but with the permanent secretary having an effective veto. Appointment is for a three-year term, renewable once. The advertised time requirement varies between departments, from 15 to 35 days a year, and the annual remuneration is £15,000, or £20,000 for lead non-execs and committee chairs. Most non-executives put in more time than this, and, as one official phrased it, 'they're definitely not in it for the money'.

3.40 Most non-executives are coming towards the end of their careers, with an average age on appointment of 58. Half of them were privately educated (of those for whom we have data), almost half Oxbridge educated, and three quarters at Russell Group universities. 80% come from careers in business, finance and commerce. Just over 60% have been men, but of those in post in late 2017, 44% are women.

4.0 The Role and Impact of NEDs: what difference do they make?

The governance Code…made it pretty clear that non-executives were, when you boil down all the words, effectively advisory and they worked, in effect, at the grace and favour – maybe that is too strong a word – of the secretary of state of each department. (Lord Browne, Public Administration Select Committee, 'Truth to Power', 2013)

There is often quite a disconnect between the rhetoric of governance and the actuality, so NEDs need to be extraordinarily tolerant of ambiguity and modest in their expectations of their impact. Don't expect to have more than a very marginal impact on the effectiveness of central government. (Departmental non-executive board member, in response to Constitution Unit survey, 2017)

Introduction

4.1   As noted in chapter one, the current system of secretaries of state chairing departmental boards made up of ministers, senior officials and non-executives owes most to changes initiated by Francis Maude when Cabinet Office minister. In *The Guardian* in December 2012 Maude described the role he envisaged for non-executives in government, made claims for what the new system had already achieved, and indicated further lines of development.[63] Maude was clear what NEDs were, and were not, meant to do:

> *…non-executive directors are not there to set government policy, but to drive value for money for taxpayers, advise on operational performance and the effective management of the department, and challenge officials to implement ministers' policy decisions effectively.*

4.2   As for impact, Maude suggested that NEDs and boards had 'already begun to fundamentally transform the way government operates', and that with their help 'we have started to turn Whitehall into a leaner, more efficient machine'. Looking to the future Maude wrote:

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[63] Maude, F., 'Francis Maude: non-executive directors are "making a significant splash"', (The Guardian) [https://www.theguardian.com/public-leaders-network/2012/dec/14/francis-maude-neds-significant-splash]. (14 December 2012).

We are determined that government will continue to harness the expertise of these non-executives. The lessons learned from them should not just be cultivated by senior leaders, but should become embedded in the heart of the organisation in all departments and at all grades.

4.3   In this chapter we describe NEDs' and departmental boards' formal role; report on the views of the government lead non-executive on the impact and effectiveness of the system; consider departments' accounts of what their NEDs and boards have achieved; and from interviews, our survey and other research assess NEDs' use and impact in practice in government departments. We draw on all this to assess how well Maude's statements of achievement and aspiration stand up five years on. The chapter's final section considers if there are risks inherent in the system, and if so what has been and might be done to mitigate them.

The formal role of NEDs and boards in government departments

4.4   Back in 2011, the Institute for Government wrote that:

…the role of these [departmental] boards is often poorly defined. From this central problem springs a number of issues adversely affecting board performance including: poor engagement between the board and ministers; a lack of challenge in board discussions; misallocation of board time and focus; ineffective use of NEDs; and opaque accountability arrangements.[64]

The question to be pursued is whether the role of boards is now better defined – and if not, whether this actually matters.

4.5   The roles and responsibilities of boards and NEDs in government departments are very different from those of their counterparts in the private and charity sectors; the core of the difference is accountability. In the Comptroller and Auditor General's 2016 report *Accountability to parliament for taxpayers' money*, departmental boards and NEDs merit not a single mention. Accountability in government departments does not rest with the board but is shared between the secretary of state and the permanent secretary. The relevance of the permanent secretary's role, and the consequent differences between departmental and private sector boards, was described by Levitt and Solesbury:

As the permanent secretary individually, rather than the board collectively, is responsible to the Treasury and to parliament for the conduct of the department and its spending of public money, the boards of Whitehall departments necessarily have an advisory remit. Private sector company boards are decision

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[64] McClory, J., Quinlan, V. & Gruhn, Z., *All Aboard?: Whitehall's New Challenge Governance – Summary Document.* Institute for Government (2011), p2.

making, not purely advisory bodies…Their NEDs have formal, specified statutory responsibilities for protecting shareholders' interests…[65]

4.6   At the core of Maude's reforms was his belief that 'it is only by combining the best of business with the talent of the Civil Service that we can together achieve lasting reform'.[66] Perhaps as a consequence, the government, while in principle acknowledging the differences, has tended to use terms more suited to the private sector when describing what departmental boards are and do.

4.7   An example comes in a key formal document, the Cabinet Office's *Corporate governance in central government departments: Code of Good Practice*. It specifies that among the purposes of boards and NEDs are to 'support', 'influence', 'scrutinise', 'challenge', 'advise', 'supervise', 'review' and 'provide guidance'. The word 'supervise' stands out; alone in the list, it has implications of management and control – in a word, authority. The Code explains that departmental boards 'are supervisory in the sense that they scrutinise reporting from the department on performance, and challenge the department on how well it is achieving its objectives'. But an essential element of a supervisory board, according to all usual definitions, is that it has power over at least some aspects of management decision-making. Such boards are distinguished from advisory boards, which as their name implies offer expert advice but lack decision-making power. In practice departmental boards are advisory, and their non-executive members are not 'directors' in any usual sense. By importing and misusing language from the private sector the Code rather muddies the waters.

4.8   Another way to determine the role of NEDs is to examine their areas of focus. The corporate governance Code sets out five of these: strategic clarity, commercial sense, talented people, results focus and management information. This is the Code's definition of 'commercial sense':

> *…approving the distribution of responsibilities; advising on sign-off of large operational projects or programmes; ensuring sound financial management; scrutinising the allocation of financial and human resources to achieve the plan; ensuring organisational design supports attaining strategic objectives; setting the department's risk appetite and ensuring controls are in place to manage risk; evaluation of the board and its members, and succession planning.*

These are practices which any complex organisation, public, private or voluntary sector, should follow. The Code does not clarify what is 'commercial' about them.

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[65] Levitt, R. & Solesbury W., *Evidence-informed policy: what difference do outsiders in Whitehall make?* ESRC UK Centre for Evidence Based Policy and Practice (2005).
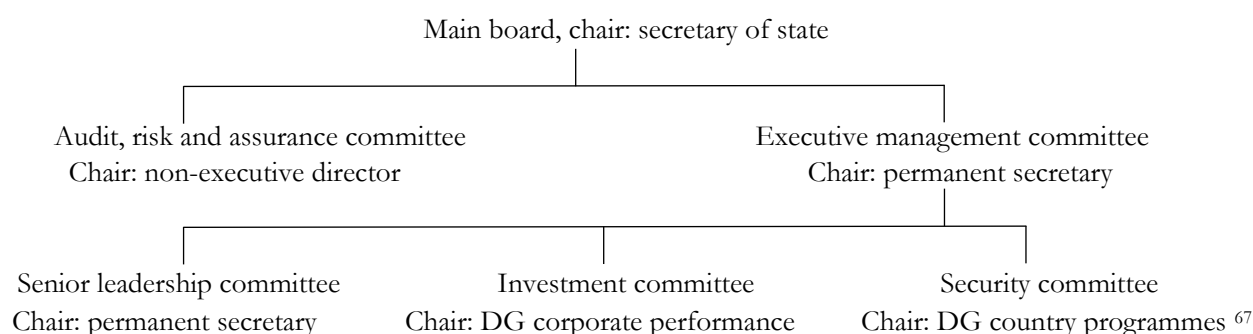
[66] Maude, F., 'Francis Maude: non-executive directors are "making a significant splash"', (The Guardian) [https://www.theguardian.com/public-leaders-network/2012/dec/14/francis-maude-neds-significant-splash]. (14 December 2012).

4.9 The government lead non-executive, Sir Ian Cheshire, has also set out in his annual report five priority areas for departmental boards to focus on: talent, business planning, arm's length bodies, major projects and risk management. These have evolved over time, and indeed represent a development of those identified by his predecessor, Lord Browne. While they overlap with the Cabinet Office's priorities, they are by no means identical.

4.10 It would, however, be wrong to conclude that boards have no role in departmental governance or that NEDs are simply external advisers with a fancy name. We consider below how boards in practice can and sometimes do contribute to governance. But there are two formal respects in which their role goes beyond that of a panel of external advisers.

4.11 The first is due to the very structure of a departmental board – a forum which includes both the ministerial team and the department's senior officials and which is intended to meet regularly and reasonably frequently. A typical board structure for a Whitehall department is set out below. This board model gives NEDs opportunities to influence business which would be far more difficult for other external advisers, both when policies and projects are being developed and when monitoring and feedback are needed in the implementation phase. Sir Ian Cheshire's *Best Practice Summary Guide* reminded boards and NEDs that they should 'act as a unified group to ensure departmental priorities are clear, adequately resourced and tested for deliverability'. This includes debating and approving the single departmental plan, with realistic implementation plans, and clear resources set against desired results. Whether boards have achieved these best practice standards depends on factors discussed in the next chapter.

Figure 4.1: Department for International Development departmental board structure

Main board, chair: secretary of state

Audit, risk and assurance committee
Chair: non-executive director

Executive management committee
Chair: permanent secretary

Senior leadership committee
Chair: permanent secretary

Investment committee
Chair: DG corporate performance

Security committee
Chair: DG country programmes [67]

4.12 The second is a provision of the corporate governance Code tougher and more tangible than the rest: where they consider that the permanent secretary is an obstacle to effective delivery, as a last resort NEDs may recommend his/her removal. Lord Browne, when

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[67] Department for International Development, *Annual Report and Accounts 2016 to 2017*. Cabinet Office (July 2017).

government lead non-executive, described the power as 'this nuclear weapon'.[68] For the Public Accounts Committee it was a matter of real concern. In 2011 its chair, Margaret Hodge, wrote to the Treasury permanent secretary, Sir Nicholas Macpherson: 'In our view, the new power of non-executives to recommend the dismissal of accounting officers could undermine the position of accounting officers by making them more reluctant to challenge decisions which in their view are not value for money or not feasible'.[69] The issue is considered further at paragraphs 4.53-4.54 below.

NEDs' role and impact in practice: (i) views of the government lead non-executive in 2012, 2013 and 2017

4.13 In July 2012 Lord Browne gave evidence to the Public Administration Select Committee as government lead non-executive. His initial exchange with the Committee chair, Bernard Jenkin MP, ran:

> *Q: How satisfied are you with the contribution being made by lead non-executive directors to departmental boards? Perhaps you could put it on a scale of one to ten?*
>
> *A: Sure. I think I would put it on the scale of one to ten at about two, because I think one has to be realistic about expectations in starting up something very different, with a cadre of people who have just come in to do a job. My expectations were low and that we would probably be 20% through the programme in the first year or so… The following years would be the real test to see whether value was being added…*[70]

4.14 At Browne's next appearance, in February 2013, the session began:

> *Q: You will recall that you gave the non-executive directors two out of ten last time we saw you – a few months ago. Are you ready to revise the score yet?*
>
> *A: Yes, I am… I would give it four to five on the basis of anecdote and experience.*[71]

4.15 Browne was clear about government NEDs' lack of 'hard' power. His statement about this in his 2013 evidence is quoted at the head of this chapter, and in his 2012 evidence he listed NEDs' only three formal methods of influence: to resign, to write critically in the departmental annual report, and to launch the 'nuclear weapon' of recommending the

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[68] House of Commons Public Administration Select Committee, *Government Lead Non-Executive Annual Report 2011-12 – Minutes of evidence.* (10 July 2012), Q12.

[69] House of Commons Public Accounts Committee, *Accountability for public money.* (March 2011), Annex 1.

[70] House of Commons Public Administration Select Committee, *Government Lead Non-Executive Annual Report 2011-12 – Minutes of evidence.* (10 July 2012), Q2.

[71] House of Commons Public Administration Select Committee, *Truth to Power – Minutes of evidence.* (12 February 2013), Q260.

permanent secretary's removal. He was equally clear about the scale of the problems in departments and thus the scale of the task facing new NEDs. In his 2012 evidence he cited, among other problems, that departments tended to have far too many priorities, that they failed to measure where things were and were going, that option appraisal was often primitive, and that there was often no clear link between officials' success and career progression. But he was optimistic that NEDs would be effective, and did not see their lack of hard power as a crucial impediment. He pointed out that in practice private sector boards operate far more by influence than by exercising their legal powers; he argued that departmental boards could operate similarly.

4.16 Browne also saw departmental NEDs, and the lead NED in particular, as a bridge between secretary of state and permanent secretary, and as a sounding board for both. A challenge by Jenkin led to this exchange:

> *Q: Can you give an example where the non-executive directors have challenged and created a process or a procedure, or achieved value where it would not otherwise have been achieved?*
>
> *A: The biggest single example is the management information needed to look at how things are going, in departments and across departments.*
>
> *Q: Why do you think the Civil Service is incapable of doing that for itself?*
>
> *A: All I know is that the information did not exist…*
>
> *Q: It is the non-operational culture.*
>
> *A: Absolutely.*
>
> *Q: You think that non-executives, and lead non-executives in particular, can contribute to addressing that?*
>
> *A: I really do think that is changing.*[72]

4.17 In his evidence, Browne also noted that the system had benefits for NEDs themselves. He contrasted the situation of business people simply having a meeting with the prime minister with that of NEDS, who

> *…get with the permanent secretary, the directors-general, the junior ministers, the secretary of state… You do not see everything, but you see quite a lot, and you learn much more. You understand constraints and you understand the language.*[73]

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[72] House of Commons Public Administration Select Committee, *Government Lead Non-Executive Annual Report 2011-12 – Minutes of evidence.* (10 July 2012), Q70-74.
[73] Ibid. Q85.

He concluded that 'we have achieved 60 people who are very different from the 60 people who might otherwise go to meetings with the prime minister'. This is no doubt the case. It is less clear whether it is a major benefit or a by-product of the board/NED system. If the former, it is arguable that more people from outside government should have such opportunities. A system where NEDs serve for several years and which aims for continuity works against the aim of exposing leaders from other sectors to the inner workings of government.

4.18 We asked the current lead non-executive, Sir Ian Cheshire, for an updated assessment of the one to ten scale of NEDs' effectiveness. He made three main points. First, to assign an average mark was now not useful, given the spread of effectiveness. In his view this ranged from three or four out of ten in some departments to seven or even eight in others. Second, a lack of real prioritisation within departments is still a key limitation on a board's effectiveness – and on the department's overall effectiveness. Third, crucial to board effectiveness is some measure of stability. Generally speaking, this condition had applied between 2010 and 2015, but not since, given the campaigns and the aftermath of two elections and the referendum. With new secretaries of state, new departments and new priorities, board effectiveness had inevitably suffered; but that the system was still in relatively good shape was a tribute to the robustness of the model and the commitment of those who operated it.

NEDs' role and impact in practice: (ii) what departmental reports tell us

4.19 To understand better boards' role and impact, we turned to departments' accounts of their board's activities. In general, it was rather dispiriting. To put it neutrally, all too often they discuss activity more than achievement. Thus they may note the main subjects discussed at board meetings, list visits undertaken by NEDs, suggest (with little attempt to justify the claim) that the board maintained or enhanced its effectiveness, and make frequent use of such words and phrases as 'challenge', 'support' and 'critical friend'. But they rarely seek to establish a causal or other link between the work of NEDs and the board on the one hand and improvements within the department on the other.

4.20 But among the exceptions are the annual reports of two of the departments where we concentrated our work, each of which hints at a model of what a departmental board might achieve. 2016-17 was the first year of the Department for Business, Energy and Industrial Strategy (BEIS). Its first departmental board meeting took place only in December 2016, its lead non-executive having been appointed in October. His report too is stronger on what the board did than on its impact and achievement. But surprisingly, given that the board is so new, both his report and supporting material in the annual report are far more informative than is the case with most departments.

4.21 While neutral terms such as challenge, support and overseeing delivery do feature, the BEIS lead non-executive also notes that the board 'played a key role in shaping transformation plans'. And the BEIS annual report, unusually, provides a table of key areas discussed by the board (such as the department's approach to leaving the EU and the industrial strategy Green Paper), action proposed by the board in the discussion, and progress since. This suggests that BEIS, while recognising the board's advisory role, is taking that role seriously and making the most of it. This was confirmed in our interviews in BEIS, with officials and with the non-executives. Given the brief period covered by the report and the fact that the board was so newly established, the 'action' column is understandably rather thin. But the approach is commendable, and is one which other departments might usefully follow.

4.22 The Ministry of Defence (MoD) annual report describes its Defence Board (the equivalent of its departmental board) as 'the main decision-making forum for non-operational matters'. Given the lack of accountability of its non-executive members, it is hard to see how this can be so. But it is an indication of how seriously the board structure is treated within MoD, as is the fact that, unusually among Whitehall departments, the MoD board meets monthly. This makes it all the more remarkable that attendance by the secretary of state and all four NEDs (but by no other board member) was 100%. The MoD was alone in Whitehall in holding monthly board meetings; but when Liam Fox transferred to become secretary of state in the new Department for International Trade in July 2016 he took the practice with him, so there are now two departments which hold monthly board meetings.

4.23 In brief, the MoD board is treated – by secretary of state, permanent secretary and NEDs – as integral to MoD's governance. This is reflected in the lead non-executive's report. Unlike most others, it is written not from the standpoint of a 'critical friend' but from that of a departmental insider. In it, he compares the board with others within and beyond Whitehall, concluding that it 'continues to be, in my opinion, one of the most effective departmental boards in Whitehall, and operates to an equivalent standard to some of the best boards in the private sector'. To see the Defence Board as having a role similar to that of a private sector board may be a fiction; but if all members of the board buy into it then it can become a credible and useful fiction.

4.24 These two models suggest alternative ways in which the potential of departmental boards might be realised. Both require sustained effort by all the board's elements, from secretary of state to board secretariat. It seems that MoD and BEIS consider this effort worthwhile.

NEDs' role and impact in practice: (iii) findings from our survey

4.25 We now consider findings about the role and impact of NEDs from our survey across government.

Time commitment: activities

4.26 There is no standard time commitment for NEDs across or even within government departments. The survey suggests a very wide range. The mean was 3.73 days a month – a little under a day a week. But individual responses ranged from one to twelve days a month – the latter amounting to nearly three days a week. As to time allocation, respondents reported spending only around a quarter of this, on average, preparing for or attending board meetings, with a further quarter spent on meetings of board committees. (NEDs who chair departmental audit committees spend a high proportion of their time on this.) The other half of their time is spent on a range of matters including project work within departments, providing one-to-one advice to senior officials and some cross-departmental work.

Time commitment – areas of focus

4.27 Survey respondents were asked which of the Cabinet Office's five priority areas (see paragraph 4.9) they spent most time on. Commercial sense received most mentions, with strategic clarity some way behind, results focus and talented people together as joint third and management information a long way behind the rest.

NEDs' view of their impact

4.28 As to NEDs' views of their areas of impact, the pattern was similar, with commercial sense receiving most mentions and management information fewest. But in one area there was a mismatch between time spent and perceived impact. NEDs reported spending much time on results focus – work on the departmental plan, and steering performance against it – but considered this far less significant in terms of impact. This seems to be a significant finding, and is borne out by our literature survey and our interviews with NEDs, ministers, senior officials and others. Much of the Cabinet Office's other four priority areas – strategic clarity, commercial sense, talented people, and management information – deals with culture and other matters inherently difficult to quantify. Results focus, by contrast, is harder-edged, more readily quantifiable, and an area where it is easier to recognise impact or lack of it. Our evidence strongly suggests that the impact of NEDs has been mainly in less tangible areas, and that it is difficult to identify clear, substantive and measurable respects in which departments have been improved through the work of their boards or individual NEDs. If it were easier to do so, no doubt departmental annual reports would have provided details; as discussed in paragraph 4.19 above, this is generally not the case.

4.29 Comments made by NEDs in response to our survey bear this out:

> *I feel that the most valuable role I play is as a sounding board for senior civil servants.*

When I have the most impact (I believe) is when I am working with the DGs [Directors-General] or the PS [permanent secretary] on specific areas around talent, helping them understand what others are doing and enhancing their approach to areas like performance management, reward strategy, employee engagement, inclusion & diversity…

Requiring ministers and officials to debate issues raised in prepared papers, and doing it in a way that would have been less constructive had engaged outsiders not been present.

My main aim was to try and lift the horizon beyond the detail and focus on why they were doing and how the different constituent parts fit into a coherent whole and narrative…

And one respondent explicitly addressed the difficulty NEDs often face in having a tangible impact: 'I chaired Audit Committee where my role was easily defined and as a result it was easier to add demonstrable value'.

4.30 This is not necessarily a negative finding. Most of our 55 respondents were generally positive about their impact as NEDs. Around half – 26 – perhaps hedged their bets by choosing the middle category, 'effective in part'; but of the rest 19 considered themselves 'Substantially effective' and one 'Totally effective', while only two each chose the clearly negative categories of 'Marginally effective' and 'Ineffective'. But these generally positive findings perhaps obscure two major elements of the responses.

4.31 The first is the view that many boards have so far failed to achieve their potential. Many NEDs believe that the department has not taken full advantage of their abilities and experience; some consider that the department doesn't know how to make good use of its NEDs; and for a few, the board represents little more than the secretary of state, senior officials or both just going through the motions. These issues are discussed further in chapter five, on factors necessary for the NED/departmental board system to succeed.

