

The Government Lead
Non-Executive's **Annual**
Report

Financial Year 2014-15

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Introduction

I was delighted to take on the role of Government Lead Non-Executive in April 2015. I have been a strong supporter of the enhanced Board programme since its inception early in the last Parliament. Having spent four years as Lead Non-Executive on the Board of the Department for Work and Pensions, I have seen first hand how the Boards have contributed to better decision-making and have become an established part of the governance framework of Whitehall.



Boards now bring key people together to provide advice and challenge, so that Ministerial priorities can be delivered as effectively and efficiently as possible. Non-executive Board members bring expertise and experience from leading a range of large and complex organisations, mainly (but not exclusively) in the private sector. Collectively the group have brought a high level of focus to cross-cutting Civil Service issues, such as project management, risk management and talent management. In the work they do both inside and outside the Board room, non-executives introduce important challenge and an alternative perspective into the system. In this, my first Annual Report, I set out my views on the current state of the programme and outline my priorities for the future.

Over the next five years the Government must rise to a range of tough challenges including delivering up to £20bn of efficiency savings by 2019-20. High-functioning Boards with high calibre non-executives providing effective advice and challenge will have a key role to play.

Throughout this period one of my key priorities will be to work with Secretaries of State to ensure that non-executive appointments continue to be of the highest quality. I also want to harness the expertise and energy of the non-executive network still further to push forward cross-cutting priorities. Following conversations with Ministers, the Chief Executive of the Civil Service, non-executives and senior officials, I have identified five priority areas on which the non-executives will focus: talent management; business plans; Arm's Length Bodies; major projects; and risk management.

Finally, I want to pay tribute to the vision and tireless work of the former Minister for the Cabinet Office, Lord Maude, and Lord Browne, the first Government Lead Non-Executive, who established and promoted the enhanced board model. They have created a strong base on which we can all continue to build.

Sir Ian Cheshire, Government Lead Non-Executive and Non-Executive Board Member, Cabinet Office

"I want to record my thanks to the Non-Executive Directors, who provide a great public service to this country by generously giving their time to assist in the delivery of the Government's priorities."

The Rt Hon David Cameron MP, Prime Minister

"Departmental Boards bring a range of skills and experience into departments, to challenge and support officials and ministers. They help the Whitehall machine to function more effectively and make sure taxpayers receive the public services they pay for."

The Rt Hon Matt Hancock MP, Minister for the Cabinet Office and Paymaster General

"The government has set demanding targets for efficiency, delivering up to £20bn in savings by 2019-20. This agenda requires a serious acceleration of transformation in how the Civil Service delivers to the citizen and supports the Government more widely in implementing its reform agenda. We need a diverse range of inputs to help us to achieve this transformation. The departmental Boards have a key role to play in this as they bring together people from different backgrounds - civil servants, Ministers and non-executives from outside government - to focus on delivering change."

Sir Jeremy Heywood, Cabinet Secretary and Head of the Civil Service

"The Civil Service is stepping up to the challenge of delivering better public services at ever increasing efficiency. Good governance is essential to this, providing essential oversight and challenging the existing ways of doing things. We need to continue to improve our effectiveness at implementing major projects, at business planning and at risk management. I particularly welcome the support of non-executives in these areas. Their skills and insights in execution, are invaluable in this effort."

John Manzoni, Chief Executive of the Civil Service

"I would absolutely recommend becoming a government non-executive. I have a completely different understanding of how government works now. The role itself was more high profile than I expected, and I learned an enormous amount. The challenge of change in such a big and complex organisation was really interesting."

Philippa Hird, NED at HMRC from January 2009 to July 2014

Chapter 1: Review of the Board programme in 2014-15

Contrary to some expectations, the primary contribution made by non-executives is not in Board meetings but in their wider work in departments on key themes, such as talent, systems, and risk management. Board meetings are important checkpoints in the process but significant time is spent outside them helping to deliver ministerial priorities. The case studies from departments highlight the huge range of activity non-executives are involved in. It is worth drawing out in particular the role of non-executives in supporting the recruitment of senior officials, including Permanent Secretaries, Directors General and Chief Executives of agencies.

At the beginning of the year, Lord Browne published his 2013-14 annual report. He noted improvements in the way Boards operated, but highlighted that the task remained incomplete. He urged further work around four priorities:

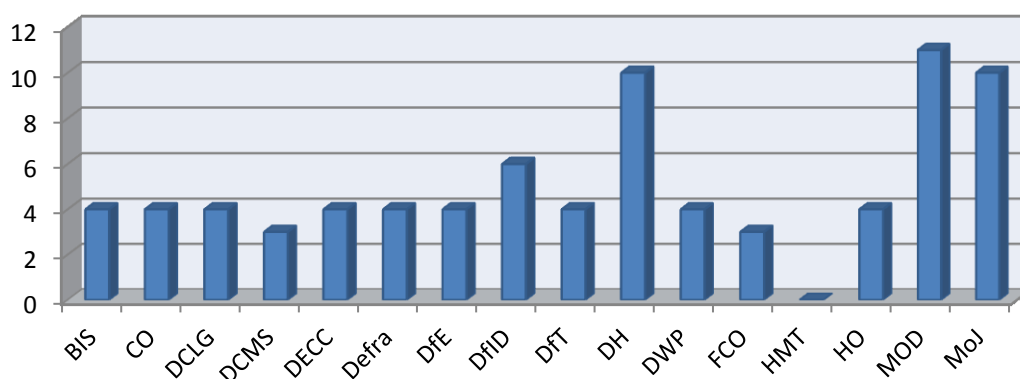
- Major Projects and Risk Management;
- Embedding Functional Leadership;
- Talent and Capabilities;
- Supporting Board Chairs.

