

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

Financial Year 2015-16

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Introduction from Sir Ian Cheshire

I was delighted to take on the role of Government Lead Non-Executive in April 2015. My role is to lead the network of more than seventy non-executive Departmental Board members, who are offering advice and challenge in and across central government departments. I take an overview, seeking to ensure that the sum of their efforts is greater than the parts.



2015-16 has been a significant year politically, starting with a General Election and a move from coalition to single party government, and ending with the run-up to the EU referendum. In November 2015, the Government's Spending Review made a commitment to deliver £21.5 billion of efficiency savings by 2019-20. Both the scale and speed of the change required is unprecedented. It will not be possible for the Civil Service to deliver through small scale change; intense prioritisation and transformation, particularly digital, is taking place. Transformation plans are reflected in a new form of business planning - Single Departmental Plans.

Non-executives support the delivery of this transformation, through advice, expertise and challenge. Last year, I set myself three aims:

- To promote and extend the value of the Departmental Boards - a unique place where ministers, executives and non-executives come together to provide advice and challenge, so that ministerial priorities can be delivered as effectively and efficiently as possible.
- To work with Secretaries of State to ensure that non-executive appointments continue to be of the highest quality.
- To harness the expertise and energy of the non-executive network still further to push forward on five priorities: talent, business planning, arm's length bodies, major projects and risk management.

This report sets out the progress made during the first year of my three year term. The country's decision to leave the EU has now added to an already tough set of challenges. Over the year ahead, given the need to navigate a period of uncertainty, the network of non-executives will provide appropriate support and expertise to senior Ministers and officials as required.

A handwritten signature in black ink, appearing to be 'I. Cheshire', written over a thin horizontal line.

Sir Ian Cheshire, Government Lead Non-Executive

“Non-executives are an important resource for both Ministers and the Civil Service. Their external viewpoint is helping to drive broader changes in the way Government does business, and improve the delivery of projects and services.”

- The Rt Hon Matthew Hancock MP, Minister for the Cabinet Office

“Non-executives continue to play an important role in sense-checking decisions and asking the right questions on Boards and in Departments more generally. They have also begun to play a key role in driving the performance of senior leaders and nurturing talent, ensuring over time that the Senior Civil Service has a world class cadre of leaders.”

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

“The continued contribution of non-executives is crucial to the success of transformation programmes that departments will be delivering over the year ahead. The expertise and experience of non-executives is critical in assisting departments to formulate and then deliver their Single Departmental Plans as well as in building on our own early steps this year. Their perspective on prioritisation, delivery and the development of people is invaluable.”

- John Manzoni, Permanent Secretary for the Cabinet Office and Chief Executive of the Civil Service

“The background of many non-executives has given them great experience in large projects and programmes of all types. That experience can and does play a considerable part in ensuring that our projects are set up for success. We look forward to even greater engagement as we form the IPA Advisory Board from non-executives across government.”

-Tony Meggs, Chief Executive Officer, Infrastructure and Projects Authority

Chapter 1: Review of the Board programme in 2015-16

This year marks five years since the introduction of the 'enhanced departmental Board model' across central government ministerial departments. This model brings together non-executives, Ministers and civil servants at Departmental Boards, chaired by the Secretary of State. It is set out in the *Code of Good Practice on Corporate Governance in Central Government Departments* (2011) ('the Code').

Enhanced Boards exist to bring the right people together to provide advice and challenge, so that Ministerial priorities can be delivered as effectively and efficiently as possible. The Boards do not exist to provide policy advice. Policy is decided by Ministers alone, with advice from officials. Boards are focused on getting policy translated into results - giving advice and support on the operational implications and effectiveness of policy proposals.

We have moved beyond the set-up and development stage, but it remains vital to keep momentum. As in previous years, there is great variation in the way that the Boards function. The role of the Chair is key. I have engaged with Secretaries of State to discuss how Boards and non-executives can best be utilised, and to encourage best practice.

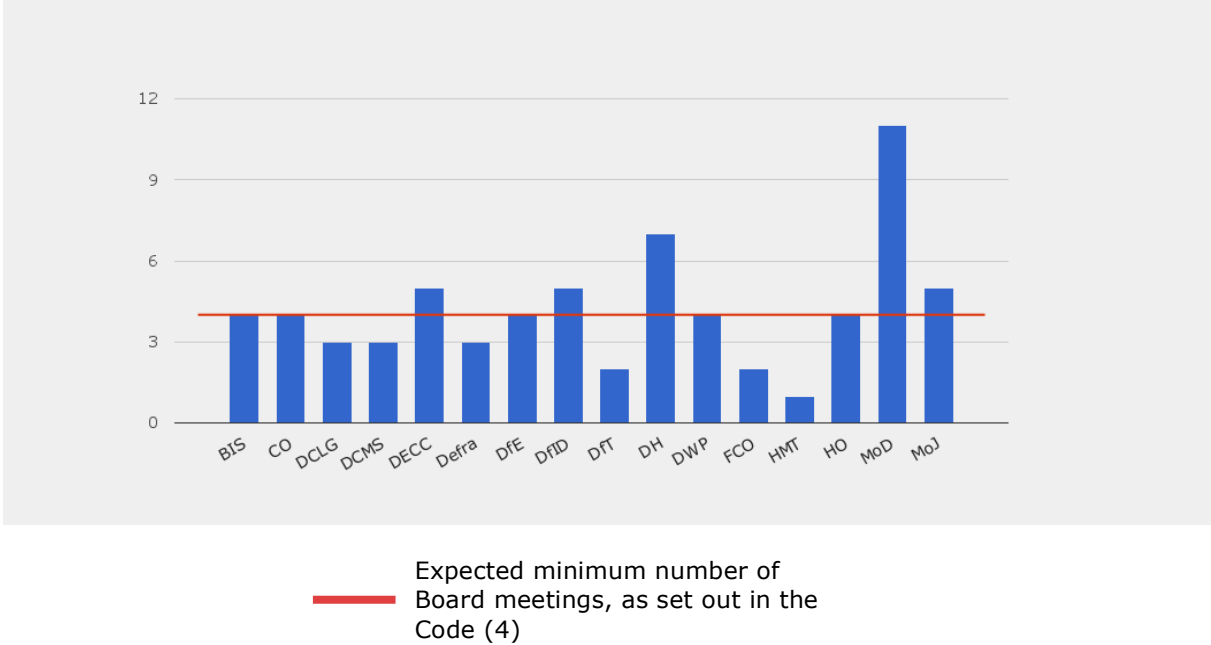
Board meetings

Frequency

In 2015-16, 63 Departmental Board meetings were held (across 16 central government Ministerial departments). This represents an average of 3.9 meetings per department, a 20% decrease from the previous year.