4.32 The second is the view expressed by some that their board's focus is unhelpfully narrow. NEDs' role and the board's activities could be broader, and the department should recognise the depth of NEDs' commitment, experience and expertise and frame the board's work accordingly. They accept that the board does not formulate policy, but, as one put it, 'you are there to make sure that policy is properly thought through before the organisation jumps straight to the implementation phase. Too often that step is skipped both by boards and departments'. As to breadth of role, one NED wrote that

the NEDs should have more of a role in ensuring that the actions taken within the department accord with our values and protect our reputation. At the moment we seem to be more focussed on performance than on reputation and role in society.

And as to the issue of commitment, another wrote: 'I currently feel that the powers I have as a government non-executive are not equal to my sense of responsibility for the actions of my department'.

4.33 A further strong theme of the survey responses is that NEDs' most important contributions are made not at departmental board meetings, which are seen as of variable quality and at worst as empty occasions. They have greater impact in one to one dealings with senior officials, contributions to project work within the department and (less commonly) in cross-departmental forums. This theme emerges more clearly from our interviews, discussed below.

4.34 We should emphasise that most survey comments were broadly positive. But responses of the types noted here were too numerous to be dismissed. They suggest strongly that a more imaginative and committed use of NEDs by departments would increase the impact of the board system to the benefit of departments. This was summed up well by one respondent: 'I think the concept of NEDs on departmental boards is a good one, but under-developed. At the moment, at best, I think they are stuck in second gear'. The corollary to this view is that new NEDs must not overestimate their potential effect. As another respondent wrote:

> *There is often quite a disconnect between the rhetoric of governance and the actuality, so NEDs need to be extraordinarily tolerant of ambiguity and modest in their expectations of their impact. Don't expect to have more than a very marginal impact on the effectiveness of central government.*

4.35 Despite this, there was no strong wish expressed in the survey or in interviews for NEDs to have greater powers. The general view was that making the present system achieve its current potential was more important than giving NEDs or boards an enhanced role.

NEDs' role and impact in practice: (iv) findings from interviews and the private seminar

4.36 Thus the survey revealed a generally positive view of NEDs and the departmental board system and a belief that they have been a force for good within departments, though with less formal interactions generally being of more value than board meetings. NEDs consistently emphasised in our interviews too that 'the value is not really at the board'. But coupled with this were concerns that the system has not achieved its potential and that departments were in some cases uncommitted or at least too timid in their use of NEDs, and an absence of specific examples of NEDs or boards having made a tangible difference. In our interviews with NEDs, government ministers, permanent secretaries and others, and at the seminar to discuss our emerging findings, a similar picture emerged.

In many cases there is little engagement with the board. The problem is that ministers just don't know what to do with them – it is less that they actively dislike the idea of boards and more that they have yet to experience their value.

4.37 It is possible to generalise the views of senior civil servants on NEDs and the board system, though as with all generalisations, there are exceptions; and the specific quotes are rather more trenchant than the norm. Many reported how helpful their NEDs were to them personally, in the capacity of mentor or sounding board – 'just kind of wise and listening' – or working on individual projects. In more formal roles, NEDs' chairing and membership of departmental audit and risk committees was praised – 'the most useful part of formal governance of any sort'. But as for the board itself, officials acknowledge 'it's entirely useless as a structure'.

4.38 Our interviews on the subject of departmental board meetings suggest that their lack of real substance may have a structural cause unique to them. For private sector or charity boards the chair is first among equals, among whose roles is to seek consensus which all members will stand behind and for which the board will be collectively accountable. In a departmental board officials and NEDs offer advice but the secretary of state is clearly in the lead, albeit sharing accountability with the permanent secretary as accounting officer.

I've sat on corporate boards for nearly 20 years. This has no resemblance whatsoever to that; plainly it can only be a fiction that the departmental board looks anything like a company or charity board, for obvious reasons about where accountability sits.

It is quite understandable that this should be a point of frustration for some NEDs:

It's very hard, I think, for a non-executive director still to have all that weight but without any of the accountability and the authority that comes with the legal position that they have on ordinary corporate boards.

4.39 One of our senior civil servant interviewees suggested that there was an inherent flaw in a model where secretaries of state chair a board concerned with departmental governance: this was simply not high on politicians' agenda. A secretary of state's lack of interest in such matters would communicate itself to the NEDs, and meetings would become ever briefer, less well attended and less worthwhile.

4.40 One of our NED interviewees suggested that even where matters of policy significance were being discussed, however strongly he disagreed with a course of action proposed by officials to ministers he would not feel able to express this more explicitly than by withholding formal agreement to officials' advice:

> *They wanted my name, as chair of the Committee, on this submission to say that 'the chair of the Committee has read the submission and agrees with it'. So I said 'I'm not willing to put my name to it'.*

In his view there was something inherently deferential in the NED role at board meetings – a view shared by some of our Civil Service interviewees, who expressed disappointment at the apparent lack of willingness of NEDs to intervene on issues of deliverability or propriety. The experience of one senior civil servant was that NEDs tend to be less timid when ministers are not present – one, but only one, of the reasons why the audit and risk committee tends to be more effective than the departmental board itself. One reason for there being less willingness to make more positive contributions on deliverability or propriety during board meetings may have to do with a hesitancy about where the line between policy and delivery is drawn, with NEDs often reluctant to overstep the mark.

> *There's almost a paradox with the departmental board – the more effective the board might be in actually shaping policy, the more it potentially strays into quite difficult areas of accountability. It's good if you feel you're getting stuff done, but then you think: 'well, actually, what's my right to influence these things?'*

4.41 On the other hand, Sir Ian Cheshire suggested to us that while board meetings may not often be occasions for making real progress on issues of substance, they are an essential part of the 'architecture' of the NED system: they are what gives NEDs their legitimacy as board members and distinguishes them from external advisers and consultants.

4.42 This discussion on the respective roles of ministers, civil servants and NEDs has wider implications for the conduct of government business. First, it is natural to examine major failed government projects and to conclude, as Francis Maude did in his *Guardian* article, that the way the government operates needed to be transformed. His solution was to import high quality advice from private sector leaders. But the problem may be less poor quality advice and more a structural weakness within departments – an inability truly to learn and *implement* lessons from past failures, however many 'lessons learnt' exercises are conducted.[74] That so many internal and external investigations into major government projects come up with very similar conclusions suggests that this may be the case. If so, it indicates a deep-seated problem which the board structure may clarify but is unlikely to relieve significantly.

4.43 Second, there is a linked piece of current orthodoxy which Francis Maude accepted in his 2012 article: that NEDs' role is not to set or even to debate policy, but to drive implementation. This is both true and questionable. It is true that NEDs are unaccountable to parliament and the electorate, so cannot be responsible for policy formulation; it is questionable in assuming a clear divide between policy and implementation. Maude himself

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[74] King, A. & Crewe, I., *The Blunders of our Governments.* OneWorld Books (2013).

questioned this in evidence to the Public Accounts Committee in 2011, arguing that 'there isn't a separation, there's a continuum between policy and delivery'.[75]

4.44 Policy formulated without a hard-headed appreciation of how to deliver it will be flawed policy. And the idea that independent, rigorous and expert policy challenge by NEDs is somehow inappropriate may help explain why so many projects which looked good in theory have disappointed their framers in practice. Several interviewees argued that adherence to the doctrine that policy is not a matter for the departmental board has frustrated the NEDs, wasted a valuable resource and contributed to poor decision-making. And our evidence suggests strongly that boards are most effective when they ignore this artificial split between policy and implementation.

> *I think it's a classification error. There isn't a distinction between policy and execution. There's absolutely no point in having wonderful policies that can't be executed, and there's no point in executing daft policies. They are actually part of a unitary set of decisions that needs to be taken, and I still think the system is miles away from getting to that.* (Non-executive)

4.45 Third, and related to this, we heard of cases where NEDs had made important points at a board meeting about the delivery of complex programmes which the civil servants present simply hadn't considered. This indeed shows the value of the board system. But it suggests just as clearly serious weaknesses in how such programmes are put together: that not just on the board but in programme teams there is a damaging barrier erected between policy and delivery, with the former regarded as primary, the latter as secondary and the two as separate specialisms.

4.46 Finally, some interviewees suggested that given their independence and lack of a day-to-day working relationship with ministers, NEDs are freer than departmental officials to offer unpalatable advice. As a senior civil servant put it, 'NEDs have the advantage that they can make a decision because they think it's the right one, not because they are worried about what they will be asked before a Select Committee'. This would indeed constitute a significant benefit. But if the ability to 'speak truth to power' is among the benefits of NEDs and boards, this suggests a still deeper structural problem within government. As one of our interviewees said: 'I think it's an admission of a fundamental failure on the part of the Westminster model, if you say you need non-executives to bridge the gap between ministers and civil servants'. If so, the board/NED system is treating a symptom of this failure but leaving the cause untouched.

4.47 But in general even interviewees sceptical of the value of the departmental board itself were more positive about the impact of NEDs at levels below this. NEDs' role as chair and

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[75] House of Commons Public Accounts Committee, *Accountability for public money – Minutes of evidence.* (19 January 2011), Q3.

members of departmental audit and risk committees was highlighted, as was their contribution to nominations and remuneration committees and to performance boards or sub-committees. The features common to all these examples, features perhaps essential to the system's achieving its potential, are the opportunity they provide for NEDs to tackle specific issues, to delve deeply into topics, and to spend more time developing their views in discussion than is possible at board meetings.

4.48 In most cases, departmental board meetings are not an effective forum for substantial conversations with real outcomes about strategic priorities, integration of departmental effort or risk management. Furthermore, the less the effort that goes into board meetings, the truer this is likely to be; and the less that ministers and officials involve NEDs in other decision-making forums, the more frustrated are NEDs likely to become. As one put it, 'if the secretary of state isn't really interested, you're just going through the motions. And there is nothing worse than spending five or six hours, when you know you're surplus to requirements'.

4.49 Thus at its simplest one of our key conclusions is that the efficacy of the board/NED system is a self-fulfilling prophecy. Departments where the system works best are those which believe in it from the top and which work hardest to get value from it. Correspondingly, boards and NEDs are least effective where departments treat the whole process as a chore. To conclude that you get out of the system only what you put into it may be banal; but given the number of departments which appear not to be heeding this lesson, it bears repeating.

Risks of the system of government NEDs and departmental boards

4.50 For completeness it is necessary to assess the risks, if any, of the departmental board system. There was little in our interviews or the survey that bore on this specifically, but the key issues and the main risks emerge from the discussion earlier in the chapter. They can be classified under two headings: risks of neglect and risks of over-selling.

4.51 The most obvious risk of neglect is that the board will be regarded as a nuisance or chore and treated accordingly. As we noted, this will almost inevitably be a self-fulfilling prophecy: the board will produce little of value and the department will consider its negative view wholly justified. The consequences will be increasingly demoralised board members; potential discrediting not only of the board within the department but of the board system more widely; the department's failure to benefit from NEDs' expertise; NEDs' failure to learn how government works; and a serious lost opportunity to increase mutual understanding. The mitigation is obvious and has been discussed above – for ministers and officials to work positively with their board and to think hard and constructively how to get best value from it.

4.52 The risks of over-selling were exemplified in Francis Maude's 2012 *Guardian* article quoted at the start of this chapter. Over-selling creates expectations which cannot be met; sets up an unrealistic standard for boards to aspire to; will inevitably lead to disappointment when the results fail to justify the hype; and can result in NEDs concluding that they were attracted to the role by false advertising.

4.53 There is one specific possible risk which does not come under either of these headings. This is the risk identified by the Public Accounts Committee in 2011, arising from the only formal power of departmental NEDs – the power to recommend the permanent secretary's dismissal. The PAC's view was that possession of this weapon could 'undermine the position of accounting officers by making them more reluctant to challenge decisions which in their view are not value for money or not feasible'. In our view this risk was overstated. Accounting officers are unlikely to be so fragile as to be swayed in their conduct by the existence of this power; if they are so fragile, they should not have been appointed in the first place.

4.54 But there are risks inherent in the power. First, it may muddy the system of accountability shared between secretary of state and permanent secretary. The second risk arises from Lord Browne's description of the power as a 'nuclear weapon'. If your only weapon is nuclear, this greatly restricts your freedom of manoeuvre. The fact that the power has never been employed may suggest that in every case NEDs have been satisfied with their permanent secretary's performance. This may be so; but it may mean no more than that they have never been sufficiently dissatisfied to launch their nuclear weapon. On this point, however, it is right to record Sir Ian Cheshire's view that in practice, far more significant than the formal power is the ability of NEDs to lead on the permanent secretary's appraisal – a matter of influence more than power, but none the less important for that.

Conclusions

4.55 There are several tensions at the heart of the departmental board system. Two in particular are worth re-iterating. First, NEDs are not really directors because they lack the accountability of their counterparts in the private and charity sectors. But accountability is in essence a zero-sum game: you cannot give any to NEDs without taking it away from the secretary of state and permanent secretary.

4.56 Second, NEDs seem to do their most valuable work when not in board mode. They can make a real difference as mentors and advisers to the permanent secretary, and possibly to ministers and to other senior officials; and we heard little but praise for their role on departmental audit and risk committees. But success is far rarer in the central part of their role, as board members at departmental board meetings. Yet – another tension – the

institution of the board, however ineffective in itself, is seen as essential to the authority of NEDs in these other roles.

4.57 Commitment is perhaps the most important pre-condition for boards' effectiveness. A prerequisite for effective boards is commitment from the secretary of state, junior ministers, the permanent secretary and senior officials. In the absence of this the board is likely to be at best a talking shop, with disillusioned and demoralised NEDs and a system falling into justified disrepute.

4.58 It is not difficult to discover whether the board/NED system is operating effectively within individual departments. This emerges not only from our survey and programme of interviews, but from published sources such as departmental annual reports. Nonetheless, a stronger lead from the Cabinet Office about what boards are meant to be doing and what is expected of them would help, not least by providing a standard for the less effective boards to aim at. Weaker departments could be pointed towards stronger counterparts.

4.59 There is no single model of a good and effective board. We have noted two. One is where NEDs distinguish themselves fully from the department, make 'challenge' a reality, and both possess the insight and take the trouble to record and assess their impact. BEIS may be an evolving example of this. The second is where NEDs identify closely with the department and behave as far as possible like members of a private sector board. MoD may be an example of this. This second model incorporates both a fiction (since departmental boards are inherently very different from those in the private sector) and a false distinction (since part of the role of NEDs on private sector boards is to provide external challenge). But if it works, it is to be applauded and encouraged.

5.0 Success Factors for Non-Executives

The personal visible commitment of the secretary of state is probably the most critical factor in enabling boards to have successful impact (Sir Ian Cheshire, 'How Departmental Boards add Value to Government: a Best Practice Summary Guide', Cabinet Office, October 2016)

5.1 This chapter discusses how NEDs can add value – what counts as success – and what helps or hinders them in different roles. There is inevitably some overlap, and repetition with the previous chapter.

The NED cohort

5.2 The introduction of NEDs onto ministerial boards has proved its worth. They are being used to promote public value in a host of different ways. The most striking feature contributing to success is the quality of the people who have been brought in, who now number 80 or so across all departments. They are widely seen as of high calibre, from a range of business and professional backgrounds, successful in their own fields, bringing different experiences and attitudes. Departments report them committed to their work, energetic, and keen to make a difference. A fair proportion devote far more than the indicated number of days to the role.

5.3 Motivation is key. These are not people who need to build CVs. If a few may once have been attracted to the badge, departments report that this is no longer so. If they seek honours, other forms of public and community service are likely to be more persuasive. Remuneration at £15,000 a year for a formal 20 to 35 days a year is modest, set against the average actual time spent each year of 45 days, and what they could earn using that time in other ways. Many of them waive it. Departments may encourage them to waive it – some have said it is a pity that departments do not then offer that it be donated to a charity instead, or readily enable this when asked.

5.4 The most powerful motivator we have seen, time and again, is fascination with the challenges departments face. Government, private, and third sectors have many business problems in common, but the scale and complexity of government business is generally an order greater. The political environment – with its mix of ambiguous and competing objectives, contestable outcomes, indirect delivery, mixed accountabilities, public exposure, and fluidity – presents a special challenge to practical delivery.

5.5 Most NEDs express a strong desire to try to make things work better in this difficult environment. No doubt there are also attractions in playing a part in high councils of state.

> *It was fascinating to go to briefings with the prime minister and Foreign and Commonwealth Secretary… the Cabinet Office was very good at making sure we were on the inside.* (Non-executive)

5.6 One key success factor, therefore, is to continue to find or attract high quality people keen to perform in the role. That is an additional reason why Whitehall should be concerned at the frustrations expressed by many NEDs: as word gets around, fewer high quality people will want to accept the challenge. There is also a risk of NEDs becoming disillusioned when they come to realise how little power and responsibility they have, compared to their counterparts on private sector boards.

NED status and powers

5.7 As we argue in chapter four, the language of boards and NEDs is misleading. A departmental board is fundamentally different from a company or charity board. Its members are not jointly and severally responsible for decision-making, and do not have fiduciary duties.

5.8 The secretary of state and permanent secretary are the only accountable members of the board. The former determines policy and is ultimately accountable for everything the department does or fails to do. [76] The permanent secretary as accounting officer is personally responsible to the House of Commons for ensuring that resources are properly stewarded and spent, and secure value for money. He or she is required to tell the secretary of state if a proposed course of action would fail these tests. The secretary of state retains authority to decide, having the power to direct to proceed.

5.9 Other board members are advisory. But the Cabinet Office corporate governance Code and further guidance gives NEDs one express power and one particular responsibility. The Code gives them power to recommend the removal of a permanent secretary whom they judge to be an obstacle to effective delivery. The Best Practice Summary Guide enjoins the board to debate and approve as a unified group the department's 'single departmental plan' (SDP). But formally the SDP is signed off only by the secretary of state and permanent secretary, in consultation with the non-executives.[77]

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[76] There are some statutory qualifications: certain MoD powers are vested in the Defence Board, in the older departments some administrative powers rest with the permanent under-secretary of state, and various tax and enforcement powers are vested in relevant enforcement officers.

[77] "Updated 2018/19 plans should be signed-off by Secretaries of State and Permanent Secretaries, in consultation with Non-Executive Directors, and submitted to Cabinet Office and HM Treasury following Parliament's Easter

5.10 The power to recommend removal – which caused concern when it was introduced in 2010 – seems not to have been used. The significance of the formal change was exaggerated. As one former permanent secretary told us, of the pre-2010 position: 'I knew the NEDs were big enough to make their view felt. If they'd thought I wasn't up to the job, I wouldn't have lasted'. And another of the post 2010 position: 'feedback from NEDs through the lead NED to Jeremy [Heywood, cabinet secretary] is just part of the ordinary 360-degree performance appraisal, including from the secretary of state'.

Achieving strategic clarity – and the difficulty of speaking truth to power

5.11 In principle the expectation that NEDs approve the single departmental plan along with the rest of the board has real potential. A good SDP will bring together the department's objectives, strategies, performance, capability, resourcing, delivery mechanisms, and risks. Drawing it up should be the occasion when ministers, officials and NEDs get to grips with injecting *strategic clarity* – what are the key things the department must do or wants to do, how can it deliver them, does it have or how can it get the wherewithal, what should be stopped or at least scaled back to enable better delivery of higher priorities, and what should be done to stave off risks to delivery.

5.12 The Best Practice Summary Guide then expects frequent in-year review of progress against the SDP, with corrective actions as need be. Nothing at year-end report would be likely to come as a surprise.

5.13 These are precisely the areas where one might expect NEDs to have much to offer, from various business backgrounds – securing and managing talent, procurement, contracting, projects, digital delivery, responding to shifting customer expectations, levering delivery partners, forging delivery chains, and so on.

5.14 Although departmental SDPs have improved – with more specific information on desired outputs and outcomes, how they will be measured or gauged, and what actions will be taken to deliver them – they generally still have the flavour of lots of individual programme plans added together, and there is little indication that the overall plan is managed actively in-year. As one interviewee put it,

> *In practice ministers make decisions by programme. They don't bring things together in that way. And it's just not practical to bring NEDs in to the whole series of meetings ministers may have to work through each programme.* (Senior official)

recess." – HM Treasury and Cabinet Office, *Government planning and performance: Guidance for departments on Single Departmental Plans.* (October 2017).

Spending reviews may be supposed to look at departmental programmes comprehensively, but they don't really, and they are only occasional anyway. (Permanent secretary)

5.15 Having NEDs able to put concerns over practicalities of delivery – of individual programmes and projects, or the totality – directly to the secretary of state ought to ensure at best that acute overstretch, risking failure, is avoided. Or at least that overstretch is embarked on *knowingly*, by express decision, with full awareness of the risks.

5.16 In practice it seems impossible to tell ministers that not all their pet projects can be delivered at once. Sometimes the discussion begins well:

We had a good board discussion today, actually, talking about priorities. The secretary of state listened to our concerns over having too many things to do – all last year's, still there, plus the new ones coming out of the election campaign. We'll have to see if it makes any difference. (Non-executive)

5.17 But more usually it doesn't:

My NEDs came to me and said 'you must be mad, you can't do all of this properly'. They didn't tell the secretary of state that. And it wouldn't have made any difference – to him it all just had to be done. We couldn't have looked to the centre (of government) to help, because much of it was what the centre were telling us we had to do. (Former permanent secretary)

We collectively made an approach to the secretary of state, because we were so concerned. It didn't go anywhere. There was no real outlet for our unease. (Non-executive)

5.18 Officials suffer the same difficulty in having apprehended difficulties heeded.

We knew we had to go all out to deliver [a major urgent programme], and this left us struggling to cope with [another major but less immediate programme], where we also had some weaknesses in the team. (Former permanent secretary)

Sir Amyas Morse, Comptroller and Auditor General, expressed similar concerns about government's capacity and capability to deliver several major infrastructure projects simultaneously, at an Institute for Government seminar.[78]

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[78] Morse, A., 'Prioritisation, prioritisation, prioritisation', speech at the Institute for Government. (25 July 2016).