This initial section of my report sets out progress in the capability of Boards and departments overall between 1 April 2014 and 31 March 2015, and then takes each of the above four priorities in turn.

Capability of Boards and departments

There remain variations in the frequency of board meetings. In total 79 Board meetings were held¹, which represents an 8% decrease from the previous year. Some Boards (the Department of Health, the Ministry of Defence and the Ministry of Justice) met almost monthly, whereas others met on a quarterly basis.

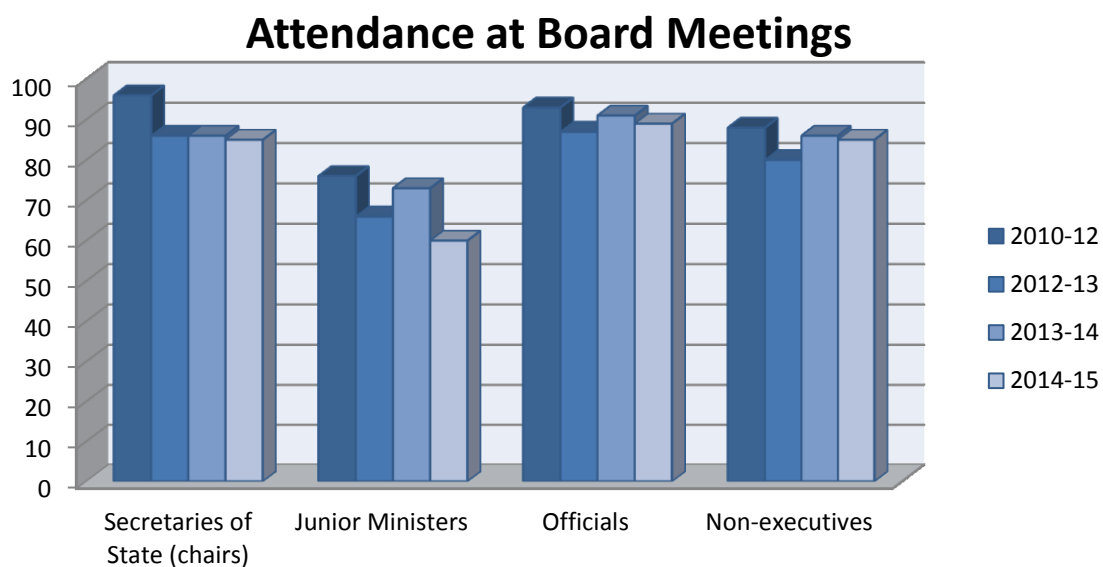
Total number of Board meetings 2014-15



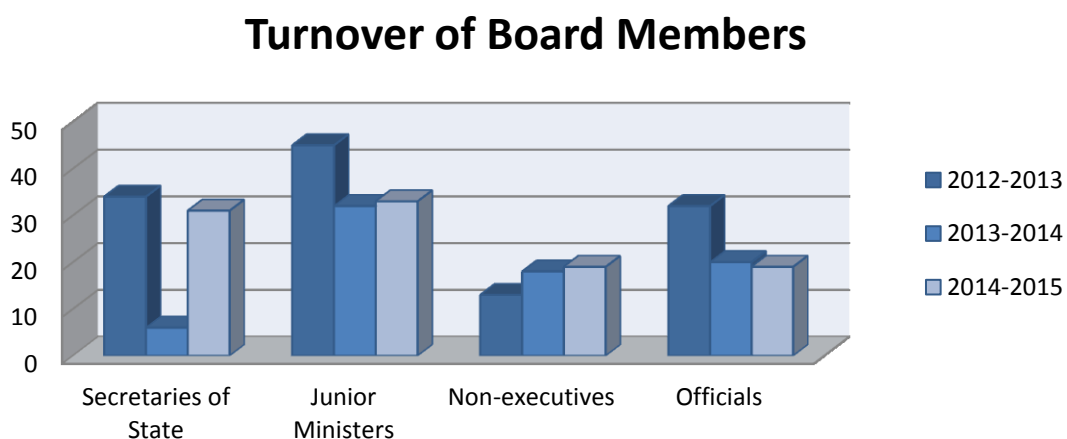
¹ The Ministry of Justice also had an extraordinary meeting in November 2014, which has not been included in these figures. Although the Treasury Board did not meet during 2014-15, it delegated responsibility for oversight and scrutiny to the Treasury Board Sub Committee. This Sub Committee is attended by the Executive Management Board and non-executives and met four times during the reporting period.