The frequency of Board meetings has always varied between departments, and this year was no exception. As Figure 1 shows, the majority of Boards met approximately each quarter. The notable exceptions were Ministry of Defence, which met almost monthly, and the Department of Health, which met seven times. At the other end of the scale, the Board of HM Treasury met only once¹. Four other Boards (DCLG, DCMS, DEFRA, DFT) did not meet the expected minimum of four meetings per year, as set out in the Code. The General Election had a clear impact on the number of Board meetings; however, it would be concerning if this significant shift were to continue.

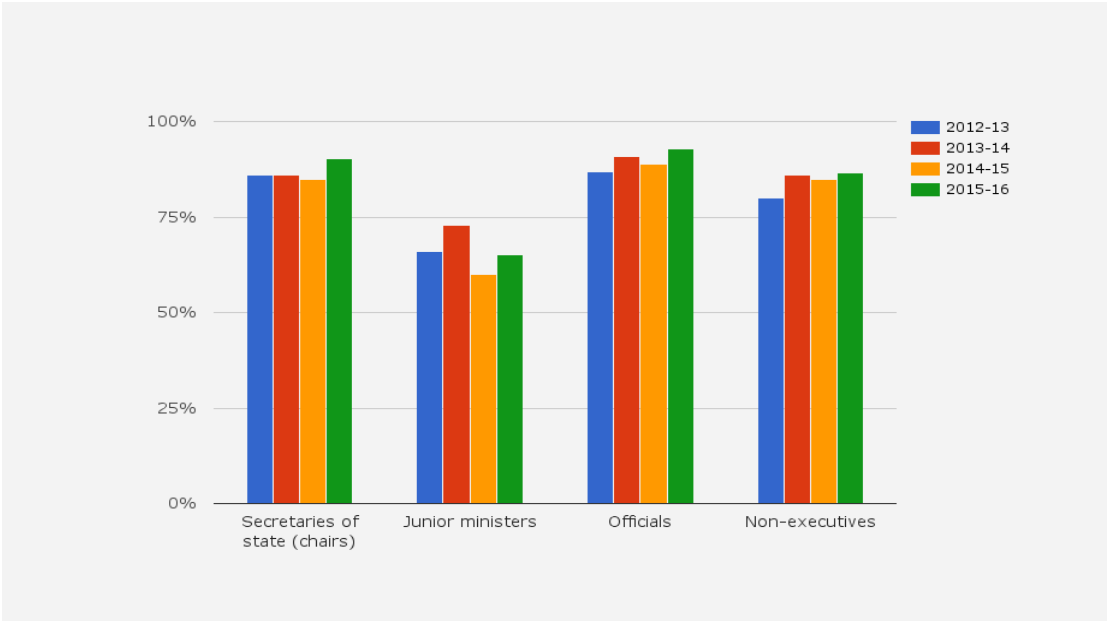
Figure 1: Number of Departmental Board meetings held



Attendance

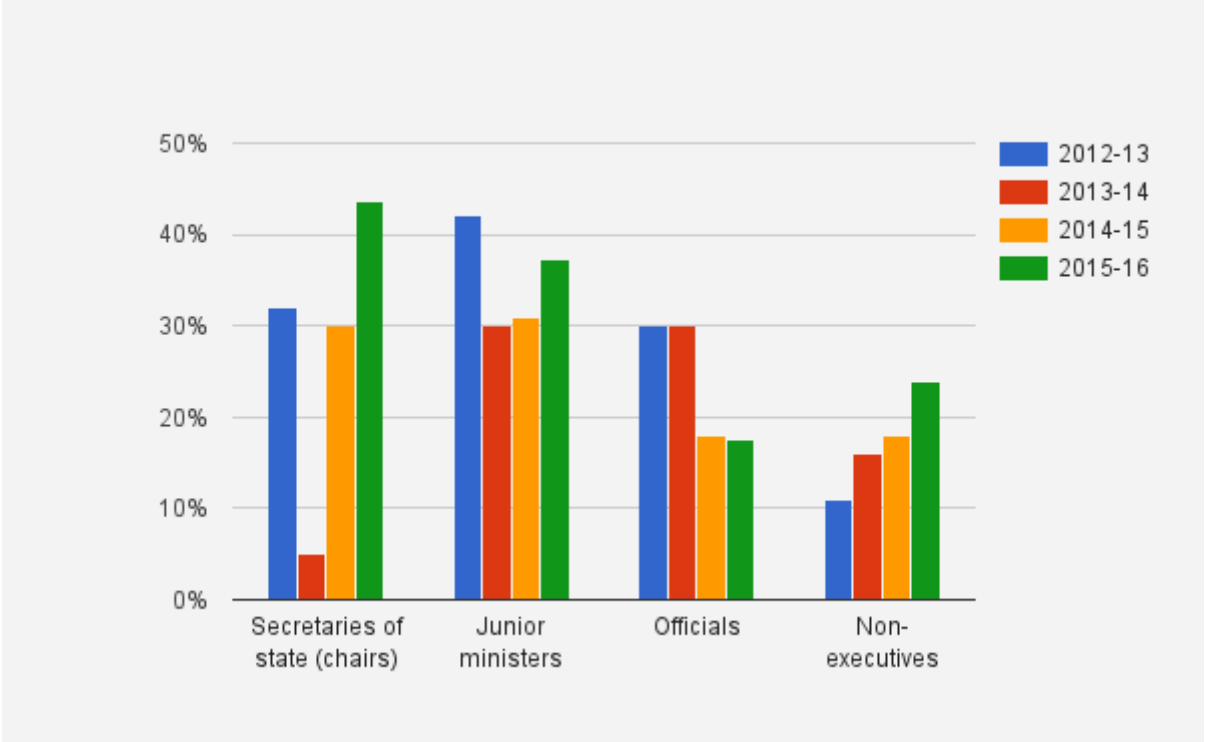
Attendance at Board meetings remained very good, running at 84%, an almost 10% increase compared with the previous year. As Figure 2 shows, all of the constituent groups of Board Membership registered an increase in attendance (Secretaries of State, junior ministers, officials and non-executives). Ministers, both Secretaries of State and junior ministers, showed the largest increase, rising 5 and 9 points to reach 90% and 66% respectively. It is encouraging that ministerial attendance has risen; this may reflect better alignment of Board agendas and ministerial priorities. In most departments, non-executive attendance was above 80%.

Figure 2: Attendance at Departmental Board meetings



The ministerial reshuffle after the May 2015 General Election led to significant turnover in ministerial Board membership. As Figure 3 shows, more than 40% of Board Chairs changed during the year. Non-executives have provided valuable continuity.