5.19 Ultimately NED input cannot stand in the way of politics, or short-term tactical considerations trumping long-term strategic value. NEDs look to officials to offer robust and candid advice; and when that fails to happen, they can themselves become diffident about expressing a sharp view, and resigned to politics trumping practicalities.

> *The NEDs saw it as the core of their role to safeguard the organisation's long-term value, and were frustrated when they saw value destroying decisions pressed on the secretary of state by colleagues. But they accepted it as part of the political context.* (Former permanent secretary)

> *The policy involves a massive delivery programme over several years, for which we don't have identified capability, and with many risks. It is all too likely to go wrong. But it is the policy – and now there's a manifesto commitment too.* (Non-executive)

> *I thought the permanent secretary should tell the secretary of state that this course ought not to be followed. The draft note for the permanent secretary to send didn't say that. I declined to let them say it had my agreement. It is surprising that there are not many more accounting officer minutes requesting directions if the secretary of state wishes to proceed. I'd not have seen it as my role to tell the secretary state of the concerns because that is properly the job of the executives.* (Non-executive)

We have more to say on single departmental plans at paragraphs 5.56 to 5.63 below.

Ministerial engagement

5.20 Ministers vary greatly in their interest in governance matters; their interest in the difficulties of delivery; their willingness to accept challenge; and even their ability to chair board meetings.

5.21 A secretary of state who chooses to use the board as a more corporate instrument, and who has the aptitude to do so, can make it work, to much the same beneficial effect as a well-managed company or charity board. But it takes time, regularity, and commitment. There are examples of good practice:

> *We meet ten times a year, for a couple of hours each time, on set dates, which are kept to. The board travels around the country to different departmental locations. Outside the board meeting itself ministers and senior officials take the opportunity to hold meetings with other personnel.*

> *The secretary of state invariably asks the NEDs first what they think of proposals from the officials. He listens, and there is a proper discussion.* (Non-executive)

> *Having an outsider who hasn't been part of formulating a proposal for action asking questions to test it makes you think. Sometimes it does shift what we'd have done.* (Senior official)

These people are expert, with long and deep experience, in other fields. They don't always think on the same lines as the rest of us. It's always worth considering what they have to say. (Senior official)

There have been times, yes, when we've altered a course we were set to take, as a result of board discussion. (Minister)

5.22 It is not necessary for the secretary of state to adopt so strong an approach, akin to other sectors, to derive value from the board – in effect adopting a fiction to make it happen. We came across boards where it was plainly recognised and acknowledged that NEDs were only advisory, but everyone on the board took its duties seriously. There were indications that board discussion had tackled major strategic challenges, such as capability or business transformation, with positive impact on the resilience of the course taken, if not necessarily its direction.

5.23 Ministers with experience in business or running sizeable organisations, having generally used boards there, are predictably more receptive to using departmental boards in a serious way. But such previous experience is not a necessary precondition:

I had no previous experience of working with a board, but I found it interesting and valuable to get their insights. (Former minister)

I had two secretaries of state in my time there, very different in policy, outlook, and character. Neither had been in business. They both took the board very seriously. They were interested in what we had to say and would listen. (Non-executive)

5.24 Not all ministers might have been as ready to have accepted the legitimacy of the NED role: 'I don't see why we need them. We decide policy – that's nothing to do with them. And the permanent secretary and Civil Service are there to deliver it.' These were the words of one former pre-2010 minister.

5.25 While this minister was talking hypothetically, having no experience since 2010 to judge, our research uncovered similar disengagement, at least at first, by more recent ministers. 'The secretary of state seemed to want to have nothing to do with the board or NEDs – didn't see the point' said one NED. But this initial reaction could be altered. Of the *same minister*,

later, another NED reported: '[the minister in question] didn't at first want to work with a board, didn't see the point…but we persuaded [the minister] of the value, and showed how NEDs could help'.

5.26 There are basic requirements to gain value from a board – holding meetings often enough, keeping to dates set, giving sufficient time, having an agenda which focuses on core governance – strategy, resourcing, capability, delivery, reputation, and risk.

5.27 Departmental boards are meant to meet at least quarterly. Not all do. We heard reports of meetings which were often re-arranged at the last minute, making NED attendance less likely; meetings of only 45 minutes, or less; and meetings largely taken up with rehearsing tabled reports, catching up on issues of the day, and the like.

5.28 Expecting boards to be given time and attention, certainty of date, and well-directed purposeful agendas, can be seen as asking ministers to behave less like ministers. But levers for improvement can be found. We heard of an instance where a NED from another department came to a board meeting simply as an observer, when the meeting proceeded in a much more focused and business-like way than usually. The possibility of reports reaching the ears of the cabinet secretary and prime minister, could help to make board performance more business-like.

Board architecture

5.29 Scepticism of the value achieved through board meetings themselves – which we found widespread, and sometimes emphatic – should not obscure their importance in supporting NEDs' contributions elsewhere. Having to prepare for meetings drives activity between times; and the architecture of board governance includes sub-committees, which are widely reported to be useful. Audit and risk committees in particular, which are chaired by a NED, are widely seen as making a real contribution to departmental governance. As one permanent secretary told us, 'I should regret not having the NED's contributions on the main board, but I should be *bereft* if I did not have the NED chairing the audit committee'.

5.30 NEDs are also seen to contribute valuably on performance committees, drawing on their own operational experience, and to offer an independent and distinctive view in remuneration and appointments committees. Several NEDS have been engaged directly in selecting people for senior official roles, which with interviewing can take days each time.

The importance of lead NEDs

5.31 The quality of lead NEDs is crucial. They have a key role in positioning the NEDs with the secretary of state, persuading him or her of what the NEDs (and the board) can offer. Ministerial knowledge of the lead NED from other roles can be invaluable in establishing trust and respect – although it plainly cannot be expected in most cases, and would hardly constitute a legitimate driver in selecting the lead NED.

The secretary of state knew me from [another context], and knew what I had done. It helped to build trust, and I was able to show the value we could bring. (Lead non-executive)

The secretary of state knew me from other contexts. He was fully aware that my political views were strongly at odds with his. But he thought I could help him. He quickly called on me to review a major function in the department, which was nearly a month's work. (Lead non-executive)

5.32 Serendipitous previous acquaintance of this kind will be unusual. In other cases, building the right relationship with the secretary of state will necessarily take time.

5.33 Michael Gove, on being appointed Lord Chancellor and Justice Secretary in 2015, decided forthwith to dispense with the services of the MoJ NEDs, before he had even met them. This episode will inevitably have affected NEDs' perceptions how far ministers will heed views from people they are not already acquainted with, or be receptive to impartial and candid advice. As one interviewee (sympathetic to the minister) put it, 'it was wrong – it sent a very bad signal'.

Relationships

5.34 In a well-functioning department, the lead NED will sit alongside the secretary of state and the permanent secretary, forming a powerful tripartite axis, each with slightly different angles on the business. We do not see this as about taking sides or acting as mediator between the other two. Relations between ministers and permanent secretaries can and do fracture, for all sorts of reasons, when the issues need to be addressed in other ways. But introducing the lead NED as a third person injects a new dynamic, promoting new and potentially productive viewpoints.

5.35 Typically, NEDs find affinity with permanent secretaries – unsurprisingly, when they will share interests in leadership, management and delivery. Ministerial attention to NEDs varies greatly. At best, secretaries of state will make time to discuss concerns with the lead NED, and NED group, privately, as a second arm alongside their permanent secretary. But they do not always enjoy such parity. As one NED reported: 'we hardly ever met the secretary of state; when we wanted to, we had to ask the permanent secretary, and he would come with us'.

5.36 More typically, NEDs find an audience with the permanent secretary and senior officials – which may serve, but is less powerful. Sometimes individual junior ministers may use them. '[The junior minister] asked me to look at something for him', recounted one NED of a particular instance – 'I helped the civil servants to write a very short plan with specific actions, which I knew was what he wanted'.

5.37 What works will vary by department, according to the business, the attributes of the NEDs themselves, and how far the secretary of state and ministers are ready to engage. We found that NEDs add value under various configurations at the top of departments – almost by nature they are likely to be the kind of people who will make the best of things – but ministerial interest, ability, and attention greatly amplifies the benefits.

How NEDs are adding value

5.38 In principle, NEDs' primary contribution should be to enhance core aspects of governance: strategy, planning, resourcing, performance, delivery, reputation, risk, capability, and culture. In practice, stewardship and optimal application of resources may have less focus because of the personal responsibilities of the accounting officer.

5.39 This is a missed opportunity. Doubtful deliverability undermines value for money. NED concerns over delivery will overlap with and support the accounting officer's duty to report and seek ministerial directions if he or she believes that a proposed course desired by ministers will not secure value for money. Stewardship and sustainability of departmental value – including longer term – is a key concern for boards in other sectors. NEDs might be readier to speak up if expressly reassured that this was a legitimate and expected part of their role. It certainly should be. Paragraph 1.9 of the Cabinet Office Code on corporate governance envisages a possible role for collective decision of the board before the accounting officer asks for a ministerial direction: this could be strengthened to encourage NEDs to speak up more.

5.40 We identified few instances where NEDs have made *tangible* difference to outcomes. Notable instances cited include striking a different balance of risk and reward in projects, procurement, contracting, and employment; securing better plans with measurable outputs; securing better, more focused, management information; and more purposeful understanding of risks.

> *I can think of one decision where NEDs' questioning and challenge in the board did lead us to think again and take a somewhat different course.* (Minister)

> *Our commercial background has shifted the department's approach to how it manages the private sector.* (Non-executive)

> *The NEDs were always pushing us to produce clearer, simpler management information, showing the key issues and trends. It was hard, it always is, but we got better as a result.* (Former permanent secretary)

5.41 It may be difficult to attribute tangible difference to individuals on a board; but that may be to set the bar too high, with unrealistic expectations of what boards can achieve. As we noted in chapter two, company boards are not universally effective, especially in managing risks.

5.42 We must also be realistic about what NEDs can be expected to achieve, when they are few, are non-executive, and have limited time. They cannot be expected to be able to repair serious deficiencies in executive capability, or political management.

5.43 It is not surprising that, as in other sectors, departmental NEDs customarily do most useful work outside board or committee meetings. We found them aiding the department's governance, leadership and management in a multitude of ways.

- Testing major projects for risk and deliverability
- Assessing delivery chains, integrating delivery partners into departmental planning and management, and working with them to forge 'family loyalty'
- Leading on assigned themes – e.g. people strategy, talent management, morale, project management, digital delivery
- Helping departments to get the right people in, or move others on
- Coaching and mentoring, and feedback to the top team
- Building functional leadership competence and confidence
- Driving exercises to check alignment of resources with key objectives
- Selective deep dives into departmental business, to assure quality of contracts, or advise on structures, organisation and incentives, etc.
- Helping to make plans more purposeful and actively managed, with better focus on information and continual re-evaluation.

5.44 They can act as high calibre, influential insider consultants – people who are used to sizing up what needs to be done, are trusted known quantities, loyal to the department's interests, who build knowledge of its people, culture, and issues. One permanent secretary characterised the NEDs as 'a flexible resource, which is in-house', stressing 'they've established trust…they're at hand'.

5.45 These numerous ways in which NEDs can add value could be recognised more explicitly in revised guidance. Within departments, NED activities should always be planned deliberately and tracked systematically, to counter 'mission creep'. Otherwise their availability and value in a host of broader activities may dilute their core contribution to enhanced governance.

5.46 Fascination with the business of government is a desirable key motivator. NEDs need readiness to question and challenge, plainly, bringing outsiders' different perspectives to bear; but ability to do so while showing themselves committed to the department, inside the tent. But they need to keep a certain distance from the political and official participants: 'they need not to want to be ministers or civil servants themselves' as one permanent secretary put it. This was said before two former NEDs, Sir Theodore Agnew and Rona Fairhead, were appointed ministers in September 2017. They replaced as ministers two other former NEDs, John Nash and Mark Price.[79] The independence of NEDs had already suffered when the new Lord Chancellor Michael Gove summarily dismissed all the MoJ non-executives in 2015. Promotion of NEDs to become ministers may constitute a further threat. NEDs' main strength lies in their independence: they do not need the money, and they are not doing it to enhance their CVs. There is nothing inherently wrong in former NEDs becoming ministers; but if it becomes a regular occurrence, in the way that special advisers go on to become politicians, the reputation of the whole brand may suffer.

5.47 Our interviewees consistently noted that a departmental NED has to understand and accept the political context. NEDs talk of 'picking issues'. This is no doubt a necessary part of striking the right relationships to contribute effectively. NEDs frustrated that ministers are inattentive to practical delivery concerns will disengage, or leave. Our interviews led us to wonder if NEDs might sometimes be too reticent to challenge, too deferential to apprehended ministerial steers. The same criticism can of course be applied to senior officials. Hence we suggest a need for guidance when and how to intervene.

5.48 Advertisements focus on traditional NED qualities of constructive challenge, and specific areas of knowledge or expertise. Looking at how NEDs work within departments, and with delivery partners who are not always at departments' bidding, 'soft' skills of bringing others together into common enterprise deserve higher prominence. Many NEDs have worked in commercial sectors where this has been a key requirement of the job.

> *When I was [in an executive role] I had to work with hundreds of people who were not under my control. I had to persuade them to come together to deliver common agreed objectives. There's a major need for this in government too. We should probably give more weight to skills in managing stakeholders when recruiting NEDs.* (Lead non-executive)

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[79] John Nash served as a non-executive in DfE from December 2010 until January 2013, when he was appointed schools minister. Mark Price was a non-executive in Cabinet Office for just a few months from November 2015 to February 2016, before being appointed minister for trade and investment in April 2016. Rona Fairhead who succeeded him in September 2017 had been a non-executive in Cabinet Office from December 2010 until August 2014. Theodore Agnew, who succeeded John Nash as schools minister, had been a non-executive in DfE from 2010 to 2015, and then at the MoJ from July 2015 until September 2017.

5.49 We have mentioned that lead NEDs have a key role to play in persuading the secretary of state of the value NEDs and boards can offer. Depending on the personalities involved, they may need a special kind of credibility and standing to do so. For instance, one NED interviewee said 'I think understanding the politics – where ministers were coming from – and being able to talk the same language as them helped'.

5.50 Except in the special case where a minister already knows the lead NED and both can proceed immediately from a basis of trust, considerable time (applied and elapsed) is likely to be needed getting on terms, confidence building, and establishing where the NEDs will add value: 'I think we underestimated the time this aspect of relationship building would take', as one lead NED interviewee told us. It does not help when there is high turnover of ministers, as happened in 2016, so that the relationship building has to start all over again.

Guidance, deployment, training

5.51 Clearer and fuller elaboration of the role of NEDs could start with review of the Cabinet Office Code and guidance to reflect points above. This would help to legitimise the many ways in which NEDs are used. But their commitments need to be explicitly planned and tracked, to manage their time to best effect.

5.52 Departments differ in what they need and how they operate. It should be a duty of the permanent secretary, with the secretary of state and lead NED, to determine what knowledge, skills and qualities are to be sought in new NEDs; and then how to deploy their efforts.

5.53 It may be tempting to think that people used to running things can work out for themselves what they should most usefully be doing, and how. This underestimates how unfamiliar the political environment is. There is scope for central guidance or induction on such core topics as the role of parliament, the centre of government, ministerial collective responsibility in principle and practice, arm's length bodies, government accounting, and the role of the accounting officer. As one NED reported: 'it took me months to appreciate the role of the accounting officer, and more importantly to learn how things were done around here'.

5.54 NEDs we interviewed were generally happy with the support they received from board secretariats. What was missing, for many, was more active briefing – face to face conversations with senior officials about areas of work, and issues.

5.55 Above all NEDs need to know what is expected of them, and what is permissible, indeed valued. They need to learn the conventions and protocols governing how business is done; in this context, they may be misled by a formally deferential mode of exchange with

ministers. Several NEDs have seen benefit in receiving practical illustration of these matters; it is a mistake to expect people from outside government quickly to apprehend its idiosyncrasies, protocols, conventions, etc., even its own special language, for themselves, unassisted by insiders.

> *What I really needed to know was what was expected, what was permissible, what I could say, how they did things. I worked it out for myself but it would have been quicker if someone had sat me down and told me.* (Non-executive)

Single departmental plans (SDPs)

5.56 We discuss above at paragraphs 5.11 to 5.19 the difficulties of achieving strategic clarity – and of speaking truth to power. In principle framing and managing delivery of single departmental plans should drive strategic clarity, enabling and obliging ministers to decide which lower priorities to scale back or shed, to concentrate on doing the most important things well. While SDPs have improved in subsequent rounds – more purposeful and specific, with assessable indicators of success – some still have the flavour of individual programme plans stapled together and once done put aside until the next round of external reporting.

5.57 Further progress is badly needed. The earlier efforts attracted caustic criticism. In 2016, the National Audit Office reported that instead of contributing to decisions on resource allocation in the Spending Review as intended, plans had only been drawn up afterwards, with departments reporting that SDPs were an additional burden.[80] The NAO found that reporting against the plans did not happen, and they did not provide a fair, balanced and understandable picture of performance. SDPs were not transparent: the great majority of content is not published. The Institute for Government described the published versions in 2016 as 'little more than a laundry list of nice to haves, giving no sense of ministerial priorities', adding 'many of these individual priorities are little more than waffle, which is no use to civil servants trying to implement the government's agenda'.[81] But in December 2017 they described the latest clutch of SDPs as 'a huge improvement on their predecessors. They offer a much better sense of prioritisation and consistent planning across government'.[82] That judgement was based on the published plans. Some departments' plans remain sketchy, with no performance measures; others offer more detail. We know less about whether departments are just going through the motions, or whether SDPs are really

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[80] Morse, A., *Government's management of its performance: progress with Single Departmental Plans.* National Audit Office (2016).
[81] McCrae, J., 'Response to Single Departmental Plans' (Institute for Government) [https://www.instituteforgovernment.org.uk/news/latest/response-single-departmental-plans]. (February 2016).
[82] Freeguard, G., 'Statement in response to publication of Single Departmental Plans', (Institute for Government) [https://www.instituteforgovernment.org.uk/news/latest/statement-response-publication-single-departmental-plans]. (14 December 2017).

used for strategic planning, and then monitoring performance. Our interviews were not encouraging; but they were conducted against the background of the earlier SDPs.

5.58 Even within government, SDPs in summer 2017 were viewed sceptically. For example, one non-executive recalled a senior member of Cabinet 'telling me not to spend 30 seconds thinking about the departmental plans because they were a complete waste of time'. Another commented:

> *The single departmental plan, don't get me started. It's right for a nanosecond and then it becomes a doorstop…we have plans that we work off day to day. So it's a kind of comply exercise, I guess, which is such a waste of time.*

5.59 This gives cause for concern. Departments have been subject to continual cuts in resources, and face continuing need to transform their business, while new political demands have arisen to disrupt earlier plans. Brexit yields extreme examples, but the 2017 manifesto and its working through by the government have produced several others. As one interviewee put it,

> *Something has got to give. Either you've got to decide that you're going to take some of these priorities off the list or that you're going to get a lot more resource, but what I can tell you with a fair degree of certainty right now is that that won't be delivered.* (Lead non-executive)

5.60 SDPs still do not show where earlier years' priorities have been set aside or downgraded. This would be necessary and critical evidence of planning being taken seriously. Without such instances, it is hard to believe that ministers and departments are achieving strategic clarity, that single departmental planning is for real.

5.61 NEDs could contribute strongly here, but are generally inhibited by lacking time, opportunity, and ministerial attention to interrogate pan-departmental plans actively and candidly with ministers and top officials. As one permanent secretary told us: 'if it were being taken seriously, I could imagine the board with ministers and NEDs going off to spend half a day or more going through the draft SDP'. Most departments are huge and complex businesses, so drawing up and using the SDP is bound to be a major time-intensive enterprise.

5.62 There is of course a seemingly intractable political challenge in this. In the words of one former permanent secretary, 'ministers can't say no to demands to do things'. Some interviewees were blunter:

We've got this list of priorities, and yes even if we turned on a firehose of money you still couldn't get it all done, because you just simply don't have the people, the capacity. (Non-executive)

The department doing much more with half the number of people – that was a real problem. So, actually sitting there with the secretary of state saying 'you know, you have got to prioritise', was an interesting process, because the secretary of state had absolutely no intention of prioritising…the department had to cut and weave and hope for the best and wait for the next crisis, but it wasn't a sensible way to proceed. (Lead non-executive)

The need for SDPs to come to the fore and show evidence of hard choices being made – not just adumbrated – is recognised in Whitehall.

SDPs give us the 'scaffolding' to do the job [of making tough choices on what can realistically be delivered]. They need to evolve very powerfully in the next year or two. We cannot go on like this indefinitely. (Permanent secretary)

5.63 Despite evident weaknesses so far, SDPs remain the most promising vehicle to achieve strategic clarity, realistic planning, and more tightly focused delivery. They also offer the most promising interrogatory framework for NEDs to get departments to focus on matching their priorities to their resources. One non-executive felt that the departmental plan 'could have become a real management tool for prioritisation', although he feared that it had been overtaken by Brexit. Nevertheless,

if we could get the single departmental plan right then I think it could be a vehicle which brings together what the minister wants to deliver, how the department's going to go about delivering and the question of, do we have enough money and enough people to do it? (Non-executive)

The latest SDPs were published in the week this report was finalised. We have not been able to scrutinise them properly. But the real test – for NEDs as well as SDPs – in the coming year will be whether SDPs are used to monitor and to manage performance.