Attendance at Board meetings was good, running at above 75% and broadly stable compared with the previous year. There was one exception, which was the dip in junior ministers' attendance (falling from 73% in 2013-14 to 60% in 2014-15). This reflects a trend since the Boards began. I would agree with previous Government Lead Non-Executive reports which have suggested that Ministerial attendance could be improved by having Board agendas that better reflect Ministerial priorities. Depending on the department, it may not be necessary to have all junior ministers as full Board members, but to invite them on an ad-hoc basis as befits departmental agendas.

There was also some variation in non-executive attendance levels between departments. In most departments, non-executive attendance was above 80% and at MoD, non-executive attendance at Board meetings ran at an exceptional 100%.



As in previous years, there was some movement in officials and non-executives due to natural churn. There was a Ministerial reshuffle in July 2014 which resulted in a number of changes to Board membership.



As at 31 March 2015, there were 69 non-executive board members across 17 central Government Departments. A full list is provided in [Annex A](#). Both Ministers and senior officials have noted their appreciation of the continued high calibre of non-executives in their departments.

Non-executives are entitled to remuneration in line with the Bank of England guidance, £20,000 as a Lead non-executive and £15,000 for others (with an additional £5,000 for those who chair committees). This year 31% of non-executives chose to waive their fee or donate it to charity.

Non-executive engagement in DECC



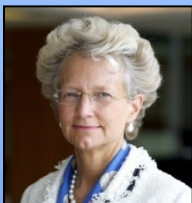
Rachel Campbell and Charles Randell joined the Department of Energy and Climate Change non-executive director team towards the end of 2014, giving the department a full complement of non-executives for the first time.

‘We have been involved in a wide range of activities from recruitment exercises for the department’s Arm’s Length Bodies and within the department, to providing advice on the launch of the International Green Investment Bank. At the beginning of the financial year I was asked to be involved in the production of the Departmental Improvement Plan. It was great to see the advice I provided to shape this then put in place throughout the year.

My colleagues and I have found the department to be very open and receptive to advice and recommendations. During the last year, the department has gone from strength to strength and I look forward to being able to continue to help shape the department.”

Martin Stewart, Lead Non-Executive Director, DECC

Non-executive engagement in DWP



In addition to their roles on the Departmental Board, several non-executive members have undertaken wider activities. Sir Ian Cheshire supported the department in building its financial capability and developing its talent management. David Lister helped the department to develop its digital and technological capability; in particular with the recruitment and induction of senior key posts. Willy Roe continued his oversight of DWP Arm’s Length Bodies, notably through the triennial reviews of the Social Security Advisory Committee and the Industrial Injuries Advisory Committee. In his Audit and Risk Assurance Committee role, Andrew Graham gave particular attention and support to the team responsible for the roll-out of Universal Credit; and I tested and supported the commercial procurement process for a major new departmental contract.

Dame Clara Furse, Lead Non-Executive, Department for Work and Pensions

Addressing Home Office challenges



advisory role.

The Home Office continues to face a number of key challenges. Its mission is fundamentally important: to keep Britain's streets safe and its borders secure. Non-executives have an important role to play in this - providing a private sector perspective on the delivery of targets and challenging the department on its major operations, risk and technology. Delivering these objectives with smaller budgets is an area where non-executives can increasingly play an

Non-executives continue to provide a regular external viewpoint on both the Permanent Secretary's Executive Management Board and the Ministerial Supervisory Board. They have been involved in a wide range of activities over the last year. This includes advice and perspectives on risk and audit, senior recruitment, reviewing and enhancing the management of departmental risk, mentoring officials, working with the NAO on diversity, and chairing the Triennial Review of the Independent Police Complaints Commission.

Sue Langley, Lead Non-Executive, Home Office

Lord Browne's engagements as Government Lead Non-Executive Director

During his time in post, Lord Browne met regularly with ministers and officials to discuss the work of the non-executives. In addition to these regular meetings and his meetings as lead non-executive director for the Cabinet Office, he undertook 67 formal meetings as Government Lead Non-Executive Director from April 2014 to the end of January 2015.

His report on Talent Management was published in September 2014. He gave a valedictory speech (*Governing for the 21st Century: reflections on Non-Executives in Government*) at the Institute of Government in January 2015.

Lord Browne did not claim fees or expenses associated with either of his roles.

Major Projects and risk management

Previous Government Lead Non-Executive reports in 2011-12 and 2012-13 expressed concerns about the capability of the Civil Service to manage major projects. Lord Browne produced a report in 2013 dedicated to the subject (*Getting a Grip: how to improve major project execution and control in government*).

Since then, progress has been made in the management and execution of major projects. The Major Projects Authority (MPA) is now well established as an important function of government, providing

assurance, challenge and leadership on project delivery capability. In addition, the Major Projects Leadership Academy (MPLA), run in conjunction with the University of Oxford's Saïd Business School, was introduced to improve the capability of major project leaders. By the end of 2014, based on quarter two data, all eligible Senior Responsible Owners (SROs) and Programme Directors of government major projects had either enrolled or were pipelined for MPLA. 355 participants have now enrolled on MPLA, exceeding its target of 340.