Figure 3: Turnover of Departmental Board Members



Management information

All Boards require excellent management information (MI), to understand what the department is aiming to accomplish and how it will know when it has done so. MI has improved since Lord Browne, the previous Government Lead Non-Executive, drew attention to its importance in 2012. Non-executives report that the quality of information (in terms of consistency and coverage) is now of comparable quality to the private sector.

A number of departments have been developing ways of using MI to improve departmental delivery and to embed technology in the way that the Department engages with MI. Non-executives have an important role to play at Board meetings in challenging MI, particularly in drilling down into the data and asking challenging questions to check progress.

Non-Executive Board Members

There were 72 non-executive board members across 17 central government departments (16 ministerial departments plus HMRC)¹. A full list is provided in [Annex A](#). The high calibre of non-executives has been discussed at Cabinet level and ministers continue to note their appreciation of the non-executives' contribution, particularly to the efficiency agenda.

Non-executives are entitled to remuneration in line with the Bank of England's non-executive Directors of Court. This stands at £15,000 per year, with an additional £5,000 for Lead non-executives and those who chair committees (such as the Audit and Risk Assurance Committee). This year 30% of non-executives chose to waive their fee or donate all or part of it to charity, which is in line with the previous year.

Non-executives are appointed on merit, and roles are advertised on the Cabinet Office's Centre for Public Appointments website. The Government aims to increase the diversity and strength of the membership of Boards to ensure that they are able to operate as effectively as possible, whilst representing the communities they serve.

Skills

Being a non-executive board member in government is a substantive challenge, which requires strong, heavyweight recruits. Non-executives need to have the skills that departments need. They should be recruited and valued for the independent objective advice and challenge that they bring.

Approximately 30 non-executives were current or former CEOs, of companies such as Mitie Group plc, Morrison's, Siemens plc, first direct, Rentokil Initial plc and Kantar (the consumer insight division of WPP)². Others had considerable leadership experience in charities, for example the CEO of Action for Children, or education, such as the former Deputy Vice Chancellor at the University of Cambridge. In many cases, departments have sought and benefited from specific expertise, such as former Chief Finance Officers, Chief Information Officers or Group Heads of Human Resources.

Last year departments were keen to benefit from expertise in digital, technology, data, change management, operational management and talent management skills. This year Secretaries of State have made some strong appointments in these areas; for example, the Home Office welcomed three new non-executives with, between them, strong expertise in digital, people, transformation programmes and the third sector.

¹ As at 31 March 2016

² As at November 2015

Diversity

Diversity is a high priority for both the Minister for the Cabinet Office and the Head of Civil Service. It should be reflected in non-executive appointments. They must be drawn from a high quality and diverse pool, both in terms of backgrounds and skills.

The Code recommends that Boards should include at least one female non-executive member and this was achieved³. More than one third (34%) of non-executive board members were female, broadly similar to last year and broadly similar to the percentage for Departmental Board members as a whole (33%). This reflects well compared with the private sector; only 20% of FTSE 250 company Board members were female⁴. In terms of the Board member constituent groupings, 25% of ministers were female, 39% of officials and 34% of non-executives⁵.

However, diversity does not stop at gender. The Centre for Public Appointments, Ministers, senior officials and Lead non-executives should continue to work to ensure that future appointments shortlists embrace other protected characteristics.

Contribution of the non-executive network outside of the Board

Boards are an important part of the control arrangements for departments, and a key means by which they are held to account for delivery. However, the primary contribution made by non-executives is in their wider work outside of Board meetings.

This includes:

- Leading independent reviews, for example non executives conducted various reviews at the Department for Transport following the reclassification of Network Rail;
- leading Permanent Secretary annual performance reviews;
- chairing Board sub-committees (for example on Audit and Risk, Nominations and Governance);
- taking part in appointment exercises within departments and in their wider Arm's Length Body families;
- providing advice and challenge relating to specific major projects and transformation programmes; and
- providing informal advice and support to executives and ministers.

The performance of the Board is assessed through annual Board Effectiveness Evaluations, but there is limited formal assessment of the effectiveness of non-executives. Next year Board Effectiveness Evaluations will contain an element of independent evaluation, as is required every three years. Permanent Secretaries and Ministers, as well as non-executives themselves, should consider how best to assess the performance of non-executives through this process.

³ As at March 2016

⁴ Source: Women on Boards: Davies Review Five Year Summary, October 2015

⁵ As at January 2016

Role of the Government Lead Non-Executive

I took up the role of Government Lead Non-Executive in April of 2015. Just over one month into the job, following the General Election, I welcomed a new Minister for the Cabinet Office, Rt Hon Matthew Hancock MP. I continued to meet ministers, senior officials and non-executives regularly throughout the year. In total I undertook 97 meetings as Government Lead Non-Executive during the year from 1st April 2015 to 31st March 2016. My priority was engaging with the non-executive network, through regular conferences and events. Lead non-executives also met twice as a group with all Permanent Secretaries. The Lead non-executives and I also contributed to talent management by bringing our experience from the commercial sector to the performance review of Permanent Secretaries. I led the annual performance review of Sir Jeremy Heywood, Cabinet Secretary and Head of the Civil Service. Lead non-executives were also involved with assessing the performance of the Permanent Secretary in their departments. Leads prepared reports to feed into their Permanent Secretary's performance review. I chair the Permanent Secretaries Remuneration Committee.

Corporate Governance Code

The enhanced Board model is supported by *Corporate Governance in Central Government Departments: Code of Good Practice* ('the Code') and accompanying guidance, published by the Cabinet Office and HM Treasury in 2011. In the main, departments comply with its principles and supporting provisions, as evidenced in their Annual Reports.

However, there is a need for a light-touch refresh to reflect the experience of the first five years of the enhanced Board model programme. While this should not suggest fundamental change, it should reflect in particular other government guidance that has been published in the last five years or which is about to be published. The Cabinet Office is also preparing a refreshed Code of Conduct for Board members of public bodies, the principles of which apply to non-executive board members of departmental Boards. A revised Audit and Risk Assurance Committee handbook has just been published. Following consultation and the publication of these other documents, a refreshed Code should be published in 2016-17.



Sir Theodore Agnew

Lead Non-Executive

Ministry of Justice

Non-Executive Engagement in the Ministry of Justice

This year the Secretary of State appointed a new team of non-executives.

I was appointed as Lead Non-Executive in June 2015 and have been involved in a range of financial, performance and commercial projects across the MoJ and its agencies. In August 2015 Liz Doherty, Lizzie Noel and Sir Martin Narey were appointed as non-executives. Liz brings significant financial expertise to the board making her well placed to take up the role to chair the Department's' Audit and Risk Committee. Lizzie has a wealth of experience in both public and private sector, she has been involved in a range of public appointments since joining the MoJ. Sir Martin is a former Director General of The Prison Service of England and Wales and CEO of Barnardo's and has been supporting the Department's develop its sentencing strategy. In October we welcomed Sir Michael Barber. Sir Michael brings with him significant experience of public sector reform, including setting up and heading the Prime Minister's delivery unit for 4 years. Since joining, he has successfully led and subsequently chaired the Department's' first Data, Evidence and Science board.