Role of the centre of government

5.64 We discuss the role of the centre and co-ordination of NEDs' efforts across departments in chapter six. But in discussing what may help or hinder the contribution NEDs can make, it is right to mention dysfunctional relationships between the centre of government and executive departments. There are both immediate and longstanding problems.

5.65 We have found almost palpable frustration with the lack of a co-ordinated *business* approach to the challenges of Brexit. The inescapable political and timing uncertainties of what the UK may seek, and what EU partners will agree to, are well understood. To respond as effectively as possible demands determined and sophisticated risk management.

5.66 Some departments face acute challenges in framing and setting up whole new regimes and systems: DEFRA, the Home Office, HMRC. Most will have to modify substantially their current policies and delivery: Health the supply and regulation of pharmaceuticals, and of professional medical staff; Justice the regulation of legal professionals, and cross-border jurisdiction and enforcement; BEIS the industrial strategy, and competition law; DfE the agenda to improve native skills; DECC the UK's commitments on climate change, and newly defined energy markets; and so on, extensively, deeply and widely.

5.67 The political challenges of framing new policy, negotiating as need be with other EU (and devolved) governments, discussing with business and other interests, and putting in place the practical wherewithal – people, IT, premises, information systems, monitoring and accountability – are huge. Usually there will be the burden and parliamentary uncertainty of underpinning legislation too. In these challenging circumstances NEDs have been frustrated at the lack of central guidance and co-ordination.

> *Within the department we are working through as best we can what we shall need to do altogether, and the risks. But there is nothing from the centre to help us with the interdependencies with what other departments may be doing.* (Non-executive)

5.68 Government has other declared political ambitions to improve things, in housing, social exclusion, education and skills, mental health, and more. Not everything will be delivered. Prioritisation and risk management is critical. NEDs have pressed for support from the centre in making common Brexit planning assumptions, and acknowledging that previous ambitions and plans should be modified to accommodate the multiplicity of new tasks. An unhelpful history of difficult relationships between centre and executive departments is revealed.

> *We [NEDs] went to the centre and said something has to give. This was not disputed. We fed this back to our department. They had concluded that there was no point in suggesting that anything could be dropped from last year's prospectus because the centre would not wear it.* (Non-executive)

5.69 Longer standing issues arise from the very different way UK government organises itself – in highly independent executive departments – from the operating model of private sector conglomerates, which many NEDs are familiar with.

You can see it as a sort of holding company, but no holding company would work like that… There is actually no centre…is it the Treasury, or the Cabinet Office, or the PM? The PM may give a direction, and then there is a turf war… (Former non-executive)

5.70 The Treasury exercises control over financing, and the Cabinet Office through the cabinet secretariat co-ordinates policy across departments, and the legislative programme. But moves to assert central influence over the practicalities of delivery – such as through the Major Projects Authority (since 2016, the Infrastructure and Projects Authority) – are relatively recent, and limited. There is remarkably little coherent challenge of links between inputs – where the Treasury exercises grip – and efficiency and performance in delivering outputs.

5.71 Departments have considerable latitude in how they do things. Several NEDs have urged that the centre should be more assertive in standard setting, but also see itself not in 'command and control' mode, but as offering a management service to executive departments. This would go hand in hand with more competent platform services and support. As one interviewee put it to us,

There needs to be a greater sense of shared accountability for delivery [between centre and executive departments], with transparency of information between them, not so that the centre can pick holes, but to make that shared accountability work.

5.72 The cross-departmental NED cohort has promoted a degree of reform at the centre, evident in the role of the Infrastructure and Projects Authority, and the creation of a post of 'chief executive of the Civil Service'. But responsibility for the effective functioning of the centre of government, and of the whole array of executive departments, must rest with ministers and ultimately the prime minister.

Conclusions

5.73 This chapter has discussed how NEDs can add most value to the work of Whitehall departments. For board meetings, the key is ministerial engagement: if the secretary of state values the board, meetings should be held regularly, dates kept to, with the focus on core governance issues. These will include strategy, resourcing, capability, delivery and risk. The single departmental plan is the vehicle to achieve strategic clarity, realistic planning matched to resources, and tightly focused delivery.

5.74 As part of a unified board, NEDs must approve the single departmental plans. But there is still reluctance to challenge ministers' wish to do everything, with consequential risks of overstretch. NEDs' role could interlock more with the accounting officer duty to seek

ministerial directions before proceeding with programmes which are not feasible or offer poor value for money.

5.75 Most NEDs feel they make their greatest contribution outside the board. This includes leading on assigned themes (e.g. talent management, procurement, digital delivery), coaching and mentoring, advising on major projects, testing delivery chains, etc. These further roles should be more clearly recognised in the Cabinet Office Code of corporate governance. The Cabinet Office could also play a stronger role in the induction of NEDs, on how Whitehall works, the role of the centre, arm's length bodies, government accounting and the role of the accounting officer.

6.0 Co-ordinating Non-Executives

…it would be very helpful if there could be a clearer steer on the top three to five cross-departmental priorities and how the centre would like NEDs to engage in stitching those together across functions. (Non-executive)

Introduction

6.1   Non-executives on departmental boards naturally focus on departmental priorities. They are normally appointed by the secretary of state (see chapter three). It is therefore natural to study them in the context of the department, as we have done in chapters three and five. However, that there are non-executives in each department opens wider possibilities, including the potential for them to have an impact across government. The corporate governance Code has ambitions in this direction, which have been strongly promoted by the government lead non-executive.

6.2   The first government lead non-executive director, Lord Browne of Madingley, wanted non-executives to develop 'the cross-departmental working that is necessary if government is to address the challenges facing the UK economy', identifying as relevant issues, 'identifying policy dependencies, improving the flow of staff between departments, promoting best practice sharing and network-building across departments, and building a more strategic assessment of government-wide risks'.[83] Lord Browne's successor, Sir Ian Cheshire, summarises his role as being to lead the network of non-executive directors, 'seeking to ensure that the sum of their efforts is greater than the parts'.[84]

6.3   This chapter considers the extent to which non-executives can contribute beyond a purely departmental role.

Time spent on cross-cutting work

6.4   Typically, advertisements for departmental non-executives include advising on cross-departmental policies and initiatives as one of five bullet points summarising the role.

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[83] Browne, J., *The Government Lead Non-Executive's Annual Report 2011-12*. Cabinet Office (May 2012).
[84] Cheshire, I., *The Government Lead Non-Executive's Annual Report 2015-16*. Cabinet Office (July 2016).

However some advertisements focus entirely on work supporting the department in question.[85]

6.5   To get a feel for how much time non-executives put into cross-departmental work, we included a question on this subject in our survey. In conversation with non-executives, it was apparent that it was not always clear when work was considered to be cross-departmental – for example, networking might be done solely with the purpose of obtaining information of benefit to the department, or with the intention of contributing more widely across government. However, most non-executives recognised that there was a possibility of working cross-departmentally, and generally had a common understanding of the types of work that might be involved.

6.6   The survey showed that half of non-executives did no cross-departmental work. Of those who did, it occupied about one sixth of their time on average, the equivalent of about eight days a year. The highest estimate of proportion of time spent on cross-cutting work was 30%. Lead non-executives tended to be among those spending the highest proportion of time on cross-cutting work.

Non-executives: roles beyond the department

6.7   One way in which the Code looks to the cadre of non-executives as a whole to add value is through sharing of best practice. It provides that they should 'meet regularly with other non-executive board members across government and the government lead non-executive' with a view to ensuring that lessons from experience are shared across Whitehall.

6.8   The Cabinet Office lead non-executive also holds the position of government lead non-executive, charged with co-ordinating government non-executive directors as a network, with support from a Cabinet Office team. They are also tasked with encouraging collaboration across departments, and providing opportunities for networking and exchange of good practice.[86]

6.9   The government lead non-executive is given two reporting tasks. One is to feed back the views of departmental lead non-executives to the prime minister, the cabinet secretary and the chief executive of the Civil Service. The second is to report annually to parliament via the Public Administration and Constitutional Affairs Select Committee. Part of the job is to

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[85] e.g. Department of Transport candidate information pack and advertisement for vacancy in NEBM position, (Centre for Public Appointments) [https://publicappointments.cabinetoffice.gov.uk/wp-content/uploads/2017/04/Department-for-Transport-NED-candidate-pack.docx+&cd=2&hl=en&ct=clnk&gl=uk]. (April 2017).
[86] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017).

identify the concerns of non-executives and judge which ones are key from a cross-government perspective.

6.10 The cross-cutting agenda for non-executives has had renewed impetus since Sir Ian Cheshire became government lead non-executive in 2016. At that time, he and Cabinet Office permanent secretary John Manzoni, the Civil Service chief executive, described themselves as setting out 'to use the non-executive network to try and break down departmental silos, encourage the elevation of best practice and strive for continuous improvement'.[87]

Sharing good practice

6.11 Cabinet Office organises meetings, generally twice a year, for NEDs to meet together. It also supports a network of departmental lead non-executives. In addition, there is a network of those non-executives who chair audit and risk committees. These networks assist in identifying and sharing good practice.

6.12 Our survey showed that while most non-executives saw value in having good relationships with their counterparts in other departments, few considered this to be vital. Of the possible factors influencing effectiveness, it was the one most likely to be rated unimportant (by around a quarter of respondents).

6.13 A variety of views were expressed about the effectiveness of the networks. Some found these limited, achieving little beyond personal networking. Early network meetings were said to encourage open conversation, but with little structure: 'it often turns into a lot of bleating…like old ladies chatting over their knitting'. The practice of networking via telephone was considered ineffective: 'they did get tedious…15 or 20 people on a conference call, and you know, it was usually pretty pointless', according to one lead NED.

6.14 Other non-executives were more positive:

> *I found it useful that NEDs across government were drawn together for meetings and briefings. Out of this some shared cross-cutting task groups emerged around key themes.* (Non-executive)

6.15 Hearing about central initiatives was valued, whereas being harangued by ministers transmitting instructions – reported as having happened – was not.

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[87] Cabinet Office, *Management of Risk in Government.* (January 2017).

6.16 There were ambitions to achieve more, with a call for:

Improving opportunities for cross departmental work between NEDs to access the talent available and prevent duplication of work, rather than just seminars every few months. (Non-executive)

Non-executives have some optimism about sharing good practice:

One of my hopes, and why I think doing these things is worthwhile, is that we might be able to help create some new models which government will be able to use more widely (Non-executive)

In particular, there is belief in the potential of co-ordinating lead non-executives: 'if you can join the dots between them they could make a huge difference across Whitehall', as one NED put it.

6.17 An early example of non-executives pooling knowledge to recommend best practice was Lord Browne's report on improving control of major projects.[88] Lord Browne cited as a key source the findings of other non-executives. This was not a random choice of topic. At the time, the group of non-executives had a clear sense of priority concerns:

This was where you could make big money. Like, really super-big money. So, I said: 'this is what we've got to focus on, because it's top priority'. (Non-executive)

6.18 While the government's initial response to the report was non-committal,[89] the report appears to have had some influence on the work of the Major Projects Authority (now the Infrastructure and Projects Authority), for example in strengthening its approach for projects at the start of their lifecycle.

6.19 Individual non-executives have contributed to cross-departmental work in a number of ways, for example as members of the Civil Service Reform Board or the Financial Management Review Board, or in advising particular reviews. Non-executives can also strengthen approaches to cross-government initiatives. For example, to improve commercial capability, departments were asked to nominate a non-executive director to be commercial capability champion.

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[88] Browne, J., *Getting a Grip: How to Improve Major Project Execution and Control in Government.* (March 2013).
[89] Cabinet Office and HM Treasury, 'Statement in response to Lord Browne's report "Getting a grip"' [https://www.gov.uk/government/news/statement-in-response-to-lord-brownes-report-getting-a-grip]. (March 2013).

6.20 Sir Ian Cheshire's annual reports have given greater prominence to the work of non-executives as a network. He terms the network's priorities as 'cross-cutting themes'. Advisory groups of non-executives have been set up for:

- talent management;
- governance of Arm's-Length Bodies;
- risk management.

6.21 A visible output from this work is the framework for management of risk at board level published by the risk group.[90] This is branded as being 'a non-executives' review', hinting possibly at further such reviews. The framework invites departments to develop an implementation plan. The publication of good practice guidance is not synonymous with its adoption. Some non-executives had doubts as to how welcome any central guidance was: 'they're incredibly jealous of their own management' said one, speaking of government departments. But in this case implementation can be directed by the non-executives, because lead non-executives chair departmental audit and risk committees; and they can report on compliance in their contribution to the department's annual report.

Reporting collective views

6.22 There have been six reports of the government lead non-executive since 2011-12, three written by Lord Browne and three by Sir Ian Cheshire.

6.23 Since Sir Ian Cheshire became lead non-executive, reports have included a section on recommendations which may reasonably be taken to indicate key areas of concern. An important element has been to continue to address five cross-cutting 'themes' – the three themes for which advisory groups have been set up (see paragraph 6.20 above), and in addition, the management of major projects, and business planning.

6.24 The reports of the government lead non-executive have traced the development of cross-cutting issues. Management information was among the priorities initially identified by Lord Browne. In 2012-13, he reported that 'Progress has been made in the collection and presentation of MI across government, however there needs to be continued focus on outcome measurement, particularly around policy delivery, where not all departments yet have high quality MI in place'. Commenting on further improvements in 2013-14, he wrote: 'These improvements, though welcome, have come from a low base, and have not been implemented uniformly across government'. However, by 2015-16, Sir Ian Cheshire was able to state that 'Non-executives report that the quality of information (in terms of consistency and coverage) is now of comparable quality to the private sector'.

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[90] Cabinet Office, *Management of Risk in Government.* (January 2017).

6.25 In other areas, reports of progress have consistently been qualified by a view that more needs to be done. For example, major projects have been identified as a priority from the outset. In 2012-13, Lord Browne commented: 'despite the progress being made in this area significantly more needs to be done'. In 2013-14, he stated 'while there have been improvements in the management and leadership of major projects, much remains to be done'. In 2015-16, Sir Ian Cheshire reported 'the design and delivery of major projects has improved but there is still more to be done'.

6.26 Another area of concern across all departments has been the effective operation of boards themselves. In 2013-14, it was reported that most departments had successfully made the remits of boards and members of boards clearer. However, ministerial engagement was still disappointing in some departments. By 2014-15, reform was reported to remain less than fully embedded. Commitment from the top was identified as necessary for board effectiveness to improve.

6.27 Commitment from the top can come only from the prime minister, with enforcement by the Cabinet Office. In our interviews successive NEDs remarked on the weakness of the centre in Whitehall:

> *I had the model of a TopCo and various subsidiaries who were fairly autonomous but were co-ordinated by the TopCo – the Cabinet Office. In fact, I realised that Whitehall departments were better compared to the principalities of the Holy Roman Empire…warring fiefdoms, neither holy nor Roman nor an empire.* (Non-executive)

> *There wasn't actually a centre, and that made everybody's life that much more difficult.* (Non-executive)

> *The power of the minister of the Cabinet Office across government [has] never been very high.* (Cabinet Office non-executive)

> *We used to get a lot of things from the centre saying 'you need to do this in your department'. The truth is we have no levers to do anything…if I try and make the secretary of state do anything he just won't meet with me ever again and that'll be the end of that.* (Non-executive)

6.28 However, the weakness of the Cabinet Office is not the only factor. The intervention of the prime minister is not always sufficient to effect change. For example, on the issue of improving the attendance of junior ministers at boards:

We even got the prime minister to write, several times, to junior ministers and they just didn't turn up. They felt that it wasn't part of their career success. It didn't matter, so why should they bother? (Non-executive)

Experience has led non-executives to doubt the ability of the centre of government, even with the engagement of the prime minister, to bring about change as regards departmental governance: 'at the moment the prime minister doesn't have the authority to enforce', as one said.

6.29 In consequence, non-executives have considered developing a prime minister's department or otherwise strengthening central functions: 'Cabinet Office is the repository of unwanted activity… We [NEDs] tried to convert it into the Operating Centre which was accountable for functions.'

6.30 Non-executives report having influenced the creation of the post of chief executive of the Civil Service in October 2014, one arguing 'I don't think the creation of the office of the chief executive…would have happened without us'.

6.31 A further specific proposal made by non-executives to strengthen the centre of government was to appoint a chief financial officer of international standing. The proposal was rejected. This was understood to be in part because of the presentational issues with appointing another high-paid individual in times of austerity.

6.32 Non-executives do report some success in reporting back to the centre on policies which it controls – for example financial flexibilities or restraints on recruitment. However, putting together the evidence of successive public reports and what we have learned of messages fed back privately, it would appear that reporting to the centre is of limited value in effecting changes advocated by the non-executive group.

6.33 Non-executives have limited levers for making their voices heard. It is, of course, open to them to resign or to threaten to resign. The fact that most enjoy the job and believe that they are doing some good within their departments is a strong disincentive to do so.

6.34 One interviewee believed that greater influence could be secured by a more formalised approach. The proposal was that the government's lead non-executive should report privately to the prime minister giving relative judgments as to how well-equipped departments were to implement their plans. Such an assessment would be highly sensitive. There are, however, precedents – for example departmental capability reviews, and the assessment of major projects, both of which were public documents.

6.35 There was a further ambition behind this proposal. Although such reports would be couched in terms of departmental capacity to deliver, reflecting the performance of the permanent secretary, they would also reflect on the effectiveness of the secretary of state in engaging with the departmental board – particularly if a rating of board effectiveness contributed heavily to the overall assessment. At its sharpest, such a reporting system might substitute 'secretary of state' for permanent secretary in this section of the Code of corporate governance:

> *As a last resort, if non-executive board members judge that the permanent secretary is an obstacle to effective delivery, they will be able to recommend to the prime minister…that the permanent secretary should be removed from his or her post.* (Cabinet Office, 'Corporate governance: Code of Good Practice', p.7)

6.36 The difficulty with such an approach is that non-executives are appointed by secretaries of state and as such their primary loyalty is likely to be to their department. To obtain robust relative assessments of departments would require both a significant time commitment from non-executives to work on such tasks, and a willingness to work objectively as a team. They would also need to be able to reach conclusions unwelcome to the secretary of state who appointed them, and to the permanent secretary whose co-operation is generally seen as just as vital in enabling non-executives to operate effectively in departments.

Collaborating between departments

6.37 The need for more 'joined-up government', with departments collaborating on the many issues where more than one department influences outcomes, has been consistently identified in review after review. For example, *Modernising Government* (1999) called for 'joined-up government'; the Office for Public Service Reform was tasked with setting up systems for managing cross-cutting issues; examples include homelessness, obesity, child poverty, and many more.

6.38 Among the aspirations for non-executives is to encourage collaboration between departments. However, the way that non-executives are appointed, and their prime task as members of departmental boards, will naturally tend to strengthen a way of doing business focused on individual departments.

6.39 In interviews, some non-executives identified cross-departmental issues as among the biggest opportunities for them to add value:

Recognising the cross-departmental nature of a lot of the big issues that have to be tackled, it would be very helpful if there could be a clearer steer on the top three to five cross-departmental priorities and how the centre would like NEDs to engage in stitching those together across functions. (Non-executive)

6.40 Some took the view that as outsiders non-executives were better placed than officials to draw attention to cross-cutting issues: 'the difficulties with the execs is that they are focused [on departmental priorities]…in general, co-operation does not happen'. In one case a non-executive was reported to have arranged to shadow a non-executive in another department which was failing to collaborate, with an intention of finding a way to address the problem through the non-executive route. The outcome is unknown.

6.41 Other NEDs questioned whether non-executives should be expected to address issues where neither ministers nor officials were willing to do so. The intractability of the issues was cited as a reason for giving lower priority to cross-cutting work:

There are some good ideas…but it's really hard… (Non-executive)

The diversity of government departments makes it difficult to really get hold of some of these bigger issues…I haven't really seen much evidence that they can be taken forward. (Non-executive)

6.42 We noted in paragraph 6.21 the success of non-executives in compiling a shared view of best practice on risk management. One non-executive involved in this work was positive about the product, but felt that only half the job had been tackled: 'the second half is the idea of a cross-government risk register and some cross-government approaches to common risks'. But Sir Ian Cheshire's annual report for 2016-17 disclosed that this more ambitious objective had been dropped. No reasons were given, but it must have resulted from failure to find answers to the review's three questions, how cross-government risks are identified, how they would be managed, and where responsibility for that would lie.[91] This failure is another sign of the weakness of the centre in Whitehall, discussed at paras 6.27 to 6.32 above.

6.43 A final difficulty which dwarfs all the others is Brexit. Brexit is the biggest common risk factor affecting all government departments, because of the uncertainties it generates, and because of the huge workload. Non-executives are well aware of the huge risks created by Brexit, but like the rest of Whitehall they have to accept the political realities. Whitehall departments were severely overloaded before Brexit; with Brexit, the overload becomes unmanageable. In the blunt words of Amyas Morse, the Controller and Auditor General,

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[91] Cheshire, I., *The Government Lead Non-Executive's Annual Report 2016-17*. Cabinet Office (November 2017), p 26.