Given the maturity of the MPA and the introduction of the MPLA, last year Lord Browne made recommendations relating to the governance of risk within departments. He recommended that departments focus more on robust risk management and ensuring the Board was fully engaged to ensure successful project delivery. He specifically recommended that all departments should have a clear escalation process for risk and adopt the three lines of defence model. Departments have processes in place to escalate risk to the right level, but there are still challenges around embedding a culture of risk management and the quality of discussions on risk.

Earlier this year Sir Nicholas Macpherson, Permanent Secretary of HM Treasury, invited departments to share examples of their good practice and a number of non-executives came together this year to assess their submissions. These were published on GOV.UK and promoted via a blog on risk management by Sir Nicholas. This is a good first step but there remains a great deal to be done to address and improve risk management in government, including better management of risk across Whitehall as well as within departments. Chapter 3 sets out my plans for the next stage of our support for this agenda.

Supporting HMRC's transformation programme



HMRC's transformation programme benefits substantially from the advice, support and challenge of eight non-executive directors, five of whom serve on the Board and three others on its committees. They are drawn from a wide variety of experience and all are kept busy. The department's programme will improve its productivity and that of taxpayers and their agents through modernising use of its data and by streamlining service channels through creation of personalised digital service channels like My Tax Account and Agent Online Self-Service, alongside traditional telephone support and face to face contact for those who need enhanced support. This will be supported by a programme to support its staff to develop the skills needed to deliver this transformation. The non-executives work in three ways: through the Board acting together; through its committees - Audit and Risk, People, Nominations and Governance, and Scrutiny; and finally, one on one 'buddying' between non-executives and members of the executive team. Specifically, in the latter, there has been work on digital transformation, the new Enterprise Data Hub, and the platform for people change, Building Our Future.

Ian Barlow, Lead Non-Executive, HM Revenue & Customs

Risk Management in DfE



The Department for Education's non-executive directors have continued to play an active role in the department, chairing the Academies Board as well as two of the three sub-committees of the main Board. During the year, the non-executives initiated a review of the department's organisation and culture. This reported last summer and in response to its recommendations the non-executives have taken a lead role in driving specific pieces of follow-up work within the department, notably in relation to risk management, culture, spans of control and contract management. Over the last year, as chair of the Audit and Risk Committee, I have also broadened and deepened the scrutiny of risk in the department, including the systematic recording and scrutiny of 'near misses' to ensure the department can identify any trends and take preemptive action.

Paul Marshall, Lead Non-Executive, DfE

Embedding functional leadership

Developing strong central functions is of fundamental importance to the Civil Service and is a top priority for John Manzoni, the Chief Executive of the Civil Service. We need to develop strong functional expertise and embed it into the fibre of the service. Without this the government will not be able to build on the achievements of the last Parliament to transform services and achieve significant efficiency savings for the taxpayer.

Last year, Lord Browne recommended strengthening functions, specifically digital, finance and property. Non-executives have made a significant contribution to progress:

- The Lead Government Non-Executive sat on the Financial Management Review (FMR) Board, established following the "Review of Financial Management in Government" (published by HM Treasury in 2013);
- Through the Audit and Risk Assurance Committee Chairs' network, the Head of the Internal Audit function has been able to seek views, advice and challenge from non-executives as well as gather more intelligence from departments;
- Each department has been asked to nominate a 'commercial capability champion' from their Non-Executive Directors to support them in improving their commercial capability.

Looking forward, one of the next challenges for the Heads of Functions is to develop their operating models, including clarity about the service offer to departments and how this will lead to greater efficiency savings. Work is underway to develop strategies that bring together thinking across functions and departments. These look to deliver bold programmes of work to change fundamentally the way in which the Civil Service operates. They will build on the work in the previous Parliament, for example digital exemplars and effective sharing of the public sector estate, as the basis for an innovative and radical approach to the next phase. Functions' expertise will not

only be vital to building these strategies but also to implementing them, and non-executives will continue to provide advice and challenge.

The Finance and Corporate Finance functions in DCLG



commitment

In DCLG, in response to the changing role of the department in providing financial guarantees through Help to Buy, Stephen Hay the Audit Chair at the time, initiated an external review of financial capability. Alongside work done by the Shareholder Executive, this resulted in significant investment, both in DCLG and its Arm's Length Body, the Homes and Community Agency, in specialised finance and risk roles to strengthen the available expertise to manage this large, and growing,

Sara Weller, Lead Non-Executive, DCLG

Talent and capabilities

There has been a welcome increased focus on talent. Lord Browne's report '*The right people in the right place with the right skills*', was published in October 2014 and made eight key recommendations, all of which were accepted by the Government. These are reflected in a refreshed Civil Service talent strategy which focuses on: developing a pipeline of talented leaders for the future needs of the Civil Service; clarifying what is meant by talent; and ensuring leaders spend more time on managing talent. Non-executives have also provided vital support in improving departmental talent management practices.