Martin Stewart

Lead Non-Executive

Department of Energy and Climate Change

Championing Consumers

The DECC team of Non-Executive Directors on the main Board remained the same over the year.

In our role as Consumer Champions, Rachel Campbell and I provided advice on the Department's Consumer First project. I also continue to provide advice and challenge to the recently established Energy Consumer Board.

The DECC policy team leading the Contingency Planning across Government to manage the impact of the low oil price on the UKCS is engaging with Charles Randell as Chair of the Audit & Risk Committee. His input has been instrumental in strengthening the Audit and Risk Committee.

During the course of the year, Tom Kelly has provided valuable advice on governance and added rigour to examination of some of the key assumptions which underlie a number of the Department's forecasts.

My colleagues and I have continued to find the Department to be open to advice and recommendations and we look forward to continuing to help the Department in the coming year.



Allan Cook

Lead Non-Executive

Department for Business, Innovation and Skills

Supporting BIS' transformation Programme

The BIS Departmental Board has played an important role this year in providing oversight of an ambitious transformation agenda. The BIS 2020 programme aims to reduce BIS operating costs and increase efficiency by delivering a simpler, smaller department that is more flexible and responsive to stakeholders and businesses. The Department's Non-Executive Board Members bring a wide range of external and private sector experience to bear on this work. As a member of the BIS 2020 Steering Group, I have had opportunities to provide advice, support and constructive challenge during the development of BIS 2020, working closely with the Department's senior officials.

The Department will increase its engagement with the Non-Executives in the coming year, drawing on their experience to provide strategic input into BIS 2020 workstreams. Juergen Maier has been invited to contribute to work on reducing the Department's complexity by supporting Partner Body reform, and Dale Murray will support the Department's work on digital capability, working towards more efficient digital first service provision and policy delivery. The external perspective offered by the Non-Executives has helped to highlight areas where additional attention or resource may be needed.

BIS Non-Executives have also continued to offer valuable perspective and advice on audit and risk and on the Department's nominations and governance processes.



Andy Street

Lead Non-Executive

Department for Communities and Local Government

Translating policy to delivery

The DCLG non-executives have played a significant role in focussing on how policy priorities will be translated into delivery. With the appointment of a new Secretary of State, Permanent Secretary and Lead Non-Executive over the past year the non-executives have taken the lead in reshaping the purpose of the Board and its sub-committees. They have worked with officials to agree relevant and strategic agendas that encourage as wide attendance as possible, with more focused papers and stronger performance data to support discussions. They have also fed into the review and implementation of the department's Annual Governance Assurance exercise; leading panels that have openly challenged, and sought assurance from each of the Director Generals and Corporate Directors on the delivery of their policies.

In addition the non-executives have played a crucial role in the development and implementation of the department's Change programme and Business Planning exercise. They have actively engaged at every stage of each programme, providing support and advice as well as challenge on the department's ultimate end goals and the process by which it will achieve them. As a result we now have a Single Departmental Plan which enjoys full support across Ministers, the Executive Team and the non-executives.



Vivienne Cox

Lead Non-Executive

Department for International Development

Driving ambition on digital in development

Tim Robinson chairs DFID’s Digital Advisory Panel. Tim and the DAP have been instrumental in driving a step-change in the department’s approach to digital, and have supported the development and execution of DFID’s ambitious new digital strategy for ‘doing development in a digital world’.

One of the first priorities that the DAP set out for DFID was to improve the quality and availability of internal management information (MI). A suite of MI tools has been developed as a result, which enable programmes to become more agile and flexible with better provision of real time data. These have provided a far clearer picture of DFID’s overall performance, brought about a behaviour change and improvement in data quality - and have been highlighted as an exemplar across government.

Tim also challenged the department to get a better understanding of how many DFID-funded programmes utilise digital technologies in their delivery and how successful they have been. This resulted in the development of the Digital Grid: a user-friendly online tool that catalogues over 100 programme examples sub-divided by sector, country, technology and problem. The tool ensures that learning and effective models are shared across the organisation, such as how electricity has been brought to over 250,000 off grid homes across East Africa (Kenya, Uganda, and Tanzania), through using mobile money platforms to pay for solar generated energy.



Ed Smith

Lead Non-Executive

Department for Transport

Building a platform for future improvements after the reclassification of Network Rail

The Department for Transport has an ambitious delivery programme to transform infrastructure, improve lives and strengthen our national economy. Our non-executives play an invaluable role towards achieving this ambition by leading reviews, chairing two Board sub-committees, and providing an external challenge to our arm’s length bodies and major investment projects.

The reclassification of Network Rail (NR) demonstrates the approach DfT takes to embed the commercial insight and experience our non-executives bring.

Richard Brown sits on the NR Remuneration Committee, and was appointed to the NR Board in June 2015 to support its strategic relationship with Government. In November 2015 Dame Colette Bowe published her independent review of NR’s enhancement programmes and provided practical recommendations to clarify the processes for developing each programme stage.

Richard used his substantial rail experience to implement recommendations from the Bowe and Hendy reviews to embed new ways of working at NR. To ensure this experience forms part of DfT’s strategic thinking I led the ‘Smith Review’ to draw out lessons from NR’s investment programme which can also be applied to DfT’s other infrastructure delivery partners.

This approach of engaging non-executives across disciplines embeds good practice, and will enable DfT to better meet future infrastructure needs.



Sue Langley

Lead Non-Executive

Home Office

Home Office Transformation

The Home Office has a wide ranging and ambitious transformation strategy that will create a more skilled, better tooled and diverse department to keep the public safe and secure in the modern age. The department has strongly benefited from Non-Executive challenge and advice at the Executive and Departmental Boards, as well as through regular engagement outside of committee. The diverse team brings a range of experience, focusing on change management, diversity, risk, digital and data.

As lead non-executive, Sue Langley chairs the audit and risk committee, provides advice and challenge on change programmes and supports the Home Office in developing and recruiting senior talent. This year three new Non-Executives have joined the team to complement the broad ranging aspirations of the Department. Adrian Joseph has made a significant contribution to the department's diversity strategy and is also engaging on data and digital issues. Suzy Levy has been a key source of advice on People and Talent, in addition to her extensive knowledge of Transformation programmes. The Home Secretary's most recent appointment – John Studzinski – will bring wide ranging experience from his work with charities and voluntary organisations, as well as his work in finance. All non-executives will support the Home Office in its transformation journey.