'the government needs to prioritise its projects, activities and transformation programmes. It should stop work on those it is not confident it has the capability to deliver'.[92]

Conclusions

6.44 Lord Browne and Sir Ian Cheshire have both sought to ensure that the sum of NEDs' efforts is greater than the parts. But understandably NEDs focus on departmental priorities. Half of all NEDs say they do no cross-departmental work; the remainder report that it occupies one-sixth of their time. Most of this involves sharing best practice, through six monthly meetings of lead non-executives, and similar meetings of all NEDs. NEDs pooled their experience to inform Lord Browne's report on improving control of major projects, and cross-departmental groups of NEDs have been set up for talent management, governance of arms-length bodies, and risk. The latter group published a framework for management of risk in departments; but the further step of a cross-government risk register, and developing cross-government approaches to common risks proved a step too far.

6.45 Reports of the government lead non-executive record the pursuit of cross-cutting issues: improving the quality of management information; the design and delivery of major projects; improving the operation of departmental boards. Some progress has been made and cross-cutting work has generally been well received. A number of non-executives identify potential big wins that they would like to tackle. But there are limitations to what they can achieve, because of weaknesses in the centre of Whitehall, and lack of prime ministerial interest, exacerbated by the distractions of Brexit. NEDs themselves are part time, which limits what they can achieve even in their own departments; lacking conducive conditions, there are even greater limits on what they can achieve cross-departmentally, in only a small fraction of their time.

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[92] Morse, A., *Capability in the Civil Service*. National Audit Office (March 2017).

7.0 How to improve the performance of non-executives, and of departmental boards

I enjoyed my time as lead non-executive. But it was deeply frustrating! We could have done so much more…

The problem is convincing the secretary of state about the value of non-executives and boards rather than the Civil Service, most of whom have accepted their value. (Lead non-executive)

The [single departmental] plans provide an opportunity for scrutiny and challenge, but crucially they are also a vehicle for prioritisation. Prioritisation of government business must continue apace. (Government lead non-executive Sir Ian Cheshire in his 2016-17 annual report)

Introduction

7.1   Our main findings and conclusions are summarised in the Executive Summary. We will not recapitulate them in this chapter, which focuses on how to improve the contribution of NEDs to good governance in Whitehall. But we start with our headline conclusion, that non-executives have definitely proved their worth, before discussing how they might add yet more value. They are high calibre people, with impressive track records in managing large and complex organisations. And they have shown real commitment in bringing their expertise to bear on the intractable problems of government, contributing a lot more time than they signed up for. Our interviews confirm that senior civil servants greatly value their input and their expertise, even when they find it challenging. But there is a mismatch on the other side. Many non-executives find the role intensely frustrating, and feel they could be much more effective if the system only allowed: in our survey, half of all the respondents reported that they felt only partially effective (see paragraph 4.30, and Appendix A Q6).

7.2   There is a real risk that this level of disenchantment will start to have a negative impact on recruitment, and also on retention. If word gets round that non-executives are not taken seriously, or their advice is listened to but ignored, fewer high powered people are going to be willing to take on the role. So in this final chapter we explore what might be done to improve matters. Do non-executives or boards need more formal powers? Does their role need strengthening or clarifying? Or should we be looking for a change in attitudes or behaviour within the existing framework? And if the latter, whose attitudes or behaviour

needs to change – who needs to do what for boards to work better, and for NEDs to feel they are making a proper contribution?

Improving the performance of departmental boards: the role of the chair

7.3　Departmental boards only work well when the secretary of state sees the point of them, and takes them seriously. The trouble is, as a former permanent secretary pithily put it, many secretaries of state don't see the point of the board, they don't like challenge, and some cannot even chair a meeting. Performance varies widely, with some departments where the board never meets, and others which simply go through the motions.[93] We cannot skirt round this fundamental difficulty, so we must start with ways in which the secretary of state can be persuaded to take the board more seriously. Possible solutions which have been mooted include exhortation from above, from the prime minister and Cabinet; training for ministers, and future ministers, in the value of boards and how to use them; buddying between ministers, with ministers who have benefited from NEDs championing their use with new or sceptical colleagues; external evaluation of board performance; and greater transparency, to expose those departments where the board seldom meets, or just goes through the motions.

7.4　We take each of these suggestions in turn, starting with pressure from the prime minister and Cabinet. This has been tried, but so far with little success. The government lead non-executive is required to meet regularly with departmental lead non-executives and feed their views back to the prime minister and cabinet secretary.[94] Sir Ian Cheshire was able to address the Cabinet about NEDs and departmental boards in 2016, but soon after the Cabinet was reshuffled, diminishing any impact. The current political reality is that the prime minister has far greater worries than the performance of departmental boards, and any attempt by the cabinet secretary to get this back on the agenda is likely to be swept aside. The prime minister is going to reserve her limited authority with her Cabinet colleagues for far greater matters of state than changing the way that they run their departments.

7.5　The next suggestion is training for ministers, especially new ministers. This is clearly desirable; most ministers have no experience of leading large organisations, and it is a huge leap from being an MP to being in the government. Training has often been advocated, but never successfully implemented. The difficulty is that ministers don't see the point, and they begrudge the time. They will not attend training if it is voluntary, and no prime minister has felt able to require it, or to suggest that attendance would aid promotion. Advocates of training then fall back on training for future ministers. The difficulty here is identifying who

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[93] In 2016-17 the Treasury and Foreign Office boards met only once; Home Office and DCMS twice; BEIS and DH three times. This was a disruptive year, with high turnover (over 60%) of secretaries of state following the change of Prime minister in July 2016; but other departments managed four meetings or more.
[94] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017), p7.

on the back benches might be a future minister; the PM is not going to supply a list. Moving further back up the supply chain, training has in the past been offered to the opposition and shadow Cabinet; but take up was patchy, and the experiment not judged a success.[95]

7.6   Similar arguments apply to the suggestion of a buddying scheme, with more experienced ministers persuading junior colleagues of the benefits of departmental boards. The difficulty again is that if the scheme is voluntary it is not going to happen, and the PM is not going to require it. Some of those who make little use of departmental boards are themselves senior ministers, and not good role models. There is a strong tradition that ministers don't presume to tell each other how to run their departments, and Cabinets are characterised as often by rivalry and distrust as by solidarity and mutual support.

7.7   That leaves external evaluation, and greater transparency as ways of encouraging secretaries of state to take their boards more seriously. Both are enshrined in the Cabinet Office corporate governance *Code of Good Practice*, which sets minimum standards for boards, and a requirement to 'comply or explain' if departments deviate from those standards. Chapter four on board effectiveness requires a 'formal and rigorous annual evaluation of the board's performance', and specifically lays duties on the non-executives to lead the process:

> 4.12   The lead non-executive board member should support the chair to ensure a board effectiveness evaluation is carried out annually, and with independent input at least once every three years.
>
> 4.13   The lead non-executive board member should ensure the chair acts on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board…

The annual and triennial evaluation provide non-executives with the levers to improve board performance, including the performance of the chair. We noted in paragraph 5.28 how the presence of an external NED as an observer led the chair to be more focused and business-like. There will not always be external observers; but lead non-executives could exert leverage through their contributions to the department's annual report, and be more candid about board performance.

7.8   At the very least, under the 'comply or explain' doctrine, lead non-executives should state (in their department's annual report) the reasons if the board has failed to meet the minimum requirement of at least four board meetings a year; should explain how recommendations from the board effectiveness evaluation have been followed up; and should state whether the non-executives have had separate meetings alone with the secretary

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[95] Before 1997, training for the shadow Cabinet was offered by Templeton College, Oxford, and by the Fabian Society with former senior civil servants; before 2010 training was offered by the Institute for Government.

of state, as required by the Code.[96] They could go further, and report on the length of board meetings as well as their frequency, to avoid token meetings lasting only 45 minutes. The aggregate data on frequency of board meetings and attendance are published in the government lead non-executive's annual report, and individual data for each department in their own annual reports.

7.9   But there need to be carrots as well as sticks, if reluctant ministers are to be persuaded to do more than just go through the motions. The difficulty is that a lot of good governance is process-driven. Our interviewees suggested ways of livening up the meetings, with outside speakers, with presentations, charts and diagrams, not just piles of papers. This is largely the responsibility of the permanent secretary and the secretary of the board. As the Code says, 'an effective board secretary is essential for an effective board'. Board secretaries need to be high fliers, with the ability, confidence and imagination to design agendas and produce papers which will engage the interest of the secretary of state.

7.10   Despite everyone's best endeavours, there will still be ministers who remain uninterested in board matters, and others incapable of chairing an effective meeting. We therefore asked whether, in such cases, the board could be chaired instead by the permanent secretary, or the lead non-executive. But there was no support for going back to the pre-2010 model, when boards were chaired by the permanent secretary. Pre-2010 permanent secretaries said that if the secretary of state was let off the hook, the department would not take the board seriously. Leading NEDs also feared that they would be taken less seriously if they were not part of a board chaired by the secretary of state. But it was also suggested that if the secretary of state was not available, the board might be chaired by the lead non-executive, as allowed by paragraph 3.14 of the Code. This prompts the thought that the lead non-executive might sometimes jointly chair a meeting with the secretary of state. This could help to give the secretary of state a break, and also allow the NEDs to chair those parts of the meeting which call for more detailed scrutiny of the department's performance or plans, where they have particular input.

7.11   Summing up this section, the Code allows flexibility to departments in the way the board is run, but also lays down minimum standards, with a 'comply or explain' requirement if departments wish to deviate. Reasons for departure must be explained in the governance statement accompanying the department's annual accounts.[97] Different secretaries of state will have different attitudes, and different preferences in the way they wish to use the board. For each new secretary of state, the permanent secretary could agree the best way for the secretary of state to engage with the governance of the department and the NEDs, and publish those arrangements in the governance statement. The areas which could be presented to most secretaries of state as interesting or valuable would include management of the risks that they really care about, setting priorities, ensuring clear lines of

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[96] HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of Good Practice.* (April 2017), p6.
[97] Ibid.

accountability, and establishing a culture that best supports the delivery of their current priorities.

7.12 Within the management of risk should be included identifying risk at the early stage of policy development, not just managing risks associated with delivery of policies once decided. NEDs could help departments develop more robust policies and implementation plans; they have done retrospective reviews, but have been less involved in prospective thinking. Several of our interviewees said that the doctrine that policy is not a matter for the board has frustrated the NEDs, wasted a valuable resource and contributed to poor decision-making. Policy formulated without a shrewd appreciation of how to deliver it will be flawed policy. Our evidence suggests that boards are most effective when they ignore the artificial split between policy and implementation. It would not be for NEDs to do or to lead policy work, but rather to help the department think through how the policy will be delivered, and practical difficulties which might arise. If NEDs are occasionally included in policy meetings with the secretary of state, and seen to be helping on policy issues close to ministers' hearts, then ministers may be more willing to engage with NEDs in board meetings on wider management issues of less direct ministerial interest.

Improving the performance of departmental boards: do non-executives need more powers?

7.13 A familiar refrain in many of our interviews was that the role of NEDs in Whitehall is too vague, and needs clarifying. We sought to probe these complaints by asking in what respects the role needs clarifying; whether clarification means codification; and whether non-executives need more formal powers. Those who hanker after formal powers have in mind something closer to the private sector model, where non-executives have clearly defined roles, and the board are collectively accountable. But further discussion soon exposes the difficulties: accountability in Whitehall cannot easily be shared. Ministers are accountable to parliament for policy and its delivery, and the permanent secretary is accountable for ensuring propriety and value for money. There was no real appetite among non-executives that they should share some of this accountability, even if that were possible. When presented with the choice that more power involves more responsibility, they preferred to remain in an advisory role. Constitutionally that must be right: non-executives should not find themselves liable to be called before their department's select committee to explain or justify the department's performance.

7.14 Linked to this is a related complaint that the non-executive title is misleading: although non-executives in Whitehall often call themselves NEDs for short, they have a purely advisory role, very different from their counterparts on company boards, or the trustees of charities. But when we asked whether the title should be changed, to make it clearer that the role is purely advisory, we received a different response: the suggestion was rejected because of the negative impact on recruitment. People outside Whitehall recognise the title of non-executive director, or board member, which has a certain status, and it was felt that it would

be harder to recruit high calibre candidates onto Whitehall boards if it sounded as if they were simply members of an advisory committee.

7.15 So there was no wish for non-executive board members to have more formal powers, and no wish to change their title. They prefer soft power to hard power. But could they make more effective use of the powers they have? Their powers include: chairing the audit and risk assurance committee, and the nominations committee; being consulted on the single departmental plan; ensuring the chair acts on regular performance evaluations of the board; the right to have their concerns formally recorded in the board minutes; the right to echo these concerns in their contribution to the department's annual report; and the power to recommend dismissal of the permanent secretary. The latter power has never been used; it was not necessary, we were told, because NEDs can register any criticisms when leading on the permanent secretary's appraisal.

7.16 We were also told by officials that the effectiveness of the audit and risk committee had greatly improved as a result of the discipline and experience brought by the non-executive chair. But bringing more edge to evaluating risk did not seem to carry over to discussions in the board. Partly this reflects that many boards do not operate so as to give non-executives the oversight of strategy, risk and resources to engage effectively. However, even where non-executives gain that oversight, other factors are at play. Time and again we heard that departments are severely overloaded, because ministers cannot say no and will not prioritise; but when it comes to the crunch, neither officials nor NEDs feel able to call them out.

7.17 NEDs seem able to warn about the risks of an individual project which is not deliverable; but not the whole departmental programme consisting of all the projects. According to one permanent secretary, 'my NEDs came to me and said "you must be mad, you can't do all of this properly" – [but] they didn't tell the secretary of state that'. And on the rare occasions when they do, it seems a waste of breath: one non-executive reported the NEDs in the department having approached the secretary of state as a collective due to their level of concern, yet 'it didn't go anywhere – there was no real outlet for our unease'. One formal outlet for these concerns could be the permanent secretary and his power to request a ministerial direction. This is mentioned in the Code of corporate governance, as follows:

> 1.9   Accounting officers should routinely scrutinise significant policy proposals or plans…and then assess whether they measure up to the standards set out in *Managing Public Money*… If the minister decides to continue with a course the accounting office has advised against (whether or not supported by the collective decision of the board), the accounting officer should ask for a formal written direction to proceed…
>
> 1.10   The accounting officer should disclose all ministerial directions to the board at the next board meeting, and arrange for the existence of any ministerial direction to be published…

7.18 Although ultimately the decision is one for the accounting officer, the Code indicates a potential role for the board before as well as after seeking a ministerial direction. This suggests that there could be greater interlocking between the role of NEDs in assessing risk, on the audit and risk committee and on the board, and the accounting officer's duty to seek a ministerial direction before proceeding with a high risk project or programme, or departmental plan. Projects or plans which raise serious concerns about the practicalities or timescales of delivery are likely to represent poor value for money. In such cases NEDs should sound warnings about the risk; if their warnings go unheeded, they could also encourage the accounting officer to seek a direction.

> *I thought the permanent secretary should tell the secretary of state that this course ought not to be followed. The draft note for the permanent secretary to send didn't say that… It is surprising that there are not many more accounting officer minutes requesting directions if the secretary of state wishes to proceed.* (Non-executive board member)

7.19 Asking for a ministerial direction is regarded as a nuclear weapon: a breakdown in the professional relationship between minister and permanent secretary. But they are less rare than people suppose. There have been 60 directions since 1990, on average two per year. 46 of these were on value for money grounds. Most are for individual grants or projects, not always for big sums of money: recent examples include emergency funding for Kids' Company, the Garden Bridge in London, enhanced severance pay to Cameron's special advisers. Since 2011 there has been a new ground, of feasibility, but so far this ground has never been used. It is defined as the proposal not being 'implemented accurately, sustainably or to the intended timetable', which would seem appropriate for projects with unrealistic delivery dates, or indeed for whole programmes or departmental plans. Although directions are relatively rare, the threat of seeking a direction may be more common: the Institute for Government report one Whitehall department seriously considering a direction about once every three months, and the Treasury receiving a couple of inquiries every week.[98]

7.20 Encouraging the permanent secretary to seek a direction could be one way for NEDs to exercise leverage when they have serious concerns about the deliverability of departmental plans. When we raised this suggestion with them, some NEDs thought this would be suicidal; while others acknowledged the need to find a more effective mechanism to express particularly serious concerns: 'you have to find a way to be more black and white about risks, not just the ordinary "nice, nice"', as one lead NED put it. It will be difficult to change the culture, when unrealistic projects and programmes have gone unchallenged in the past. But with the extreme challenges of Brexit, prioritisation is more urgent than ever: the role of NEDs is to challenge, and they are failing in that core task if they do not challenge unrealistic departmental plans more effectively.

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[98] *What are Ministerial Directions?* (Institute for Government)
[https://www.instituteforgovernment.org.uk/publications/whitehall-monitor/whitehall-explained/ministerial-directions]. (24 August 2017).

7.21 Framing, monitoring and reviewing the department's business plan should be the main vehicle for strategic clarity, enabling and obliging ministers to decide which lower priorities to scale back or to shed, to concentrate on doing the most important things well. Currently each department has a single departmental plan (SDP) intended to set out how the government's priorities will be delivered. The system has admirable aims but chapter five showed it has proved very difficult to operate in practice (see paragraphs 5.11-5.19 and 5.56-5.63). The latest plans published in December 2017 are an improvement on previous versions; the real test will come in 2018 when we see whether the plans are really used to monitor and manage performance, or just put back on the shelf.

7.22 Because of the size and complexity of departments, drawing up and then using the SDP is an exhaustive and exhausting exercise. NEDs could make a strong contribution, but are generally inhibited by lacking time, opportunity and ministerial attention to interrogate departmental plans thoroughly and then monitor month by month the delivery of the plan. Brexit should provide a spur to a fundamental review of most departments' plans, because the whole context is fundamentally changed; but the uncertainties of Brexit, coupled with the additional workload, make that very difficult. It is not surprising that most lead NEDs, in their contributions to Sir Ian Cheshire's 2016-17 annual report, talk simply of 'refreshing' the SDP; but that suggests an opportunity may have been missed. If SDPs are allowed to become paper plans, disconnected from reality, then NEDs will have lost one of the most important planning and performance tools available to them and the board.

How to improve the performance of NEDs: individually, collectively, cross-departmentally

7.23 In this next section we move on from the role of boards to consider how to help non-executives become more effective in their contribution outside the board meetings. This starts with induction, and before that with recruitment: if departments are recruiting from too narrow a field, they will not necessarily get the best possible candidates. We describe the backgrounds of all those NEDs appointed since 2010 in chapter three: average age 58 on appointment, half of them privately educated (of those for whom we have data), almost half Oxbridge educated, three quarters at Russell Group universities, and 80% with careers in business, finance and commerce. Just over 60% have been men, but of those in post in late 2017, 44% are women. More detail on NEDs' backgrounds can be found in Appendix B.

7.24 Given the stage in people's careers when they can give time to other things, the average age is not surprising. And given that these are people who have been very successful in their careers, it may be inevitable that they will come from a narrow range of educational backgrounds. But the emphasis on private sector experience seems overdone: there is considerable expertise in running large and complex organisations in the public sector and the voluntary sector, with tight budgets, demanding targets, conflicting objectives and difficult service users, which in many respects is closer to the operations of government than a private sector business. The net could be cast more widely to include more public

sector and third sector candidates, and continued emphasis needs to be given to diversity, including BAME candidates, and for departments like DWP, disabled candidates. Departments need to talent spot and foster interest in their sectors and among their stakeholder groups, with recruitment tailored to departmental needs for particular knowledge, skills or experience. The skills and experience required may be generic (finance, HR, digital, procurement), or specific to the department (e.g. expertise in the food industry, or transport, or trade).

7.25 The permanent secretary will also be responsible for arranging briefings on how the business is done in the department, what is expected of NEDs, and generally enabling them to become effective as quickly as possible. Several of our interviewees were critical of the induction and training provided, comparing it unfavourably with the private sector. With an average of around 20 new NEDs being appointed every year, the Cabinet Office could do more centrally, on the basics of central government: the importance of parliament, collective Cabinet responsibility, the role of NEDs on departmental boards, the role of arm's length bodies, government accounting and the duties of the accounting officer. And more use could be made of former NEDs, and of bodies like the Whitehall and Industry Group, who will be better at explaining the peculiarities of Whitehall and translating some of the language; and who will have more time than hard-pressed officials.

7.26 As part of the induction, and their continuing role, NEDs should be introduced to the many different tasks they may be asked to perform in addition to attendance at meetings of the board and its committees. There was some uncertainty or diffidence among NEDs, especially new NEDs, about these tasks, so to give them legitimacy it is worth recording them. They were listed in paragraph 5.43, and include: coaching and mentoring; testing major projects; assessing delivery chains, and integrating delivery partners; leading on assigned themes, such as talent management, or digital delivery.

7.27 Most of the NEDs we interviewed felt that they made a more effective contribution to the work of the department through these activities than through attendance at the board, so it is important to recognise that where a board is not operating as intended, these activities are worthwhile and good value. Some might deprecate these activities as a form of cheap consultancy, but they are none the worse for that; they are cheap, in that NEDs cost a lot less than externally recruited consultants; and they are high powered consultancy, in that NEDs are very senior figures who already understand the department's business and strategy. Others are concerned about mission creep: that NEDs may lose sight of their primary role as members of the board. The answer to this may be for the lead non-executive to record each year the additional tasks undertaken by the NEDs in his or her department, and to give a fuller account of their contribution to the board; this will provide greater transparency, and enable the NEDs themselves to reflect on whether they have got the balance right, bearing in mind their secretary of state's preferred use of the board.