It is critical that the Civil Service represents the full breadth of society and that there are no obstacles for talented people of any background to rise within it. This year there has been a strong focus on diversity and inclusion, with the publication of the Talent Action Plan by the Cabinet Office in September 2014. This was refreshed in March 2015. Four reports into the barriers to progression for talented staff in four protected categories were also published this year.

Non-executives have played a key role in progressing the Civil Service talent agenda. For example:

- Lead non-executives were asked to take a leading role in Permanent Secretary appraisals for 2014-15, gathering feedback and holding conversations about performance and development;
- Allan Cook (BIS Lead Non-Executive) has been appointed to sit on the Senior Leadership Committee which oversees talent management at the most senior grades;
- the Lead Government non-executive chairs the Permanent Secretary Remuneration Committee;
- non-executives participated in challenge panels, alongside the Permanent Secretary diversity champions, on the findings of the independent reports into barriers to progression for individuals in protected groups. Their insights helped to shape the actions in the Talent

Action Plan and they will have a key role in supporting the implementation of some of the actions;

- non-executives are mentoring the most talented Directors General who have the potential to become Permanent Secretaries.

Non-executives will continue to take a keen interest in talent and capabilities to ensure these improvements are embedded within the Civil Service, and it will remain one of my top priorities.

People issues in the Cabinet Office



In reviewing the findings from the 2014 Board Effectiveness Review, non-executive Board members proposed, and the Cabinet Office Board agreed, that discussions of strategic people issues should be held two or three times a year. A new People Committee, chaired by Dame Barbara Stocking and comprising other non-executives, Executive Board members and other key officials, has already met twice, reviewing the 2014 People Survey results, diversity and inclusion, and the department's culture and behaviours.

Ian Davis, Lead Non-Executive, Cabinet Office

Chapter 2: Future priorities

The Civil Service is entering a challenging year, with tight efficiency targets and an imminent Spending Review. Boards and the non-executive network can play an essential role in addressing these challenges.

As Government Lead Non-Executive, I will be focusing on three priorities this year:

- to develop further the role and value of Boards;
- to maintain and enhance the quality and diversity of the non-executive group, ensuring the right match of talent to departmental need; and
- to set and follow through on the cross-cutting themes of reforming government, focusing on the following five areas: talent, business plans, arm's length bodies, major projects and risk management.

Role and value of Boards

In Spring 2015 the Governance Strategy Team, Cabinet Office, undertook research among more than 100 stakeholders about the role and value of departmental Boards. This found many excellent examples of Boards adding value and non-executives doing great work outside of the Board.

This year, however, marks a critical transition point, particularly with the changes in Board Chairs in six departments. As Chapter 2 showed the reform itself is not fully embedded, with variation in the functioning of Boards across Whitehall. Non-executives, Permanent Secretaries, Ministers and Board Secretaries valued the non-executive advice/challenge function, but views on the value of Board meetings themselves were more mixed.

The table below sets out broad characteristics of effective and less effective Boards, pulling together examples from across Whitehall. They do not describe any single departmental Board. This year Ministers, officials and non-executives, supported by Board Secretaries and the Governance Strategy Team, should work together to make their Boards more effective. This will require commitment from the top, given the central role that the Chair plays in the successful functioning of the Board, and I will be engaging with both new and former Board Chairs to discuss how they believe Boards and their non-executives can best be utilised.

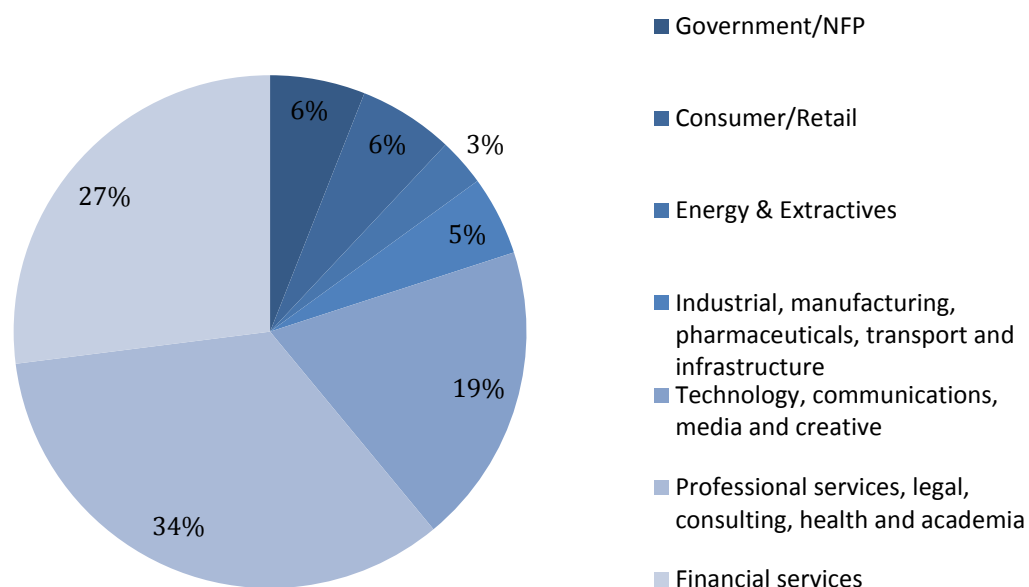
An effective Board...	A less effective Board...
<ul style="list-style-type: none"> ● Has a clear remit, including taking a strategic and long term view; ● Has trust, openness and candour and provides the right balance of advice and challenge; ● Has buy-in and enthusiasm from the Secretary of State and Senior Civil Servants; ● Has a good spread of non-executives; ● Has good conversations at the right time, leading to better decision making; ● Is supported by a great secretariat; ● Sees a forward plan, and the Board 'owns' its agendas; ● Has access to great MI allowing the Board to 'dig' and manage risk; ● Has a good line of sight to public bodies; ● Is part of a wider whole of Whitehall Boards, engaging with the Lead Non-Executive, Cabinet Office and HM Treasury. 	<ul style="list-style-type: none"> ● Has an unclear remit, no place in the governance structure, takes a short term view; ● Does not meet sufficiently frequently for the Board to take views at the right time; ● Lack of Ministerial and/or executive buy-in - they are not familiar with Boards, can't see the value or personnel changes too quickly; ● Has superficial discussions due to time constraints or having too much on the agenda; ● Is not connected to key activities, especially Major Projects; ● Has poor MI, which means the Board can't see what's going on, there is a lack of candour about what is not going well, and risk gets delegated to ARC; ● Is isolated due to poor cross-departmental engagement.