Sir Richard Lambert

Lead Non-Executive

Foreign and Commonwealth Office

Setting Direction

Following the Autumn Statement, the Permanent Secretary commissioned a review of FCO internal working practices, culture and impact. The review, led by Tom Fletcher, ran between January and March 2016, and canvassed a large number of stakeholders. Non-executives played an active and supportive role, taking part in individual meetings with Tom and group discussions at the Senior Leadership Forum. There was a lively and engaged discussion at the April Management Board, where non-executives provided constructive ideas and advice for implementing what will be a major change programme.

The recommendations from the review will set direction in the FCO until 2020 and beyond. Non-executive directors will be fully engaged in the ensuing workstream and implementation plan. This provides a great example of the collaboration between non-executives, the Board and senior leaders in the FCO.



Sir David Verey

Lead Non-Executive

Department for Culture, Media and Sport

DCMS Accounts

DCMS is a very small government department with more than 40 Arm's Length Bodies, ranging from national museums and galleries, to regulators such as Ofcom and grant giving bodies such as the Arts Council. This makes preparing a set of DCMS Group accounts complex and time consuming.

In 2015-16, DCMS was able to lay its Group accounts in front of Parliament, unqualified by the National Audit Office , on 17 July 2015. This was for the first time before Parliament's summer recess. It compared with a laying date of 26 February 2013 for the 2011-12 accounts, which were also qualified: and laying dates of November and then October in the two subsequent years.

The department's Non Executive Directors, working in particular through the Audit and Risk Committee, provided helpful focus and constructive challenge which was a key enabler for the department achieving this result.



Sir Ian Cheshire

Government Lead Non-Executive

Cabinet Office

Strategic Thinking

The Cabinet Office plays a key role in coordinating policy and promoting efficiency and reform across Government. As part of this, non-executives provide challenge, support and expertise to ensure their department achieves its objectives, as outlined in the Single Departmental Plan.

The past financial year brought some changes to the Cabinet Office non-executive team. Ian Davis, Amy Stirling and I were pleased to welcome Paul Kirby, Mark Price and Catherine Brown to the Board. At the end of 2015-16, Ian Davis stood down from the Cabinet Office Lead Non-Executive role, and I have agreed to serve as the departmental Lead Non-Executive until a replacement is appointed.

Non-executive members use outside perspective and knowledge to provide advice and challenge to the department's strategic thinking and capability planning. In particular, in the past year we have focused on supporting the department as it refines its performance reporting processes.

As well as serving on the Board, Cabinet Office non-executives use their expertise to support the department on specific issues, particularly through their work with the sub-committees. For example, as Chair of the Audit and Risk Assurance Committee, Amy Stirling worked with teams to improve MyCSP and Shared Services. Additionally, Catherine Brown's contributions helped refine the purpose of the People Committee, in particular, strengthening focus on diversity and inclusion, talent, retention and wider capability across the department.

Looking ahead to the next financial year, I am confident the non-executives will continue to lend support where we are able and assist the department as it promotes efficiency and reform across government.

Chapter 2: Cross-cutting priorities for the non-executive network

One of my priorities is to bring together and coordinate the efforts of the network of non-executives, to ensure that their contribution is as effective as possible. Non-executives promote good governance, but also inject commercial acumen into departments. Last year I identified five cross-cutting priorities for reforming government, where non-executives are particularly well placed to offer advice and challenge:

1. talent;
2. single departmental plans;
3. arm's length bodies;
4. major projects; and
5. risk management.

These support the priorities of both the Head of the Civil Service and the Chief Executive of the Civil Service.

2015-16 progress and 2016-17 plans

1) Talent

The Civil Service needs to tackle increasingly complex problems in an efficient and effective manner. We need to have the right people in the right roles, with the right skills. It is vital that we develop a cadre of world-class leaders to face up to these challenges, and this is why I have identified talent management as the first cross-cutting priority where the network of non-executives can help to bring about change. Talent management is prioritised in most complex private sector organisations in a way that has been lacking in the public sector. Most departmental non-executives are experienced at succession planning, and nurturing and providing clear careers structures to those showing promise.

Allan Cook (Lead Non-Executive, BIS) has been leading the collective efforts of non-executives on talent management through the Talent Advisory Group. An action plan was agreed by the Group at the end of last year and included recommendations on developing internal talent, sourcing external talent, developing career paths, managing under-performance and rewarding high performance. The Group has already been involved in the establishment of Commercial Assessment Centres (which have been established to benchmark commercial capability across government, identify top commercial talent and to assess the commercial needs of individual departments), provided knowledge and insight on recruitment panels and provided insight on key elements of the Civil Service Talent Strategy.

Lead non-executives have played a key role in Permanent Secretaries performance reviews this year. Leads are well placed to understand the breadth of the Permanent Secretary's role, as well as the particular challenges they face and the successes they have had. They have also played an active role in the recruitment of Directors General within departments, in particular giving knowledge of the recruitment market outside of the Civil Service at Director General equivalent level. Non-executives have been involved in Talent Scheme events, and have facilitated networking and secondment opportunities with other sectors.

In the year ahead they will be invited to offer expert challenge on key elements of the Civil Service Talent Strategy, the Commercial Pay Review and the revised Workforce Strategy. Non-executives have also been invited to sit on steering groups advising on commercial and digital capability. They will be briefed on flexibilities around compensation for senior civil servants so they can advise, support and challenge their departments to use pay flexibilities more effectively. The intention is to continue with the valuable role they have played in Permanent Secretaries performance reviews, and there will be a lessons learned exercise, which will feed into the process for next year.

If the Civil Service is to achieve the multiple transformations that are necessary to achieve more with less, then it needs individuals with the necessary skills, particularly in relation to the two areas prioritised by the Head of the Civil Service digital and commercial capabilities. I hope that the non-executive network will continue to challenge and enhance the work programme in this area.