7.28 The final part of this section considers how the contribution of NEDs might be strengthened collectively. The collective arrangements have been greatly strengthened since 2010, with the introduction of lead NEDs in each department, and the government lead non-executive in the Cabinet Office. This has given the non-executives stronger leadership and a more effective collective voice. They also have more opportunities for comparing notes and sharing their experience through the six-monthly meetings of lead non-executives, and of all the NEDs, convened by Cabinet Office. It is up to them what use they make of their collective voice, through their contributions to departmental annual reports, and through the annual report of the government lead non-executive to PACAC and through private reporting to the prime minister and cabinet secretary, and appearances before select committees. In private non-executives are strongly critical of the performance of many departmental boards, mainly because of lack of interest from the secretary of state. It is understandable if their public criticisms are more muted, but the system of reporting is the main lever through which they can exercise pressure and bring about change. If they fail to use that lever, they must share some of the responsibility if the change doesn't happen.

7.29 A second strand to strengthening the collective contribution of NEDs is cross-departmental working. This takes two forms: the first is to identify cross-cutting themes, and seek to improve performance across all departments. As we saw in chapter six, an early example was Lord Browne's 2013 report on control of major projects. Under Sir Ian Cheshire, cross-departmental groups of NEDs have been set up to share best practice on talent management, the governance of arm's-length bodies, and risk. It is hard to evaluate the impact of these cross-departmental initiatives; Sir Ian would like to have developed a more systemic and centralised approach to managing cross-departmental risks.[99] Now that the more centralised approach has been abandoned, one lesser test of the risk working group will be whether departments implement the recommended framework for management of risk by boards. As chairs of the departmental audit and risk committee, NEDs should be able to ensure this happens; the lead NED can report on compliance in the department's annual report.

7.30 The second strand to cross-departmental working is the perennial problem of encouraging more joined up government on issues which straddle several departments like the ageing society, homelessness or child obesity. Here it is unrealistic to expect that part time NEDs can crack such an age old Whitehall problem on their own: in our October 2017 seminar, they acknowledged as much – the most they can achieve is make each other a little more aware of the issues faced by other departments.

7.31 One way in which NEDs might gain more interest for their cross-departmental initiatives would be if lead NEDs were occasionally invited to join the permanent secretaries for one of their awaydays. But here too we must be realistic, and recognise two further reasons why cross-departmental working is unlikely to achieve much. The first is the weakness of the

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[99] Cheshire, I., *The Government Lead Non-Executive's Annual Report 2016-17*. Cabinet Office (November 2017), pp26-27.

centre in Whitehall. Many of the lead NEDs commented on this: without a stronger centre, backed by the interest and authority of the prime minister, they cannot gain traction for cross-departmental initiatives. The second is simply time: half of all NEDs do no cross-departmental work; the remainder report that it occupies one-sixth of their time. This imposes real limits on what they can achieve cross-departmentally, in such a small fraction of their time.

Who needs to do what to enable NEDs to be more effective

7.32 The final section of this chapter pulls together a summary of who needs to do what to make NEDs more effective, by targeting our recommendations at different groups.

Ministers

- Need to make the most of departmental boards. This means allowing regular meetings, at least quarterly; for at least two hours; allowing for effective, robust discussion.
- Recognise non-executives as top quality troubleshooting allies – they can check that plans are credible, and help turn policy into results
- Allow NEDs to discuss policy as well as implementation, because good policy making requires discussion of delivery mechanisms from the start
- Allow a strategy awayday (or half day) meeting for the board to discuss the single departmental plan (SDP) candidly and critically, and set fresh priorities: this includes dropping things to make room for new ones
- Consider allowing the lead non-executive to chair those parts of board meetings which call for detailed scrutiny of the department's performance or plans
- Meet privately with the NEDs at least once a year

Permanent secretaries

- Agree with each secretary of state how the board will be used, explaining the key elements of the Code; and the need to comply or explain departures from it, with an explanation in the governance statement
- Ensure there is a formal and rigorous annual evaluation of board performance
- Appoint high fliers as board secretaries, to liven up meetings, and engage the interest of ministers
- Agree with the secretary of state how NEDs will be used for optional tasks beyond core governance
- Talent spot and foster interest in their sector, maintain a good panel of potential applicants
- Arrange briefing for new NEDs, including face-to-face meetings, on the business environment, key challenges facing the department, the expectations of NEDs, with 'how to' scenarios

Cabinet Office

- Work to maintain a high quality cohort of NEDs, with more candidates from the public and voluntary sectors, and continued emphasis on diversity
- Recognise the full range of NED activities beyond core governance
- Monitor and record the range of NED activities
- Continue to support cross-departmental network of NEDs and lead NEDs
- Provide central training to new NEDs on the basics like parliament, the role of the centre and Cabinet, arm's length bodies, government accounting and the accounting officer

Lead non-executives in departments

- Play a key role in positioning the board and NEDs with the secretary of state
- Ensure the chair acts on the results of the annual and triennial performance evaluations, by recognising the strengths and addressing the weaknesses of the board (as required by paragraph 4.13 of the Code)
- Be more assertive about the risks of overload, especially cumulative overload, and use the departmental planning system as the main vehicle for more realistic planning and prioritisation
- Voice warnings about the risks of projects or programmes to the board as well as in the audit and risk committee; if unheeded, encourage the permanent secretary to request a ministerial direction

Government lead non-executive

- Continue to provide strong leadership to the non-executives, and be their collective voice
- Re-issue Sir Ian Cheshire's 2016 note on board responsibilities, with backing from the prime minister.

Prospective non-executives

- Explore non-executive board membership: if you are motivated by challenging work in government, it provides a unique opportunity
- Establish how the secretary of state uses the board; do not assume that it meets the aspirations of the Code
- If the secretary of state is not engaged, work with the permanent secretary to construct an influential role: there is still a fulfilling job to do
- These posts are fascinating. Be prepared to contribute beyond the advertised time, to do the work justice, with extra effort at the start for induction and familiarisation.

Final conclusion

7.33 In conclusion, we must re-iterate a key message running throughout this report, that overall NEDs have been a great success. Whitehall has a long history of rejecting foreign tissue, but in this case the graft has taken. It is a tribute to NEDs' sense of public duty that they contribute much more than they signed up for, and that they wish to be even more effective. The key to greater effectiveness lies with ministers taking boards more seriously. Francis Maude expected that NEDs and boards would expose the inadequacies of the Civil Service. Instead what our study has shown is that the weakest link in most Whitehall departments is weak leadership by ministers. Until ministers are willing to give boards proper time and attention, and to use them for reviewing strategy and matching departmental plans to resources, corporate governance in Whitehall is not going to improve.

7.34 With their advisory status, the only powers available to NEDs are those of persuasion, and publicity. Because of the crucial need to build relationships of trust with ministers and senior officials, they have understandably been reluctant to go public with the concerns they have expressed to us in private, and which are recorded in this report. The central concern is overload, now exacerbated by Brexit. But as Whitehall confronts the immense challenges of Brexit, non-executives may need to lower the mask. It will not be easy, since they can see the intense pressures on their colleagues in Whitehall; but they do those officials and themselves no favours if they remain too silent for too long. If their private warnings about the difficulties of delivering so many government programmes continue to be ignored, they may increasingly need to express them in public – however unpopular that may be.

Appendix A: Survey of non-executives in summer 2017

At the suggestion of the Cabinet Office, we conducted a written survey of non-executives on Whitehall boards, in addition to our programme of interviews. The survey questions were devised in consultation with Cabinet Office and piloted with a sample of non-executives. The survey was publicised to NEDs who had served in the period since 2010, including current NEDs. Respondents were invited to complete the questionnaire between mid July and late August 2017. 55 completed responses were received, from NEDs who had served in all 18 departments covered in the government lead non-executive's annual report.

The 16 questions are set out below, together with the analysis of the responses received. Five of the questions also invited respondents to offer additional comments, which are included in the analysis below.

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Report info	
Report date:	17th October, 2017 9:39:09 PM BST
Start date:	17th July, 2017 2:01:00 PM BST
Stop date:	25th September, 2017 11:59:00 PM BST
Stored responses:	56
Number of completed responses:	55
Number of invitees:	56

Question 1

How were you recruited as a non-executive board member?

(If you have worked on the board of more than one central government department, please respond for the first time that you were appointed)
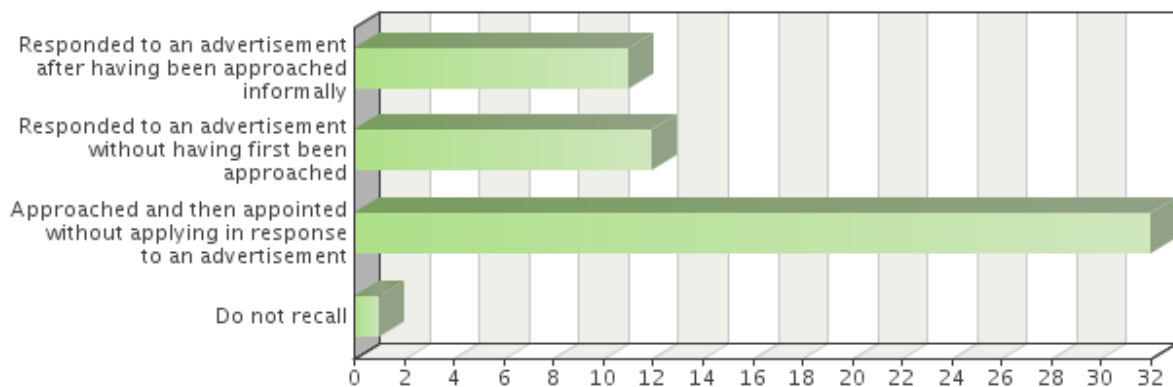
Frequency table

Choices	Absolute frequency	Relative frequency	Adjusted relative frequency
Responded to an advertisement after having been approached informally	11	19.64%	19.64%
Responded to an advertisement without having first been approached	12	21.43%	21.43%
Approached and then appointed without applying in response to an advertisement	32	57.14%	57.14%
Do not recall	1	1.79%	1.79%
Sum:	56	100%	100%
Not answered:	0	0%	-
Total answered: 56			

Question 2

When you were recruited, by whom were you first approached?
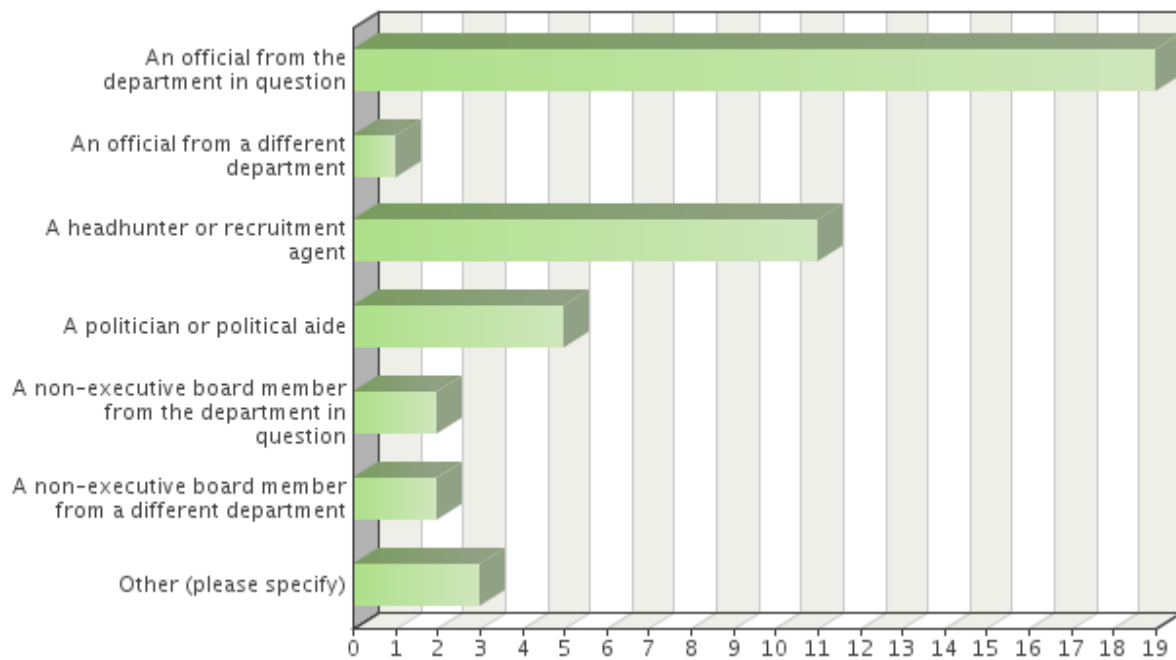
Frequency table

Choices	Absolute frequency	Relative frequency	Adjusted relative frequency
An official from the department in question	19	33.93%	44.19%
An official from a different department	1	1.79%	2.33%
A headhunter or recruitment agent	11	19.64%	25.58%
A politician or political aide	5	8.93%	11.63%
A non-executive board member from the department in question	2	3.57%	4.65%
A non-executive board member from a different department	2	3.57%	4.65%
Other (please specify)	3	5.36%	6.98%
Sum:	43	76.79%	100%
Not answered:	13	23.21%	-
Total answered: 43			

Question 3

Approximately how many days each month do you estimate that you spend (or have spent) on average on work as a non-executive board member?

Minimum:	1	**Maximum:**	12
Average:	3.91	**Total answered:**	55

Question 4

What is your **approximate** estimate of how your time working as a non-executive board member is (or was) divided between the activities below?

Preparing/attending Board meetings:

Minimum:	5	Maximum:	65
Average:	27.3	Total answered:	54

Preparing/attending Board subcommittee meetings:

Minimum:	5	Maximum:	60
Average:	22.5	Total answered:	54

Departmental project work:

Minimum:	5	Maximum:	80
Average:	18.6	Total answered:	54

One-to-one advice to senior officials (other than on projects)

Minimum:	5	Maximum:	50
Average:	13.3	Total answered:	54

Departmental work (other than any of the above)

Minimum:	5	Maximum:	70
Average:	11.7	Total answered:	40

Non-departmental (cross-cutting) work

Minimum:	0	Maximum:	30
Average:	6.7	Total answered:	54

Question 5

On which area(s) which the Corporate Governance Code identifies as main areas for the Board has your input as a non-executive board member been most focused <u>in terms of time spent</u> (a later question asks about impact)?

(please select one or two)
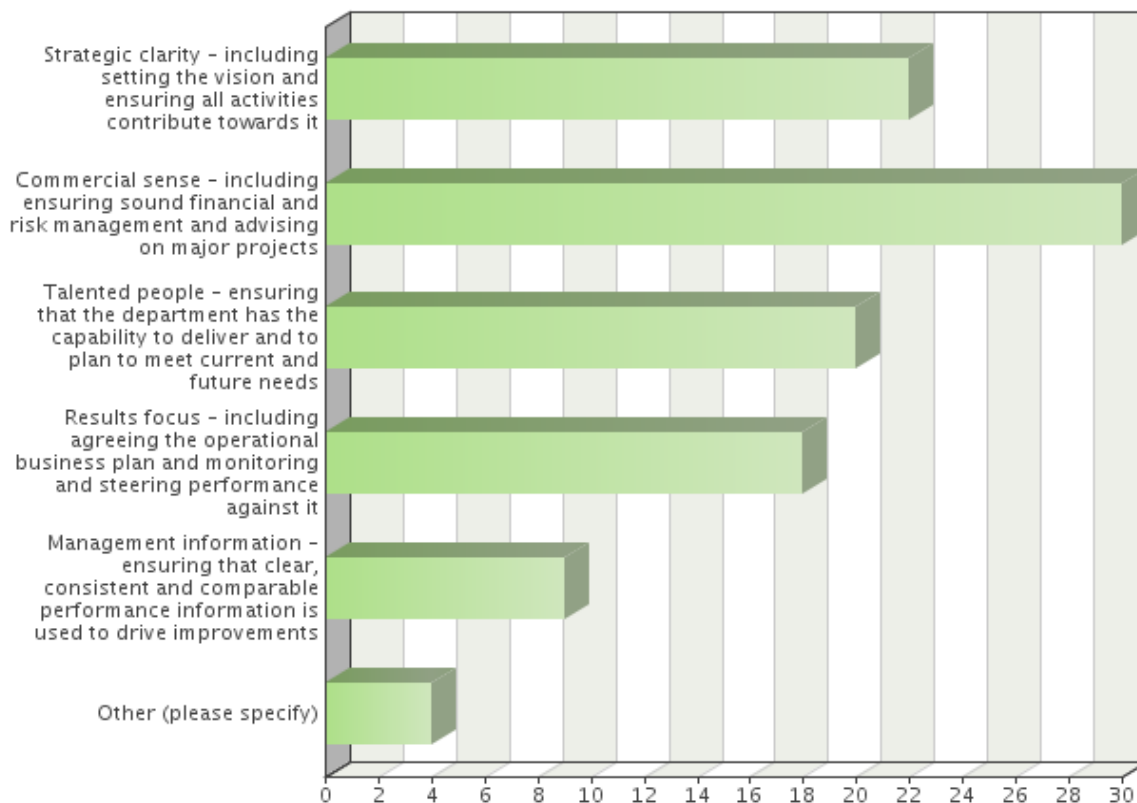
Frequency table

Choices	Absolute frequency	Relative frequency by choice	Relative frequency	Adjusted relative frequency
Strategic clarity - including setting the vision and ensuring all activities contribute towards it	22	21.36%	39.29%	40%
Commercial sense - including ensuring sound financial and risk management and advising on major projects	30	29.13%	53.57%	54.55%
Talented people - ensuring that the department has the capability to deliver and to plan to meet current and future needs	20	19.42%	35.71%	36.36%
Results focus - including agreeing the operational business plan and monitoring and steering performance against it	18	17.48%	32.14%	32.73%
Management information - ensuring that clear, consistent and comparable performance information is used to drive improvements	9	8.74%	16.07%	16.36%
Other (please specify)	4	3.88%	7.14%	7.27%
Sum:	103	100%	-	-
Not answered:	1	-	1.79%	-
Total answered: 55				

Last choice text input:
audit and risk issues
Customer focus
Audit and Risk
risk register

Question 6

Within the system as you have experienced it, how effective overall do you feel that you have been able to be a as non-executive board member?
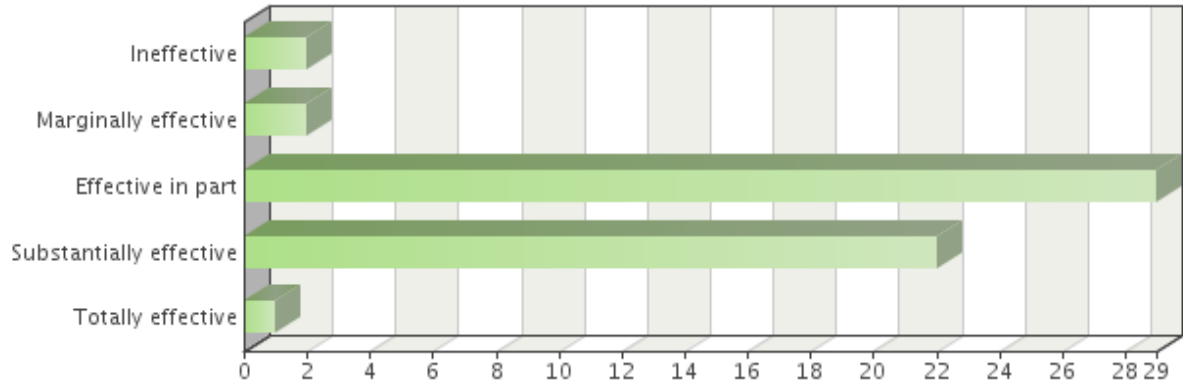
Frequency table

Levels	Absolute frequency	Relative frequency	Adjusted relative frequency
Ineffective	2	3.57%	3.57%
Marginally effective	2	3.57%	3.57%
Effective in part	29	51.79%	51.79%
Substantially effective	22	39.29%	39.29%
Totally effective	1	1.79%	1.79%
Sum:	56	100%	100%
Not answered:	0	0%	-
Total answered: 56			

Question 7

Thinking about the most valuable impact that you had as a non-executive in central government to date, to which (if any) of the main areas for the Board did it relate?
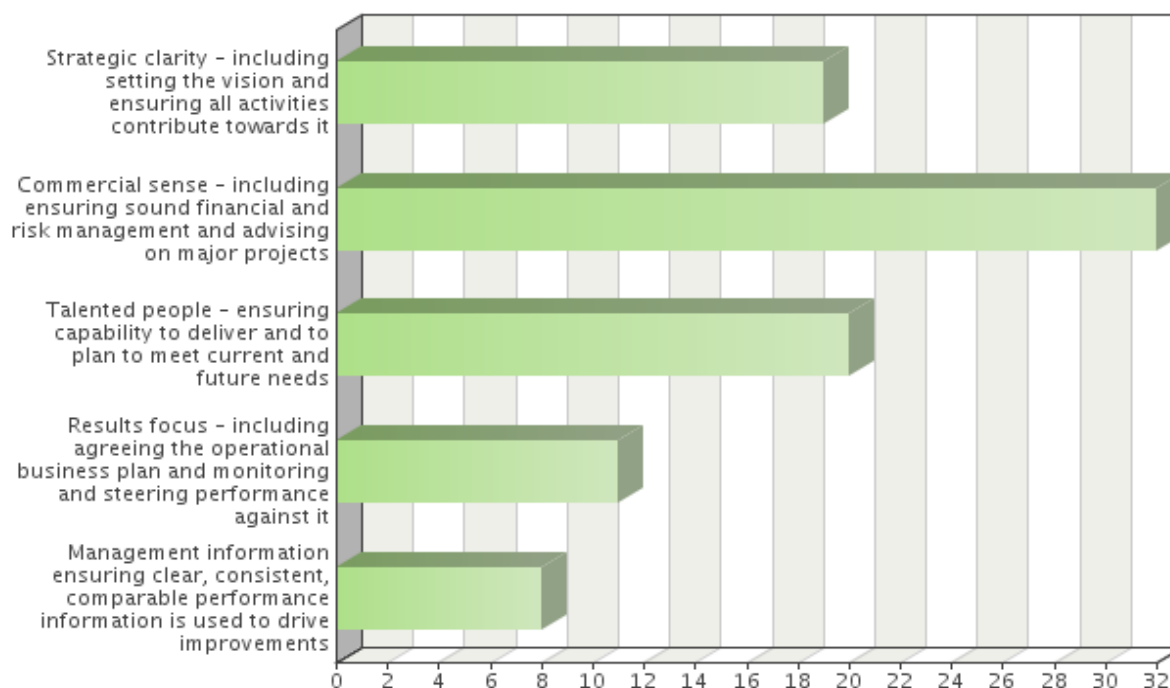
Frequency table

Choices	Absolute frequency	Relative frequency by choice	Relative frequency	Adjusted relative frequency
Strategic clarity - including setting the vision and ensuring all activities contribute towards it	19	21.11%	33.93%	35.19%
Commercial sense - including ensuring sound financial and risk management and advising on major projects	32	35.56%	57.14%	59.26%
Talented people - ensuring capability to deliver and to plan to meet current and future needs	20	22.22%	35.71%	37.04%
Results focus - including agreeing the operational business plan and monitoring and steering performance against it	11	12.22%	19.64%	20.37%
Management information ensuring clear, consistent, comparable performance information is used to drive improvements	8	8.89%	14.29%	14.81%
Sum:	90	100%	-	-
Not answered:	2	-	3.57%	-
Total answered: 54				

| Text input |
|---|
| Driving greater transparency in the Department's external financial and operational reporting. |
| As chair of Audit & Risk committee I've been well involved in driving improvements to risk management processes, improvements in accounting systems and the annual report and accounts processes |
| When I have the most impact (I believe) is when I am working with the DG's or the PS on specific areas around talent, helping them understand what others are doing and enhancing their approach to areas like performance management, reward strategy, employee engagement, inclusion & diversity, mental health etc. |
| I participated in the Cabinet Office Large Programme review work under Bill Crothers and also headed up the Senior Talent Development board for BIS and the Cabinet Office. |
| Ensuring that the actions we take don't disadvantage the least able of our customers / society |

Chair of the Nominations Committee and taking a full overview of departmental talent and its development, with a focus on diversity and inclusion Departmental Plan - lead non-executive for the development of the plan with a focus on strategic intent and results Departmental sustainability - taking a special interest in this area on behalf of the Board

I feel that the most valuable role I play is as a sounding board for senior civil servants.