Quality and diversity of the non-executive group

Non-executive appointments must continue to be of the highest quality, and drawn from a diverse pool. The appointment of all non-executives must follow the principle of selection based on merit and they should be recruited and valued for the independent objective advice and challenge which they bring.

The chart below shows the backgrounds of non-executives. There has been an increase in the percentage from both financial services and professional services, compared with 2013-14.

Government non-executives' primary experience



Looking to 2015-16 and beyond, departments are keen to recruit non-executives who can help with the challenges relevant to this government. This may involve reaching beyond the established cadres of non-executives with financial and professional services skills. In particular, departments are keen to benefit from non-executive expertise in digital, technology, data, change management, operational management and talent management skills.

Diversity is one of the Head of Civil Service's top priorities and I am keen to echo that in the non-executive appointments on departmental Boards. The Code recommends that Boards should include at least one female non-executive member and this was achieved in 2014-15. 35% of non-executives on departmental Boards were female (the same as last year's figure). However, diversity does not stop at gender and I am committed to working with Ministers, senior officials and Lead non-executives to ensure that future shortlists embrace all forms of diversity.

Diversity on Public Boards, BIS



The BIS departmental Board has paid particular attention to diversity this year and has actively encouraged the department to significantly increase the gender diversity of the Boards of its public bodies. With strong commitment and support from its People Committee, the department has moved from a starting position of 32% of appointments being women in March 2013 to 55% in March 2015. The pipeline of senior female talent within BIS is also strong - 50% of directors and DGs in the department are women. This particular achievement can be credited to the work of the BIS Public Appointments Group and BIS's 10-Point Action Plan that was endorsed by the Board and implemented in April 2014. The non-executives and the Board monitored progress and provided advice and support throughout the year. This is an excellent example of how non-executive directors in BIS work collaboratively with Ministers, Senior Officials and teams across the department to achieve results.

The Board will continue its engagement with the diversity agenda in the coming year, particularly looking at areas other than gender to ensure that BIS and its Partner Organisations can continue to recruit from a diverse talent pool.

Allan Cook, Lead Non-Executive, BIS

Cross-cutting themes

There is a shared agenda across government, which complements the more specific priorities that are set within individual department Boards. In supporting this shared agenda, the non-executive network will not reinvent the wheel, but will support the priorities of both the Head of the Civil Service and the Chief Executive of the Civil Service. Under my leadership, the network has come together around five priorities where it can have most impact:

- talent
- business plans
- arms length bodies
- major projects
- risk management.

Talent

As already highlighted, there has been good progress in this area. In order to provide greater cross-department support, I have formed a Talent Advisory Group which will be led by Allan Cook, Lead Non Executive at BIS. The group consists of a small number of non-executives with particular expertise and interest in driving best practice within their departments and improving the talent and capabilities of the Civil Service as a whole.

In addition, non-executives continue to have an active role to play with the recruitment of senior talent into their departments and, based on departmental priorities, in highlighting capability gaps.

Non-executives will also work with Board colleagues to address the lack of clear career paths for some staff to tackle the impact on recruiting and retaining the best staff. This is most evident in the ongoing need for digital, commercial and project delivery professionals.

Business Plans

To support the government's long term economic plan the Civil Service must accelerate transformation. The Prime Minister has asked departments to produce a clear Single Departmental Plan, which describes all its priority deliverables. These need to be closely aligned with the 2015 Spending Review.

Non-executives will have a critical role to play in providing advice and challenge to ensure that these plans are robust. This will often involve early discussions with Ministers on the deliverability of their priorities, in order to ensure that commitments are achievable. Non-executives will be able to question, challenge and advise on progress. They should also be able to look across plans from different departments, ensuring that targets are not set in isolation and that cross-cutting themes and efficiencies are identified.