	<h3>Executive and Non-Executive Recruitment in the Department for Work and Pensions</h3> <p>Non-executives in DWP have been actively involved in prioritising the development and sourcing of talent to enable the department to continue to roll out its once in a generation programme of welfare reform. This has included the recruitment of an Executive Director General for Operations and a total of five non-executives for the Departmental Board, Audit and Risk Assurance Committee and the newly formed Technology Advisory Committee.</p> <p>I have personally worked closely with the Permanent Secretary and Secretary of State in specifically overseeing the selection process for Departmental Board candidates, whilst Andrew Graham has brought his knowledge and expertise to the Audit & Risk Assurance Committee, including undertaking some excellent preliminary work into the role and effectiveness of the department's Arm's Length Bodies. David Lister has continued to help the department develop its digital and technology capability, in addition to working with the Technology Director General to establish a Technology Advisory Committee. This is a formal sub-committee of the Departmental Board and its role is to provide independent and expert advice and challenge to the department, to deliver better services by exploring the potential of digital, data, technology and security.</p> <p>Our collective input and independent assessments of all applicants has enriched the selection process, and been regarded as valuable by the department in helping to appoint a high calibre of successful candidates. This is in addition to building digital and technical capability in order to underpin the department's ambitious and hugely challenging IT transformation programme.</p>
<p>Dame Clara Furse</p> <p>Lead Non-Executive</p> <p>Department for Work and Pensions</p>	



**Sir Gerry
Grimstone**

**Lead Non-
Executive**

**Ministry of
Defence**

The Defence Board's People Committee

The Defence Board has continued its vital role helping oversee the defence of the United Kingdom and ensuring that our country will have the capabilities to continue to do so far into the future. Defence people, both military and civilian, are one of the most important keys to this. The Board's People Committee was repositioned so that it could take a wider, more strategic role in view of the significant people challenges that the Ministry of Defence and the Armed Forces will face over the coming years. I am pleased to report that the committee is chaired by Danuta Gray, a Non-Executive Defence Board member. Laura Whyte, another of our Departmental non-executives also serves on the committee, together with some of our most senior military and civilian colleagues. The Committee brings together the right blend of skills and provides high-quality private sector HR delivery experience exactly where it is needed. The Committee gives strategic direction and guidance on longer term Defence People matters including recruitment, retention, our New Employment Model and how to avoid critical skills shortages in the future. It oversees the important Defence Diversity and Inclusion Programme. It is driving the provision of improved evidence and analysis including the economic factors that might affect recruitment and retention in the future.

2) Single Departmental Plans


This year a new form of business planning was introduced, in the form of Single Departmental Plans (SDPs). These five year plans (2015-2020) set out the priorities of individual Departments, and how they contribute to overall government priorities. The plans were published online in February 2016. Lead non-executives were required to sign off plans before they were finalised.


The plans improve the way in which the government monitors its performance and allow the public to track progress against key outcomes. The four core aims of an SDP are to:

- set clear departmental priorities;
- link the priorities to the departmental spend;
- provide reporting against a clear set of metrics; and
- organise and rationalise management information from the centre to reduce burdens placed on departments.

Non-executives have extensive experience in business planning in the private sector, and have offered advice and challenge in the preparation of SDPs. Non-executives have found the plans to be useful tools with which to understand and engage in the breadth of work of the department, as well as to understand the balance between manifesto commitments and other departmental work. In particular, the preparation of SDPs has encouraged a focus on prioritisation, realistic planning and efficiency. Non-executives are able to play an ongoing role in improving business planning and performance management across government.

Going forward, SDPs link departmental priorities with outcome metrics, and if used effectively by departments, will be an important tool for Boards to use to run departments and support large-scale transformation. They should be living documents, updated to reflect new data, and as plans develop and circumstances change. The SDP process is at an early stage and it is vital that the Government consistently moves towards a systemic approach to prioritisation. Boards have a crucial role to play in tracking and driving the delivery of the department’s priorities. Non-executives should take an active role in oversight of SDP implementation, including ensuring they have access to the relevant MI.

	<p>Developing a Single Departmental Plan</p> <p>The Department’s non-executive directors have continued to play an active role in the governance of the organisation, and chair two of the three sub-committees of the main Board. During the year we have welcomed two new non-executive directors: Ruby McGregor-Smith and Ian Ferguson, who chairs the Audit and Risk Committee.</p> <p>A particular focus for non-executive directors this year has been to provide robust challenge and support to the Department in developing the Single Departmental Plan and planning for achievement of its strategic priorities for 2015 to 2020. Our Performance Committee, which I chair and which includes both officials and non-executives, has taken the lead in this. Supported by a new Delivery Unit, the Performance Committee has overseen the development of data-driven delivery planning across the Department's main delivery priorities, enabling the Department to plan and keep track of progress against priorities over the lifetime of the Parliament. The committee also regularly reviews the major systemic risks that could affect delivery of the Department’s priorities, and the actions in hand to reduce the likelihood they materialise.</p>
<p>Sir Paul Marshall</p> <p>Lead Non-Executive</p> <p>Department for Education</p>	

	<p>HMT’s Single Departmental Plan</p> <p>The non-executives played a key role, alongside the Executive Management Board, in providing external challenge and guidance in the development of the Treasury’s Single Departmental Plan which was published in February 2016. The plan describes the department’s strategic objectives for this Parliament and the key policies that the Treasury is delivering to seek to achieve these. It covers the core departmental responsibilities and how the department is working collaboratively across government.</p> <p>The non-executives led discussions and were able to apply private sector knowledge and expertise to ensure the plan was focused in the key areas. Their external perspective and challenge helped identify risks and pressure points and to highlight where more resource or focus was required.</p>
<p>Baroness Sarah Hogg</p> <p>Lead Non-Executive</p> <p>HM Treasury</p>	

3) Arm's Length Bodies

There are more than 450 Arm's Length Bodies (ALBs), spending more than £250 billion annually. Departments are dependent on ALBs for the delivery of government priorities, including spending targets. It is vital that these bodies remain fit for purpose, well governed and properly accountable for what they do. Last year I noted that not all departmental boards had clear oversight of their ALBs, nor the plans to transform them.

This year I met with the Public Chairs Forum, a representative group of public body chairs, to discuss their views. While we must avoid at all costs a 'one-size fits all approach', it was clear that there is more that departmental Boards and non-executives can do to improve their oversight of and engagement with ALBs to improve their governance. In particular, there are opportunities to disseminate good practice between government departments, such as partner organisation conferences, shadowing, site visits and challenge sessions at the Board.

Sue Langley (Lead Non-Executive, Home Office) is chairing an advisory group made up of non-executives from BIS, Cabinet Office, DCMS, DEFRA and DWP. This small group has particularly urged the departmental non-executive network, with the support of their Ministers and Permanent Secretaries, to engage in four specific areas. These are: building good relationships, good governance, reviews and classification.

Firstly, non-executives are able to build good relationships with ALB Chairs and non-executives, as appropriate, in order to support more formal governance structures and improve understanding and trust on both sides.

Secondly, non-executives should consider whether the departmental Board and Audit and Risk Assurance Committee have appropriate oversight of ALBs. In particular, the Board may wish to consider how it will maintain performance oversight of Single Departmental Plan priorities delivered through ALBs.


Thirdly, non-executives are encouraged to engage with their department's programme of tailored reviews, which will form part of the department's own ALB transformation plans. Guidance published in March 2016 asks that departments undertake a tailored review of their public bodies at least once in the lifetime of a Parliament, in order to ensure that they are fit for purpose. The guidance anticipates that departmental non-executives (either from within the department itself or another government department) will take a lead role in priority tailored reviews [for example, by sitting on review boards or challenge groups]."