As chair of the ARC, I was particularly able to help improve risk awareness, improve MI and develop a better level of commercial awareness.

(all boxes selected except "talented people" on hard copy return)

able to bring in commercial practitioners for the board to hear from on relevant topics- so good use of network

Like all big organisations with multiple tasks, the most significant challenge for Whitehall departments is to keep their eye on the big picture and what their core purpose is, My main aim, therefore, was to try and lift the horizon beyond the detail and focus on why they were doing and how the different constituent parts fit into a coherent whole and narrative. I was only partly successful.

- Authored report on the efficacy and value of Small Business programmes funded by BIS. - Co-authored report on EU Red Tape for the Prime Minister, chaired by a BIS Minister.

My role on the board and on strategic change sub committees was advisory in areas of my core experience, expertise (e.g change, risk, procurement, major projects etc). I chaired Audit Committee where my role was easily defined and as a result it was easier to add demonstrable value.

I conducted a major year long review for the department which reset some important strategic relationships

Chair of Group Audit and Risk Committee

Bringing to the Board's attention matters it would otherwise ignore - such as legal liabilities. Requiring Ministers and officials to think about longer term issues that were not in the headlines. Requiring Ministers and officials to debate such issues, raised in prepared papers, and doing it in a way that would have been less constructive had engaged outsiders not been present.

Advising on strategic risk management

Question 8

How important are the following factors to your effectiveness as a non-executive board member (whether or not they have actually been in place)?

Levels
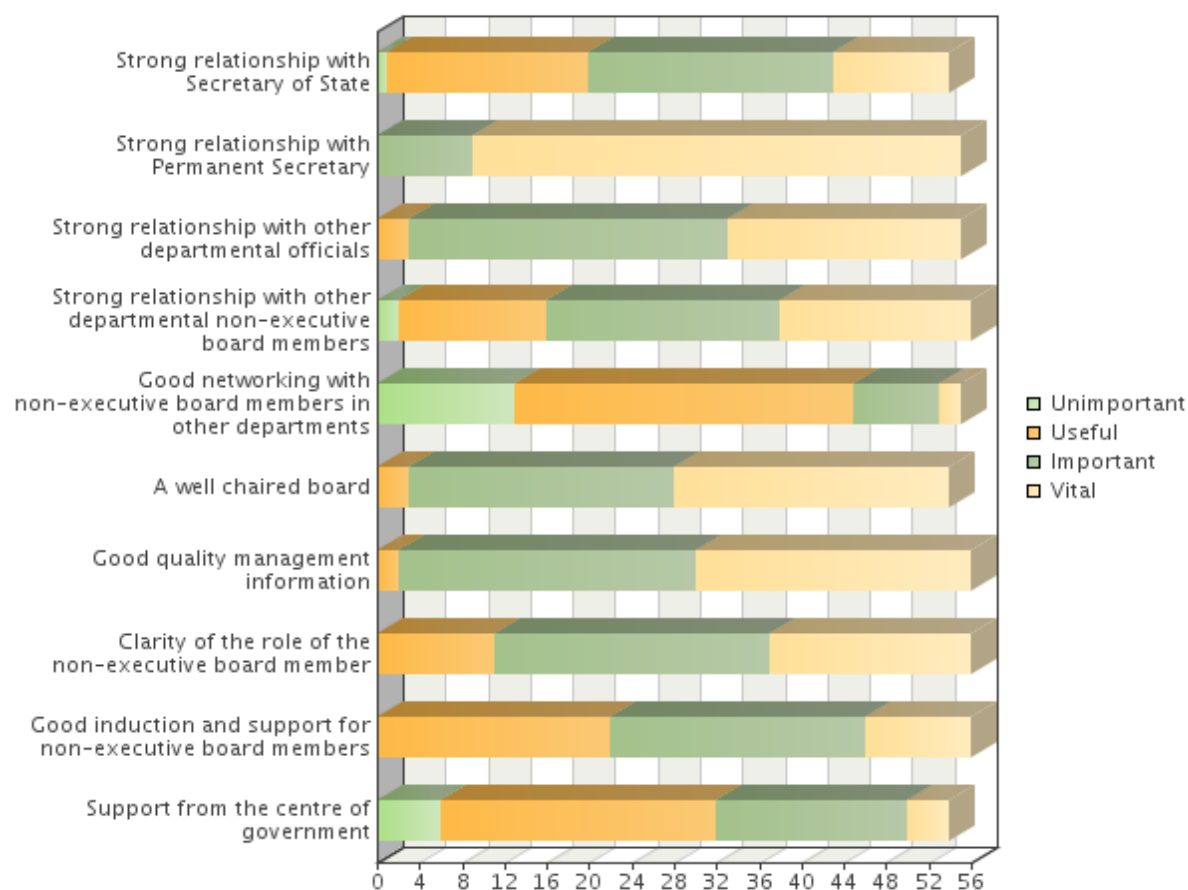
	Unimportant	Useful	Important	Vital	Sum
Strong relationship with Secretary of State	1	19	23	11	54
	1.85%	35.19%	42.59%	20.37%	100%
	0.18%	3.45%	4.17%	2%	9.8%
Strong relationship with Permanent Secretary	0	0	9	46	55
	0%	0%	16.36%	83.64%	100%
	0%	0%	1.63%	8.35%	9.98%
Strong relationship with other departmental officials	0	3	30	22	55
	0%	5.45%	54.55%	40%	100%
	0%	0.54%	5.44%	3.99%	9.98%
Strong relationship with other departmental non-executive board members	2	14	22	18	56
	3.57%	25%	39.29%	32.14%	100%
	0.36%	2.54%	3.99%	3.27%	10.16%
Good networking with non-executive board members in other departments	13	32	8	2	55
	23.64%	58.18%	14.55%	3.64%	100%
	2.36%	5.81%	1.45%	0.36%	9.98%
A well chaired board	0	3	25	26	54
	0%	5.56%	46.3%	48.15%	100%
	0%	0.54%	4.54%	4.72%	9.8%
Good quality management information	0	2	28	26	56

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	0%	3.57%	50%	46.43%	100%
	0%	0.36%	5.08%	4.72%	10.16%
Clarity of the role of the non-executive board member	0	11	26	19	56
	0%	19.64%	46.43%	33.93%	100%
	0%	2%	4.72%	3.45%	10.16%
Good induction and support for non-executive board members	0	22	24	10	56
	0%	39.29%	42.86%	17.86%	100%
	0%	3.99%	4.36%	1.81%	10.16%
Support from the centre of government	6	26	18	4	54
	11.11%	48.15%	33.33%	7.41%	100%
	1.09%	4.72%	3.27%	0.73%	9.8%
Sum	22	132	213	184	551
	100%	100%	100%	100%	100%
	3.99%	23.96%	38.66%	33.39%	100%

*Sequence of numbers in a cell:
Absolute frequency
Relative frequency row
Relative frequency

Text input
Desire from politicians and senior civil servants for you to be there! Trust.
Working with a SoS who is a real advocate of the Board and NED model makes all the difference.
alignment between Sof S and Perm Secretary certainly very useful!
Time together as a Board to build relationships
Strong relationship with ministers other than SoS, knowledge of the department's operation and stakeholders, good relationship with boards of ALBs
Openness and trust Time with the SoS without his full team of Ministers present Time with the Perm Sec and his Executive team without Ministers present
Much the most important factors are the willingness of Permanent Secretaries and DGs to engage. Everything else flows from that.
Purpose NED role clear across senior executive team.
interest in the department- not always possible to first see where one can add value- takes time and focus - then can add tremendous value
The clarity about the role of the NED on a governmental, as opposed to other Boards is vital. You are not there to make policy, but you are there to make sure that policy is properly thought through before the organisation jumps straight to the implementation phase. Too often that step is skipped both by boards and departments.
Strong linking of political intent (e.g. manifestos) to departmental plans
The most important factor by far is the engagement, or otherwise, of the SoS. Also important: regular meetings, chaired by the Secretary of State. Diary dates frequently changed (usually for justifiable reasons - i.e. the Foreign Secretary would have to dash off somewhere). The meetings were a waste of time if he was not there.
There needs to be reliable, ongoing board secretariat support to keep the board functioning even as governments change. Without this, momentum is lost.
Pro activity is important. A good relationship with other NEBMs is a real help and encouragement from Permanent Secretary as they set the tone and give permission.

Question 9

Please identify the factor the presence of which has been most helpful, and the factor the absence of which has hindered you most.

Text input
An excellent senior NED - most helpful A really good induction and chance to get to know the Department asap - hinder
A SoS who clearly values the Board and NED approach
Good relations and interest from PUS most helped. Lack of interaction and interest from Sec of State most hindered
Great admin support.   No access to Secretary of State and limited access to permanent secretary.
It has been most helpful when the Permanent Secretary has directly engaged with the concerns of my Committee - the Audit and Risk Assurance Committee.   The absence of a consistent and experienced secretariat and risk function for my Committee is the most burdensome aspect of the job I do. I end up driving a great deal of the administration, including effectively writing the minutes and pursuing follow up actions, myself.
enthusiasm of Secretary of State to use the Board
1. The opportunity to challenge and offer advice on policy and operational responses. 2. Board meetings being a charade: too brief and with little scope for useful discussion.
Presence - good team of NEDs, with good mix of knowledge/skills, all willing to contribute   Absence - inability to contribute at optimum times to developing projects/strategy - too often things are formulated and brought to NEDs/Board too late in the day for effective NED input
S of S who values NED contribution.   Lack of understanding/trust from senior officials (or other NED's not showing officials due respect)
Supportive perm sec most helpful   Lack of initial understanding by department of role of ned
There needs to be far greater clarity as to where NEDs can be most useful. We're there to help.
Open communication. See below.
Strong unitary board which meets monthly   Nothing negative!
Presence of which: DG's and PS who are welcoming of NED input and interested in hearing the hard stuff.   Absence of which: continuity in the team (from HS to Ministers, PS to DG's - there has been 50-75% churn in our department in the 18months I've been in post).
Good relationship with the Permanent Secretary was most helpful Sir Martin Donnelly was excellent.   Board performance under Sajid as Secretary of State was terrible.
Presence: Openness and genuine desire to share, engage and learn from NEDs by the Permanent Secretary and their senior officials   Absence: Stable forward diary management - frequent changes of dates and times of meeting are very hard for a non-exec with a portfolio of other work to accommodate
Presence: strong relationship with other NEDs Absence: good quality induction (I'm still playing catch-up a year after appointment)
Strong relationship with Permanent Secretary and his senior team (most helpful), lack of engagement of SoS due to lack of meaningful priority placed on role of SoS as Chair of the Board
I was Chairman of the Audit and Risk Assurance Committee. In this role, I had the full support of the Permanent Secretary and the DG Finance, which allowed the ARAC to play an important role in promoting good governance.
A weekly meeting/phone call with the permanent secretary. A not-fit-for- purpose IT centrally or locally, coupled with a non-functioning central civil service management system. Very unhelpful turf wars between No10, Cabinet Office and Treasury.
The most helpful factor was the strong initial commitment to the NED role within the Department and the resultant strong NED team. The biggest problem was the weak commitment to the board and NED role from subsequent Ministers.
The briefing papers and management information provided was excellent and the most important factor was honesty in terms of the Executive team.   Time for Board discussions under our first SoS was prioritised and the SoS chaired the Board and gave time for NED input; when our SoS was changed, the new SoS spent little if any time at the Board and was dismissive of our expertise.
I have experienced strong willingness from Permanent Secretaries and DGs to give me access and to listen to my input. That has been the most important factor in enabling me to be effective.
Most helpful = support of the Perm Sec Absence = input of the SoS
Clear and close relationships between NEDs has been very helpful.   Hindered by lack of understanding by senior executive team of what NEDs can offer, resulting to wasted opportunities and duplication of work.
Trust both with fellow NED's and with senior officials leading to open honest discussions.   Politics which very substantially interferes with optimal long term business decisions.
Nothing was helpful. The department did not understand the value of a NED.
Most helpful: support of the secretary of state, or the permanent secretary and of other ministers.   Without this, the role of non-execs is almost useless.
Helpful - Relationship and support from senior staff (Perm Sec and DGs)   Hindered - Sensible and practical government accounting
strong collaboration between other NEDs
If the Secretary of State is engaged that makes a huge difference. If they do it as a tick box exercise then it is not worth it.
DepArtmental staff are very friendly, but I have a strong sense many/most decisions are effectively made well before they reach the board and we are largely rubber-stamping civil service decisions. Timely - i.e. Early stage - options would be valuable.
Degree of buy in from SoS and/or PS

Most helpful: A strong and open relationship with the Perm Sec.   Most hindrance: Management information to the Board that appears clear and considered, however may be incomplete in some way or lacks links to political intent. (NEBMs often don't know what they don't know...)
Membership of the Executive Management Committee chaired by the PS and hindered for a period when we were not.
Openness of department senior officials in discussion -- no sense of 'not in front of the NEDs'   Inability to get civil service to recognise that you need to promote people in role, rather than having them leave important projects to get promoted.
Most helpful: Good working relationship with FD, Perm Sec and key offocials Most challenging: Management information, and lack of focus how best to use NEDs time
Clarity of role and expectations. (Audit Committees are quite often more effective than Board meetings because there is much more alignment (non-execs and management) about purpose and scope   Absence of an experienced Board Chair can be a significant hindrance
Most helpful - being Chair of the Audit and Risk Committee giving me a well-defined important role. The greatest hindrance has been change of Secretary of State.
excellent chairing of meetings and clarity of role of board and committee jargon and management information - volume and technical language
Strong understanding and support from the senior officials for the role of the NEDs
The most helpful factor has been the willingness of key officials to use me as a sounding board and to draw on my experience and sector knowledge to help them implement policies and programmes. The absence of much interest from ministers other than the previous Secretary of State in using me as sounding board or drawing on my industry knowledge and experience feels like a lost opportunity to me.
Support of the Secretary of State most helpful.   Limits on time.
Most helpful factor- an effective and efficient permanent secretary least helpful factor- lack of co-ordination across government
The interest, support and engagement of the Permanent Under Secretary and his officials.
Pre-meetings with the SoS   Not enough time in non-Exec - SoS meetings or in direct conversation with Permanent Secretary
Effective leadership by Secretary of State.   Weak financial planning which has undermined the Departmental operating model.
Relationship with PermSec +ve Lack of formal statutory role i.e. de facto just an adviser-ve
Biggest plus: the willingness of senior civil servants to involve me in many aspects of the departments work and to request and listen to advice. Biggest minus: the reluctance of ministers to do the same
Relationships
Most helpful: strong engagement from the permanent secretary, espcially through the audit and risk committee.   Hindrance: frequent changes in board secretariat and associated loss of momentum and continuity.
Relationship with Secretary of State most helpful; lack of operational skills in department biggest problem
Support of the permanent secretary.   Time with other senior officials.

Question 10

Which one change would help (or would have helped) you to contribute more to corporate governance in central government?

Text input
A really effective X government NED programme, to hear our views and respond to them as well as to brief us
Ministers prefer to invest in new services and capabilities rather than maintain back office infrastructure. Consequently systems and data are in a poor state leading to poor MI and poor decisions.
More time spent on the strategic view
Greater access to senior managers. Greater clarity on what success Looks like for a NEBM.
A more experienced and professional secretariat and risk function.
Greater engagement of the non executives in strategic decisions.
Real commitment from officials to make the most of my knowledge/experience rather than too often just paying lip service to consulting me and too often not giving me credit for knowing what I'm talking about.
More openness from officials on true risks of large projects
Standardisation
Clearer focus on what is most important and can have most impact
Clear board structures which last between leaders - the churn has resulted in major gaps of board governance, which should not be the case.
An understanding of the effective role of a non executive director!

| |
|---|
| More stable and systematic management routines - meetings, papers, MI flow etc. plus better secure electronic communications to avoid distribution of hard copy papers |
| Good induction (that included clarity about role of Board in a non-ministerial department) |
| Clearer direction from number 10 to SoS to ensure they prioritise the running of an effective board |
| Better engagement with Ministers |
| A central management system that would provide the services needed to departments - e.g. IT, HR, Finance on a collaborative, efficient and highest quality basis. |
| Clarity amongst Ministers that policy decisions (rightly for Ministers to make) are rarely any good unless thinking around policy implementation takes place at the same time - which is where the NEDs can really help. In reality, this would mean bringing NEDs more into the thinking about policy in its early development stage. |
| A longer term of office given all the personal investment I made in development and understanding the mechanics of the workings of government. |
| The distinction between policy (in which NEDs are not involved) and organisational and operational issues is artificial. Policy and delivery are inextricably linked and to be completely effective NEDs need an insight into policy and an appropriate opportunity to influence it. |
| Total engagement of SoS and Ministers |
| Improved communication between senior exec team and individual NEDs. |
| Recognition of the need for short term political expediency not to obstruct long term business benefit. |
| Begin with training for the Executive and Ministers to understand how an effective Board should operate |
| Strong support of the Secretary of State and a strong delivery unit in each department to ensure performance against objectives. |
| an induction that explained how each department works |
| A recognition that the Board can be both a useful sounding board for testing the arguments on big picture issues confronting the department: a strategic approach, rather than an incremental one. |
| Induction processes are particularly weak - very poor compared to private sector boards. |
| The board having more accountability |
| Regular (quarterly?) face-to-face time with the Ministers (all of them). |
| As above. |
| Keeping the Cabinet Office (particularly in the Maude era) from interfering. |
| Secretariat focus on NEDs - the permanent secretaries office focus was on ministers (vs a plc where papers are prepared to help NEDs reach decisions). As a result we'd often receive management papers, very detailed, making it to hard to contribute without a great deal of extra briefing time etc. |
| Whilst there are many benefits to having a minister chair a Board (alignment of strategic priorities, Boards taken seriously, decisions followed up etc), the other demands on a minister's time can mean that no regular Board rhythm develops and insufficient time is spent to do a proper job. (Meetings get rearranged at short notice making it impossible for NEDS to attend due to other commitments). A 'professional' Chair who could stand in when a minister was unavailable would help |
| More stability within the Management Committee. |
| Less time spent on process issues in sub committees |
| In practice far too many decisions and policies end up being approved or modified by the Cabinet Office or No 10, so the freedom of an individual department to do things in its own way, as it considers appropriate for its sector, is very limited indeed. It feels like a very centralised, central government system, so any advice an NED might offer can only ever be followed within very narrow confines. |
| It was good for me to have a clear role - Chair of Data, Evidence and Science Board - and mission to improve data and transparency.   Simply going to meetings isn't very effective. |
| Interaction with other departments to drive out mass duplication and inefficiency |
| A Secretary of State who knew and cared anything about corporate governance. This varied significantly depending on who was in the role. |
| Having a lead non-Exec in place |
| Deeper engagement of NED's in the strategic planning processes of the Department. |
| A defined role vs the civil service, ministers and CO |
| Real commitment from Minister's to make it work |
| Unpredictable whether one is being kept in touch on issues or only contacted episodically |
| If officials could understand how much NEBMs are able and want to contribute rather than a tick box. |

Question 11
Is there anything else that you would like to add?