Departmental Improvement in the Ministry of Justice



Following the publication of MoJ's Departmental Improvement Plan in early 2014, seven work streams were set up across the department to drive improvements in staff capability, strategic direction, innovation, efficiency, leadership, collaboration and managing change. These workstreams and the overall approach to driving improvement were endorsed by the Board.

Subsequently the non-executives provided advice and have supported the implementation of the plan through the department's Nominations Committee, holding deep dives into the work streams, providing assurance and monitoring progress. The aim of the work is to boost the organisational capability of the department and to provide a springboard for continued improvement in both efficiency and delivery.

Tim Breedon, former Lead Non-Executive, Ministry of Justice

Election preparations



The non-executives played a key role, alongside the Executive Management Board, in providing external challenge on the Treasury's preparations for the next parliament. They focused both on the department's strategic thinking and policy development, and its capabilities and corporate readiness. By leading discussion at a number of strategic points in HMT's election preparation, the non-executives were able to apply private sector knowledge and expertise to ensure the preparations were focused on the key areas. Their perspective helped identify risks and pressure points and pinpoint where more attention or resource was needed.

Baroness Hogg, Lead Non-Executive, HM Treasury

Arm's Length Bodies

Arm's Length Bodies (ALBs) are key delivery arms of Government Departments, yet not all departmental Boards have clear oversight of them. This directly increases the risk of failure to deliver and should be addressed.

Boards should take a view on how ALBs contribute to the delivery of objectives and efficiencies in the Single Departmental Plan. They should be prepared to challenge the effectiveness of the sponsorship relationship. Boards should also have greater strategic oversight of ALB service delivery performance, for example, through considering ALB outputs (such as performance metrics).

Some departments already have good models of Board oversight of their ALB family; the Public Bodies Reform Team and the Governance Strategy Team at the Cabinet Office should enable the sharing of this good practice.

Each ALB is reviewed periodically, whether in isolation or as part of a cluster review. Non-executives have an important role to play in these reviews including leading the reviews, taking part in challenge groups or contributing to departmental Board oversight of the implementation of recommendations.

Finally, there is also a real opportunity for departmental non-executives to reach out to non-executives of ALBs, in order to improve understanding on both sides. It is particularly important that the experience of delivery on the ground, including the customer experience, is well understood. The Cabinet Office is engaging with the Public Chairs Forum to support this. There are examples of good engagement, for example where individuals are both departmental non-executives and ALB non-executives, and where established fora exist in departments for periodic engagement between departmental and ALB non-executives.

Non-executive network in Health



The Department of Health has developed a programme of events for chairs and non-executive Board members of the department, its arm's length bodies and executive agencies. These bring together people from across the health and care system, to support them to carry out their role as leaders and ensure they are up to date with recent events, issues and developments. They also allow non-executives to meet one another and to develop their own networks, creating a sense of common purpose.

Initially starting with an annual conference, chaired by Peter Sands, lead non-executive director, this core event is now supplemented by seminars and smaller conferences on specialist topics. Over the last year events have included seminars on managing risk, on senior remuneration (aimed at members of health ALB remuneration committees), and a half day conference for chairs of health ALB audit and risk committees. These sessions provide valuable and relevant insights, and we have already seen new networks developing for non-executives from across the system to share issues, learning and advice.

Peter Sands, Lead Non-Executive, Department of Health

Major Projects

The value of the MPA is widely recognised by Ministers and senior officials. Their assurance processes help to ensure the deliverability of projects. The MPLA has increased its reach amongst the SROs and Programme Directors of the Government's Major Projects Portfolio to ensure there is a sufficient talent pool available to manage and lead the Government's major projects.

The MPA is now addressing the management and leadership of the projects below major projects level. Complementary to but distinct from the MPLA, the Project Leadership Programme (PLP) is an ambitious new programme designed to enhance project leadership skills².

There is an ongoing role for non-executives to support and embed the work of the MPA and its efforts to build capability across the project delivery function. Many non-executives have led, delivered and been responsible for large scale programmes in complex organisations.

The next challenge for government will be to ensure that the right conversations are held with the right people at the inception of a new major project. There will be increasing demands to deliver more efficiently and effectively. Early conversations about deliverability mitigate against the risk of escalating costs or delays. Non-executives can provide independent advice and challenge for how this can be done without compromising the outcomes.

² Delivered by Cranfield Management Development Limited

Risk management

There is opportunity to do more to improve risk management across Government, building on Lord Browne's recommendation in last year's annual report and the work initiated by Sir Nicholas Macpherson described earlier in this report. As the challenges to deliver efficiently and effectively become clearer, having robust risk management processes and high quality discussions at the Board will become increasingly important to ensuring deliverables are well executed and performance assessed. This will be particularly pertinent in projects with interdependencies between departments, which is not currently covered in the current National Risk Register (which addresses crises). There is a role for non-executives to raise questions in the Board about those interdependencies and the ownership of the risk.