These tailored reviews are complemented by functional reviews, which are cross-cutting reviews of ALBs by function/ type. The first, on regulatory bodies, will report in Autumn 2016. Paul Kirby (Cabinet Office Non-Executive) is on the steering group for this.

Finally, the Advisory Group has urged non-executives to support the implementation of the report on the review of ALB classifications (April 2016). The review sets out an ALB classification framework made up of three categories (Executive Agency, Non Departmental Public Body, Non Ministerial Department), based on the degree of freedom that body needs from ministerial control to perform its functions. Departments are asked to use this

framework when setting up new ALBs, but also to classify existing ALBs. The intention is that this will lead to a simplified and more transparent public bodies' landscape, promoting greater accountability.

In 2016-17, the Group will continue to provide high level review and input into the Government's ALB strategy, programme of work and recommendations, through acting as a challenge group for the Public Bodies Reform team (Cabinet Office). It also intends to highlight best practice in departmental non-executive and Board oversight of and engagement with ALBs.

	<p>Non-executives and Arm's Length Bodies</p> <p>I was pleased to join DEFRA as its Lead Non-Executive Director from February 2016.</p> <p>I hope that my experience of the private and charitable sector, as Chief Executive of National Grid plc and chairman of the board of trustees at Crisis, the homeless charity, will bring useful insights. I would also like to pay tribute to the work of my predecessor Iain Ferguson, and the people who have served as non-executives during the year: Paul Rew, Catherine Doran, Peter Bonfield and Tony Hawkhead.</p> <p>The purpose of DEFRA is to unleash the economic potential of food and farming, nature and the countryside, champion the environment and provide security against floods, animal and plant diseases and other hazards. It is supported by 33 agencies and public bodies, which are vital in the delivery of this purpose. Defra's strategy includes a transformational change to a more integrated group. As part of aligning governance to the strategy ExCo membership has been broadened, the Chairs of the Environment Agency (EA) and Natural England (NE) have joined the Board of Defra as ex-officio members and, at the instigation of the non-executives, Defra ARC membership now includes chairs of ARCs of the four largest ALBs; EA, NE, the Animal and Plant Health Agency and the Rural Payments Agency.</p> <p>It continues to be a priority for the DEFRA Board and non-executives to engage with the work of these and other arm's length bodies (ALBs).</p> <p>All four of our non-executives have roles in linking with specific ALBs to build up a deeper knowledge of the ALBs. Our involvement includes visiting the ALB once or twice per year, enabling discussions with the CEOs, Chairs and other available Board members including non-executives and to see the operations. Defra non-executives can also be involved in periodic performance reviews, Tailored Reviews of the ALB, and the selection processes for key roles including Board members and CEOs of ALBs. This role enables the non-executives to build up a deeper knowledge of the ALBs and to help effective challenge at Board discussions and on the Management Information reports, Major Projects and Strategic Risks embedded in the ALBs.</p>
<p>Steve Holliday</p> <p>Lead Non-Executive</p> <p>Department for the Environment, Food and Rural Affairs</p>	

4) Major projects


Excellent major project management is the cornerstone of transformation. The Government's Major Project Portfolio (MPP) covers 150 programmes with a whole life cost of more than £400 billion. More than one third of current GMPP programmes are classified as transformation. Transformation refers to long term change that usually impacts the industry context within which the Department operates and frequently drives a transformation of the wider citizen experience. Transformation rarely exists in isolation, often impacts the whole environment that the organisation is part of, and requires input from multiple players across Government. The transformation challenge across government is vast and one which the non-executives are keen to support.

Non-executives have extensive experience of running large and complex organisations, and so are well placed to provide an insightful perspective on major projects. Non-executives are especially offering advice and challenge in their departments on clarity of accountability (i.e. governance) and capability (i.e. the skills required for effective delivery).

The design and delivery of major projects has improved but there is still more to be done. Improvement is supported by the creation of the Infrastructure and Projects Authority (IPA), which provides expertise in infrastructure and the financing, delivery and assurance of major projects in government. Ed Smith (Lead Non-Executive, Department for Transport) has agreed to chair an Advisory Board of non-executives to provide external advice to the IPA. The Advisory Board will provide an experienced independent perspective on the IPA, and will improve the connectivity between the IPA and the Boards of major spending departments.

During the last year, a small number of non-executives formed part of the panel used for Major Projects Review Group meetings. The MPRG challenges projects on deliverability, affordability and value for money at key points in the HMT approvals process and as required at other points during their lifecycle.

Within departments, non-executives should continue to increase the visibility of major projects and seek assurances on their deliverability. They should expect to see the right level of information and to ask the difficult questions. They should offer advice and challenge in particular at the initiation stage, so the projects start with proper resourcing, performance measures, and portfolio management put in place. In order to disseminate best practice, the IPA will provide brief guidance to non-executives on how they should analyse major projects.

	HMRC Transformation Programme Boards
Ian Barlow Lead Non-Executive HM Revenue and Customs	<p>HMRC is undergoing one of the largest transformation programmes across the Civil Service. Recognising the value that they can offer, Non-Executives now sit on six of the Department's Programme Boards providing advice and challenge at programme level. By way of example Simon Ricketts and Mervyn Walker work with the large Columbus IT transformation, following the successful delivery of the first stage, where their experience of large scale change at Rolls Royce and Anglo American respectively is directly relevant. Similarly Ian Barlow and John Whiting use their knowledge of how businesses account and deal with their tax liabilities to help the team developing Making Tax Digital for Business deliver a solution that will work for business. Delivering a truly customer or taxpayer oriented delivery model is a key goal for HMRC over this spending review.</p>

5) Risk management

In my experience, government risk management is something of a ‘cottage industry’ operating very differently from department to department. Last year I set out my intention to use the non-executive network to try and break down departmental silos, encourage the elevation of best practice and strive for continuous improvement. Ian Barlow (Lead Non-Executive, HMRC) is leading the collective efforts of non-executives to improve risk management across government. Ian is currently concentrating on two areas that should encourage progress in this area:

- Sharing best practice - to identify examples of risk management that work in practice and support departments in sharing and adopting this;
- Cross-Government - to develop a systematic and rational approach to cross-government risks including how such risks are identified; how they would be managed; and where responsibilities for that would lie.

In order to share best practice, a series of peer review sessions will take place between Departments. Two of these sessions have now taken place: the first between BIS and Defra, the second between HMRC and DfT. The objective of these sessions was to identify examples of ‘what works in practice’ through an open and candid discussion of the relative strengths and areas for improvement in each department’s management of risk. More sessions are planned between other government departments, with a session between the MOD and DWP planned imminently.