Text input
Ministers must ensure that they do not attempt to politicise the NEDs. I.e. Try to use them in a political way.
These are very poorly paid jobs (this is a potential problem for talented people who actually do need to earn an income) The 'compensation' for this ought to be being able to make a valued contribution. Sometimes this is hard when you are up against career civil servants who have no knowledge and little interest in how things work elsewhere. There is a surprising lack of curiosity and a bit of arrogance towards the private sector contribution.
I currently feel that the powers I have as a government non-executive are not equal to my sense of responsibility for the actions of my Department.
Note that I am with HMRC which as a non-Ministerial department and a Board that is advisory/challenge rather than decision making involving SoS is rather different from other Departments. It means we need to establish a relationship with responsible Minister outside the Board process (has been good but to be re-established with new Minister) and generate ways of meeting/inputting to him (ditto).
I enjoyed my time as Lead Non Executive with BIS. But it was deeply frustrating! We could have done so much more.
No
Perhaps because I still haven't quite bottomed out the role of the Board in a non-ministerial department, I believe that the NEDs should have more of a role in ensuring that the actions taken within the department accord with our values and protect our reputation. At the moment we seem to be more focussed on performance than on reputation and role in society.
80% of the value added by NEDs comes from activity outside the boardroom. However, the engagement of the SoS with the Lead NED, and the priority put on running an effective board, and openly valuing the input of NEDs, is essential to give NEDs the credibility and influence they need within the dept to be effective
The role of the Departmental Board and its usefulness is totally at the whim of the SoS. I was on the Board under two SoS - one was supportive and one less so. I think my more important contributions were as Chairman of the ARAC and in informal contact with Director Generals and other senior civil service; I found the Board not very effective.
I enjoyed my six years greatly and learned a lot.
Despite the challenges, I still believe that this was a great idea and one that I hope continues with fuller support from all Departments but especially No 10.
I found it useful that NEDs across government were drawn together for meetings and briefings. Out of this some shared cross-cutting task groups emerged around key themes, such as Talent.
On the whole I have found the Civil Service very receptive to the input of NEDs and I feel that I have been able to make a valuable contribution that has been appreciated.
I think the NEDs and Boards do a useful role, but due to the lack of active engagement from SoS and Ministers, the most effective meetings are those we arrange with the Executive (Non Ministerial Board Meetings)
Improving opportunities for cross departmental work between NEDs to access the talent available and prevent duplication of work, rather than just seminars every few months.
No!
IT systems and support are of very poor quality across government. They are single most important driver of improved performance.
I think the concept of NEDs on departmental boards is a good one, but under-developed. They should not be there as another layer of management, but rather as a strategic resource which will have a mulriplier effect on the department's ability to think through both its approach to policy and how it equips itself to deliver that policy. At the moment, at best, I think they are stuck in second gear.
No
The non-board meeting work that I contributed to was probably my most valuable (to the Ministers and SCS). With Governance and board contributions, it probably took me around 2 years before I best understood Whitehall and was able to make the most valuable observations and interventions.
It was a seriously enjoyable (because worthwhile) experience.
Because of the developing definition/advisory nature of the role I found it extremely difficult to manage the time (and share of mind) I felt it needed alongside other commitments.
It was a valuable experience which I would commend to other people. It was a help that I had, a long time ago, been a civil servant myself so understood quite a lot about the system
There is often quite a disconnect between the rhetoric of governance and the actuality, so NEDs need to be extraordinarily tolerant of ambiguity and modest in their expectations of their impact. DOnt expect to have more than a very marginal impact on the effectiveness of central government.
A good experience.
Being a government NED is very interesting , complex and hard work but Government needs to listen more to its NEDs
It's clear that the success or failure of non-executive board members varied significantly from department to department, as did their role. The FCO experience was very different from, say, the DWP. And within each department, the impact depends very much on the priorities of the Secretary of State. I found the role interesting, and I think the overall impact of the non-execs at the FCO has been positive - contributing to much improved management figures, a more robust audit committee, some rather modest contribution to appointments and HR matters, and a more meaningful risk register.
In my view the Govt's engagement of senior private sector NED's has added real value to the management of Departments.
I stepped down from HMRC Lead non exec in Dec '16 so these comments relate to the 5 years up to then.
Character and nature of SoS and Perm Sec are very important to set the time and utilise NEDs well
More proactive leadership centrally is needed so that departments make use of NEBMs. There is a slight feeling that the initiative has stalled a bit. There are differences between departments.

Question 12

During which periods have you served as a non-executive board member for a central Government department? (please select all that apply)
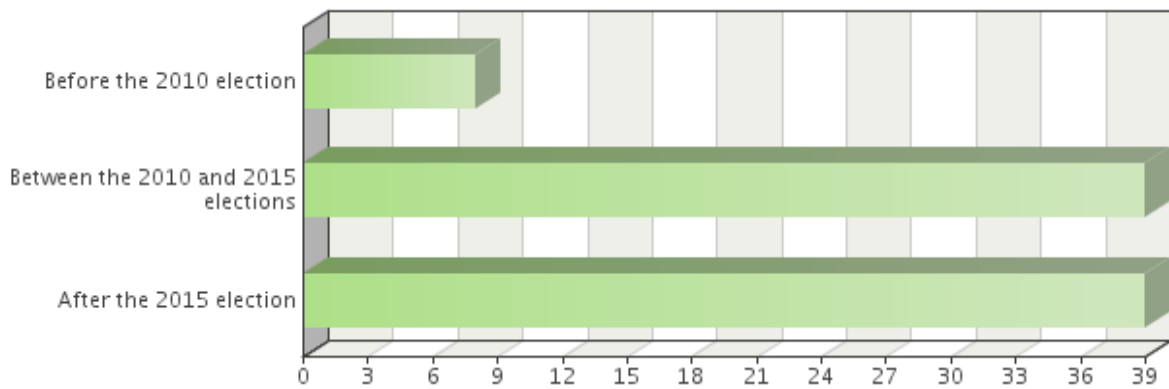
Frequency table

Choices	Absolute frequency	Relative frequency by choice	Relative frequency	Adjusted relative frequency
Before the 2010 election	8	9.3%	14.29%	14.55%
Between the 2010 and 2015 elections	39	45.35%	69.64%	70.91%
After the 2015 election	39	45.35%	69.64%	70.91%
Sum:	86	100%	-	-
Not answered:	1	-	1.79%	-
Total answered: 55				

Question 13

For which central Government department(s) have you served as a non-executive member of the main board?

(if you served in a department which no longer exists under that name, please select the current department that undertakes the largest part of your former department's responsibilities)
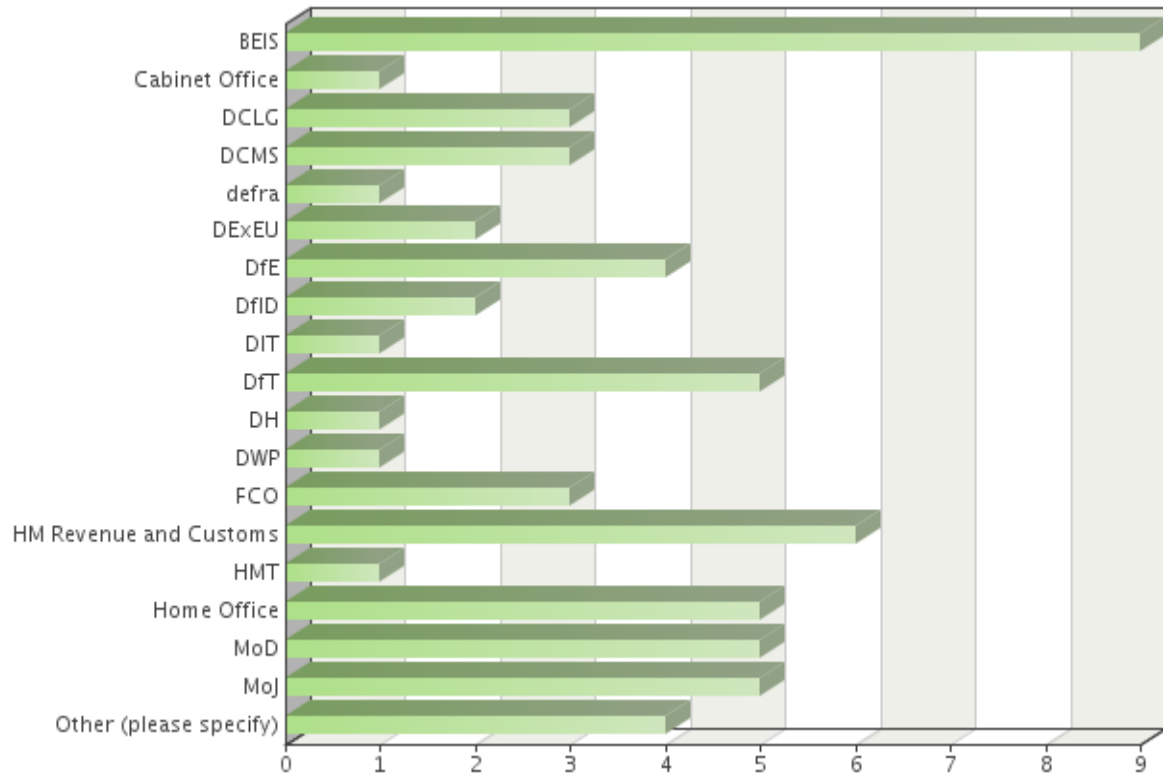
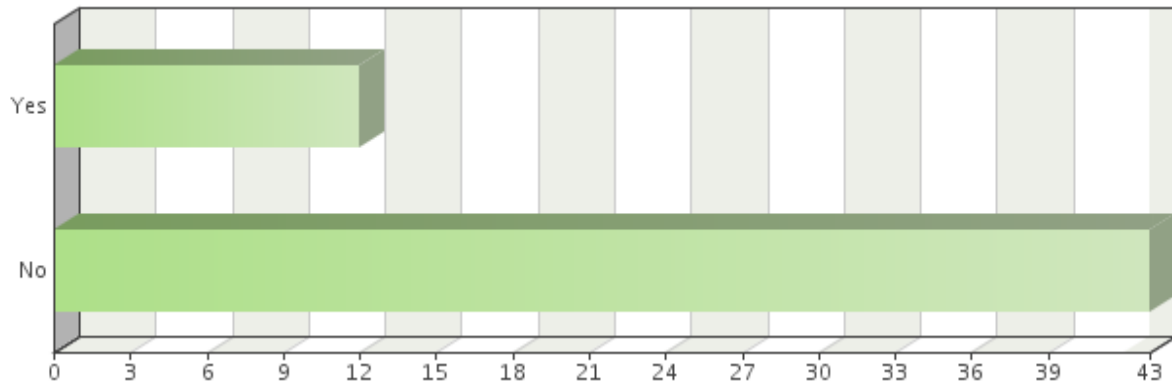**Frequency table**

Choices	Absolute frequency	Relative frequency by choice	Relative frequency	Adjusted relative frequency
BEIS	9	15.00%	16.07%	16.07%
Cabinet Office	1	1.67%	1.79%	1.79%
DCLG	3	5.00%	5.36%	5.36%
DCMS	3	5.00%	5.36%	5.36%
Defra	1	1.67%	1.79%	1.79%
DExEU	2	3.33%	3.57%	3.57%
DfE	4	6.67%	7.14%	7.14%
DfID	2	3.33%	3.57%	3.57%
DIT	2	3.33%	3.57%	3.57%
DfT	5	8.33%	8.93%	8.93%
DH	1	1.67%	1.79%	1.79%
DWP	1	1.67%	1.79%	1.79%
FCO	3	5.00%	5.36%	5.36%
HMRC	6	10.00%	10.71%	10.71%
HMT	1	1.67%	1.79%	1.79%
Home Office	5	8.33%	8.93%	8.93%
MoD	5	8.33%	8.93%	8.93%
MoJ	5	8.33%	8.93%	8.93%
Other (please specify)	1	1.67%	1.79%	1.79%
Sum:	60	100%	-	-
Not answered:	0	-	0%	-
Total answered: 56				

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Question 14

Have you served as a departmental lead non-executive?

Frequency table

Choices	Absolute frequency	Relative frequency	Adjusted relative frequency
Yes	12	21.43%	21.82%
No	43	76.79%	78.18%
Sum:	55	98.21%	100%
Not answered:	1	1.79%	-
Total answered: 55			

Question 15

How long have you served in total as a non-executive board member in central government department(s)?

Years:
Months:

Years:

Minimum:	0	**Maximum:**	10
Average:	3.51	**Total answered:**	51

Months:

Minimum:	0	**Maximum:**	11
Average:	5.49	**Total answered:**	39

Question 16

Of the following categories, which do you consider to be the best description of your primary experience?

Frequency table

Choices	Absolute frequency	Relative frequency	Adjusted relative frequency
Government/not-for-profit	8	14.29%	14.29%
Consumer/retail	3	5.36%	5.36%
Energy/extractive industries	2	3.57%	3.57%
Industrial, manufacturing, pharmaceuticals, transport and infrastructure	6	10.71%	10.71%
Technology , communications, media and creative	10	17.86%	17.86%
Professional services, legal, consulting, health and academia	15	26.79%	26.79%
Financial services	12	21.43%	21.43%
Sum:	56	100%	100%
Not answered:	0	0%	-
Total answered: 56			

Appendix B: Biographical data on the 147 non-executives appointed since 2010

Gender

62% of NEDs have been male and 38% have been female. The government's aspiration that half of all public appointees should be women applies to non-executive board members. Of those in post in August 2017, 44% are women. Of those appointed in 2017, 64% are women. Government policy is that the board of any department should be diverse, with applications encouraged from 'candidates with the widest range of backgrounds'. To give this figure some wider context: analysis by PricewaterhouseCoopers (PwC) published at the beginning of 2016 showed that 70% of NEDs on FTSE 100 companies were male and 30% female, a more equal distribution than there has historically been.[100]

A concern in PwC's report was the relative paucity of women in the most senior roles on FTSE 100 boards. Since 2010, only a quarter of the 28 departmental Lead NEDs appointed have been women. Of the current 17 Lead NEDs, four (24%) are women. Given that the experience required of NEDs includes having held senior posts, usually in the private sector, the smaller pool of such women may be a contributing factor in explaining why there have been more male than female NEDs.

Age

Based on the publicly available data on 122 of the 147 NEDs, the average age at the time of their appointment is 58 years. This is unsurprising given the experience that NEDs typically need to have the requisite qualifications. In many cases NEDs will have reached a stage at which they are approaching retirement or moved on to portfolio careers. The youngest was aged 34 when appointed; two were 36. Only seven have been younger than 48, and most have been 58 or older at the time of appointment; the oldest was 78.

Educational background: schooling

There is secondary schooling data available for 56 of the NEDs. If we exclude three non-UK schools and one special school, we find that 54% (28 of the remaining 52) went to fee-paying schools and 46% to state-funded schools. Of the 24 NEDs who went to state-funded secondary schools, 63% went to grammar schools. For comparison, the proportion of children educated at fee-paying schools stands at approximately 7%. In the decade when most NEDs will have

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[100] PricewaterhouseCoopers, *FTSE 100: Non-Executive Director Fees in 2015*. (January 2016).

attended school (the 1960s), the proportion of state school pupils going to grammar school was between 20% and 25%.

Educational background: university

In all, we have university data for 118 of the NEDs appointed since 2010. 11 attended universities outside the UK. Of the remainder, 42% read for undergraduate degrees in Oxford or Cambridge, with a further 33% admitted to other Russell Group universities.

Length of service

Figure 1 below shows the length of service of 62 NEDs in our database for whom we have start and end dates. It shows that the average period served is 3 years and 5 months, with a median of 40 months. On either side of this median are twin peaks, with half the number serving between 1 and 40 months, and half serving between 41 and 80 months. A quarter of NEDs leave after less than two years. This may reflect frustrations with the role; but in other cases it may be for wider reasons, such as taking on a new job which does not allow sufficient time, or which presents a conflict of interest. At the other end of the scale only 20% of NEDs serve for more than five years. Just under half of all NEDs serve one three year term or less; it is rare for them to last for two full three year terms.

Figure 3.1: Length of Service of 62 Non-Executives who served between 2010 and 2017
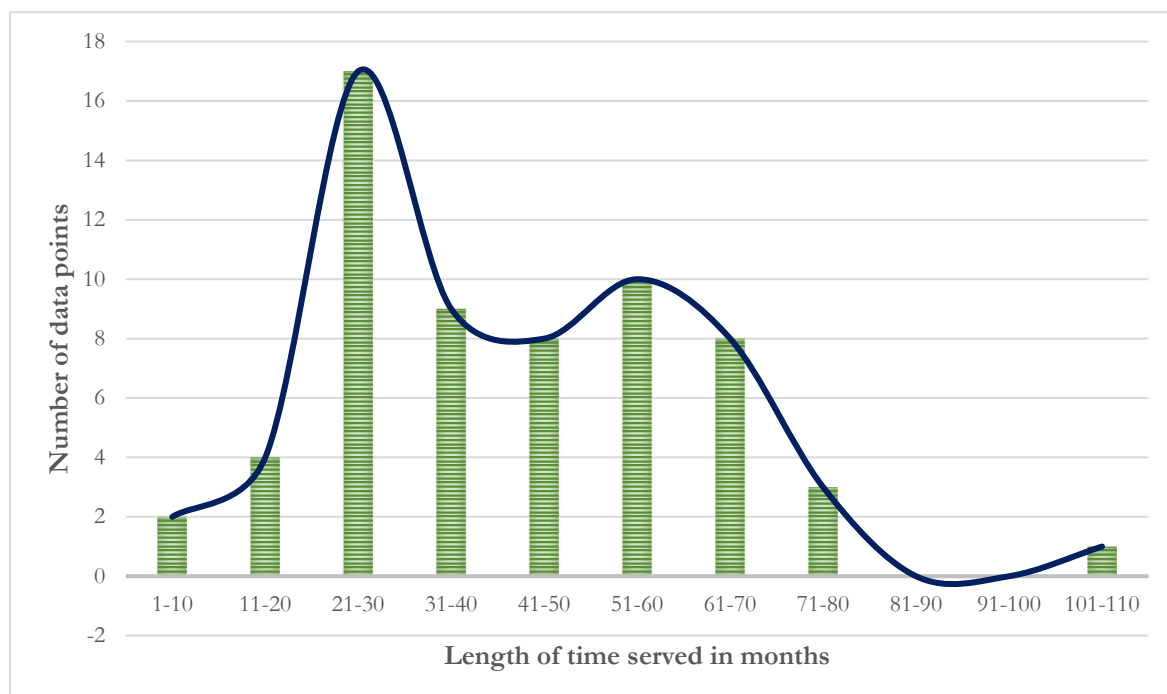
Career background

For 146 out of the 147 NEDs appointed since 2010, there is publicly available data on their current and previous employment. The majority have a background in what we have classified as

business, commerce and financial services. In fact, 120 of the 146 NEDs (82%) have this as either their primary professional area or their secondary professional area. (In order to be classed as a 'professional area', we have applied a six year rule: a NED must have worked in the sector in question for at least six years (full time or equivalent). A primary professional area is the one in which the NED has worked most recently).

16 NEDs have experience of 'politics and policy' as a primary (12 instances) or secondary (four instances) professional area. Seven NEDs can claim entrepreneurship, as distinct from employment in business, as either their primary (three instances) or secondary (four instances) professional area. Third sector work constitutes the primary (two instances) or secondary (three instances) of five of the NEDs. Of the remaining categories, five NEDs can claim a background in higher education and academia; four in broadcasting and journalism; three in engineering; three in IT; two in medicine; two in education (primary, secondary or further education); one each in transport, communications, the armed forces, sport, and livery.

No professional area comes close to appearing with the frequency of business and financial services. This is hardly unexpected, given the kinds of commercial experience required by the government for fulfilling the NED role. It is difficult to be more specific about people's career backgrounds, because what we find is a high degree of fluidity: people move freely from roles such as finance director, to marketing director, consultant or the like. In the vast majority of cases, NEDs have developed and continued their careers in roles that have required skill in appraising and managing the running of a company. A small percentage have worked in the public sector as well as the private sector; but the overwhelming majority (over 75%) have worked mainly or exclusively in the private sector.

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This is the first major study of non-executive board members in Whitehall. They were first introduced in the early 1990s, and have grown significantly since then. By 2005 there were 37 non-executives in 14 departments; in 2017 there are 80, in 20 departments. Since 2010 boards have been chaired by the secretary of state, with four non-executives in most departments. They are largely drawn from the commercial private sector, and their role is to advise on performance, delivery and strategy.

The main input of non-executives falls outside board meetings. They advise on projects, conduct reviews, mentor senior staff, and generally act as in-house consultants. Senior officials greatly value their advice and expertise, the mentoring role, their willingness to take on extra tasks. But non-executives express less satisfaction, especially with the central part of their role, as board members. This study found few Whitehall boards to be working well. Ministers fail to understand their purpose, and non-executives' expertise is not tapped to its full potential.

The final part of the report considers how non-executives could be more effective, with specific recommendations addressed to ministers, permanent secretaries, the Cabinet Office, and lead non-executives.

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