The departmental Audit and Risk Assurance Committees (ARAC), chaired by a non-executive, will continue to play a central role in improving processes. There is already cross government collaboration through the ARAC Chairs' network, which has been running for 18 months. This brings together non-executive ARAC Chairs to share best practice and discuss common challenges and represents a further opportunity to engage with the centre to identify cross-cutting topics and risks which are common to a number of departments. Departments should strive for continuous improvement in risk management as a means of supporting the delivery of their priorities.

The utility of the Defence Board's non-executives



The Defence Board and its non-executive directors sit at the centre of strategic decision taking in the Ministry of Defence. The addition of two new non-executive directors to the board, Paul Skinner and Danuta Gray, has further broadened our private sector experience and knowledge and we use this to support and challenge the department's strategic decisions. Important future tasks include assisting preparations for the Strategic Defence and Security Review (SDSR) and the 2015 Spending Review. Keeping to a balanced budget whilst delivering state of the art military capability has remained a key priority for the Board and this has included oversight of its key strategic programmes and its Information Services framework. Risk management has been reviewed and strengthened throughout the department, with the development of a risk framework and the appointment of a Chief Risk Officer to champion risk management activities and behaviours. We have focused on practical corporate governance, particularly of the larger organisations within Defence, such as the Defence Infrastructure Organisation and the Defence Equipment & Support. We will continue to build on the work of the Levene Review and to make the efficiency and effectiveness of Defence in the United Kingdom something of which we can all be proud.

Sir Gerry Grimstone, Lead Non-Executive, Ministry of Defence

The Corporate Governance Code

Finally, this report considers the shape of the programme as a whole. Experience suggests that the Corporate Governance Code is broadly fit for purpose, and, in the main, departments comply with its principles and supporting provisions. This is borne out in the Governance Statements published in departmental Annual Reports, since the Code operates on a 'comply or explain' principle. However, in some areas the Code is out-of-date, or has been superseded by later central guidance. My recommendation is that the Code should be refreshed to reflect the experience of the first four years of the enhanced Board model programme. Such a light-touch refresh should take full account of the views of Board Secretaries and other interested parties.

Chapter 3: Summary of conclusions

- a. As I have said earlier in this report, supporting the major and complex programme of work designed to eliminate the deficit will dominate much of our work over the next twelve months and beyond. A top priority will be to ensure that the quality of Board conversations remains high by focusing on maintaining the quality and calibre of non-executive appointments and increasing their diversity.
- b. To focus the collective efforts of the non-executive network on the following cross-cutting themes:
 - i. continuing to provide support and challenge to the Civil Service in improving **Talent Management**;
 - ii. providing support, advice and challenge to departments as they develop **Business Plans**. This will require early engagement by non-executives across departments;
 - iii. supporting strategic oversight and review of **Arm's Length Bodies**, so ALBs clearly contribute to the delivery of objectives and efficiencies in the Single Departmental Plans;
 - iv. provide independent advice and challenge on deliverability of **Major Projects**, particularly at inception;
 - v. support departments to strive for continuous improvement in **Risk Management** as a means of supporting the delivery of priorities.
- c. The Corporate Governance Code and Guidance to the Code should be refreshed to reflect the experience of the first four years of the enhanced Board model programme and ensure that it remains relevant and useful.
- d. To give thought to how Board Chairs can best be supported in their role, with particular emphasis on effective portfolio project management and determining accountability.

Annex A: List of Central Government non-executive board members (as at 31 March 2015)

Department	Lead non-executive				
BIS	Allan Cook	Professor Wendy Purcell	Dalton Philips	Juergen Maier	Professor Ann Dowling
	Stephen Bligh	Dale Murray			
Cabinet Office	Ian Davis	Amy Stirling			
DCLG	Sara Weller	Stephen Hay	Nick Markham	Grenville Turner	
DCMS	Sir David Verey	Dr Tracy Long	Ruby McGregor-Smith	Ajay Chowdhury	
DECC	Martin Stewart	Tom Kelly	Rachel Campbell	Charles Randell	
DEFRA	Iain Ferguson	Paul Rew	Sir Tony Hawkhead	Catherine Doran	
DfE	Paul Marshall	David Meller	Jim O'Neill	Marion Plant	
DfID	Vivienne Cox	Richard Keys	Eric Salama	Tim Robinson	
DfT	Ed Smith	Dame Colette Bowe	John Kirkland	Mary Reilly	Richard Brown
DH	Peter Sands	Dr Catherine Bell	Chris Pilling	Gerry Murphy	
DWP	Dame Clara Furse	Willy Roe	David Lister	Andrew Graham	
FCO	Sir Richard Lambert	Rudy Markham	Julia Bond	Heather Rabbatts	
HMRC	Ian Barlow	Simon Ricketts	Edwina Dunn	Volker Beckers	Mervyn Walker
	John Whiting				
HMT	Baroness Hogg	Richard Meddings	Dame Amelia Fawcett		
Home Office	Sue Langley	Alan Brown			
MoD	Sir Gerry Grimstone	Graham Williams	Paul Skinner	Danuta Gray	
MoJ	Tim Breedon	Bill Griffiths	Dame Sue Street	Fields Wicker-Miurin	