Those peer review sessions successfully helped to identify good practice themes as well as examples that can be shared with other government departments. The participants have also derived value by observing the risk arrangements of other departments, allowing them to reflect on how and where their own arrangements could be enhanced. We will be encouraging those that have taken part to repeat the sessions annually to check in on progress and encourage the embedding of good practice.

This work has helped us shape a draft framework for ‘what works in practice’, which we hope to publish in the year ahead, to show Boards what good looks like and encourage them to buy-in to a good risk-management approach. This framework builds on the risk principles and concepts that have come before, for example from HM Treasury’s Orange Book, and seeks to provide examples of how those principles can be applied in practice.

The work on improving risk has been supported by the Audit and Risk Assurance Committee Chairs Network (ARAC), which provides a forum for ARAC chairs to network and provide support, trouble shoot and share best practice in order to improve the efficacy of their Committees. ARACs play a crucial role in helping Boards to set a department’s risk appetite, ensuring that the framework of governance and control are in place to manage risks within this.

Finally, work on a strategic approach to the management of cross-government risks is ongoing and non-executives will make recommendations on improvements to current practice at the Centre in the coming months.



Peter Sands

Lead Non-Executive

Department of Health

Review of Risk Management

During the year the Department carried out a full review and refresh of its approach to risk management so to make sure that the Board was still focusing its discussions on the top risks. The previous approach, whilst adequate and thorough, had grown to encompass many risks driven by a “bottom-up” approach to compiling the risk register; it was timely to shift the focus to a more strategic approach to defining the top risks.

With input and practical examples from the non-executives including a facilitated full afternoon with the Departmental Board last summer, a new, more focused set of risks was developed which could then undergo “deep dives” within the governance of the Department to ensure the right assessments and mitigating actions were in place. This process drew on the non-executives’ experience and insights from their own organizations, input from external sources (including healthcare experts), and approaches used in the ALBs and other Government departments.

Working through the audit & risk and executive committee, the non-executives helped refine this more focused risk register, defining mitigating actions and allocating responsibilities. The exercise extended beyond the Department itself to ensure greater consistency of nomenclature, focus and approach on risks across the Department and its ALBs.

Conclusion

All five of these priorities, if done well, will facilitate transformation within departments. Public sector spending continues to be cut back and the final reductions are those that are the most difficult to implement. This will not be possible through salami-slicing, but as the Civil Service fully recognise, will require fundamental, transformative change. The network of non-executives will continue to provide the expertise, gained through extensive experience, to help departments drive through these changes effectively. By focusing our collective efforts on these vital and interconnected cross-cutting priorities of talent, business plans, arm’s length bodies, major projects and risk-management, non-executives can help to drive transformative changes along functional lines, as well as individually through departments.

Chapter 3: Summary and Conclusion

The five cross-cutting themes identified last year remain highly relevant and often closely related. Top quality talent, successful business planning, good oversight of arm's length bodies, the deliverability of major projects and effective risk management are all essential ingredients in successful transformation.

In the year ahead the non-executive network should maintain focus on them, in order to drive tangible step changes in the way government does business in these areas. In particular, non-executives will play a key role in ensuring that SDPs are used as living documents that drive the business of departments. Non-executives will develop outputs such as a 'toolkit' of best practice approaches for departments on non-executive and Board oversight of ALBs, and a 'what works in practice' framework for Boards on risk management, for dissemination to their peers. I will continue to drive my other priorities of promoting and extending the value of Boards, and improving the quality of non-executive appointments.

The decline in the number of Board meetings this year is notable. It is understandable in a General Election year when there has been a significant turnover of ministers, but it would be concerning if the decline were to continue. I will continue to work with all Board members to promote the value of the Board model. Boards are the only place where the three constituencies of ministers, senior civil servants and non-executives are brought together. The tripartite structure allows for better, bigger picture conversations.

The drop highlights the importance of good induction of Board members during times of change. I will also be working with Board Secretaries over the year ahead to improve induction of new members. Ministerial changes are part of the natural cycle of government. Different Secretaries of State exhibit different levels of engagement, that is to be expected, but the Board model should be sufficiently embedded within most departments to thrive in times of transition. Most departments are largely compliant with the Code; however, given that it is now five years since its publication, a light touch refresh is necessary. This should reflect other relevant guidance, including that to be published. A refreshed Code should be published in 2016-17.

However, the story is not just about Boards. As has already been observed, the most significant contribution of non-executives continues to be outside of Board meetings. The performance of Boards is currently assessed through the annual Board Effectiveness Evaluations, but the assessment of non-executives' effectiveness outside of the formal Board setting is more limited. Following consultation, some form of assessment of non-executive performance should be introduced as part of this year's evaluations. All parties should also concentrate on recruiting high quality and diverse non-executives.

The year ahead will be an intense period of change and transformation, with the country's decision to leave the EU adding to an already tough set of challenges. Non-executives and Boards should play an important role sense checking decisions, forcing conversations about prioritisation, and encouraging departments to stand back and consider what they are trying to do. I will also continue to galvanise the network across departments to ensure that non-executives can really help to change the way Government does business.

Annex A: List of Central Government non-executive board members (as at 31 March 2016)

Department	Lead non-executive					
BIS	Allan Cook	Professor Wendy Purcell	Juergen Maier	Professor Ann Dowling	Stephen Bligh	Dale Murray
CO	Sir Ian Cheshire (interim lead)	Amy Stirling	Paul Kirby	Catherine Brown		
DCLG	Andy Street	Nick Markham	Grenville Turner			
DCMS	Sir David Verey	Ajay Chowdhury	Fields Wicker-Miurin	Neil Mendoza		
DECC	Martin Stewart	Tom Kelly	Rachel Campbell	Charles Randell		
DEFRA	Steve Holliday	Paul Rew	Catherine Doran	Peter Bonfield		
DfE	Paul Marshall	David Meller	Marion Plant	Baroness McGregor-Smith	Ian Ferguson	
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	Andrew Graham	David Lister	Douglas Gurr		
FCO	Sir Richard Lambert	Warren Tucker	Julia Bond			
HMRC	Ian Barlow	Simon Ricketts	Edwina Dunn	Mervyn Walker	John Whiting	Joanna Baldwin
HMT	Baroness Hogg	Richard Meddings	Dame Amelia Fawcett	Tim Score		
HO	Sue Langley	Adrian Joseph	Suzu Levy	John Studzinski		
MoD	Sir Gerry Grimstone	Graham Williams	Paul Skinner	Danuta Gray		
MoJ	Sir Theodore Agnew	Liz Doherty	Sir Martin Narey	Lizzie Noel	Sir Michael Barber	