

# Government Lead Non-Executive **Annual Report**

Financial Year 2012-13

---

---

## Contents

<b>Introduction from Lord Browne of Madingley</b>	3
<b>Chapter 1: Embedding enhanced departmental boards</b>	5
Who are government non-executives?	5
Strategic framework for non-executives	6
Board engagement	6
Board effectiveness evaluations	8
<b>Chapter 2: Progress on priority areas from 2012-13</b>	9
Capability of boards and departments	9
Major projects, procurements and commercial opportunities	12
Management information	13
Case studies of non-executives' impact	15
<b>Chapter 3: The year ahead</b>	18
<b>List of government non-executives</b>	20

## Introduction

This is my second annual report as Government Lead Non-Executive. Following the publication of last year's report, I was asked to give a mark out of ten for the progress we had made in establishing the new system of governance. I awarded a two. Since then, there has been steady improvement: now we achieve a mark of at least five.



Compared to last year, departmental boards are meeting 20 per cent more often. Ministers and senior civil servants increasingly recognise the value of the independent and impartial advice that non-executives provide; and there has been a noticeable improvement in the quality and substance of board discussions. However it would be unrealistic to expect synchronised perfection: not all boards are working as effectively as we would like and not all departments using their non-executives to best effect.

When we started this work, I identified five themes which would direct the work of non-executives and boards: strategic clarity; commercial sense; talented people; results focus; and management information. These are now enshrined in the Corporate Governance Code. Last year we also identified three priority areas which required urgent attention: the capability of boards and departments, major projects and procurement, and management information. This report outlines the progress we have made, and also those areas where there is still much more to do.

Departments would be more capable of successful delivery if they prioritised fewer things. This would result in a clear direction of travel, so that people know where they are heading, why they are heading there, and how they fit in to that journey.

Central government spends over £45 billion a year on procurement, and currently has over 190 major projects with a combined whole life cost of over £350 billion. We welcome innovations like the Major Projects Leadership Academy which is providing senior civil servants with the commercial sense needed to lead complex projects; however there is no substitute for world class skills in project delivery. That means that, on occasion, people with the right skills will need to be brought in from the outside – and paid appropriately.

Management information is improving, but getting that right is just the start. In government, many decisions run into difficulties because they lack a high-quality and objective appraisal of the options available. This is imperative to ensuring that decision makers have the right information to allow them to exercise judgement when the time comes to decide.

I have been often asked what the secret to making great decisions is. One of the most important ingredients is conducting great meetings, with the relevant people round the table, all with an equal voice. Through the advent of boards with non-executive members, we are taking the opportunity to achieve that in government.

A handwritten signature in blue ink that reads "Browne of Madingley". The signature is written in a cursive style and is underlined with a single blue line.

**LORD BROWNE OF MADINGLEY**  
GOVERNMENT LEAD NON-EXECUTIVE

*“Having such high calibre non-executives from the business world, voluntary and public sectors, is of huge benefit to government. I have found their experience and expertise extremely valuable for driving through our plans on growth, competition and efficiency. I thank them for their continued support, challenge and advice.”*

**Rt Hon David Cameron MP, Prime Minister**

*“I have valued how closely the non-executives have worked with departments and HM Treasury officials in the preparations for Spending Round 2013. There is a great deal more to do before government is as efficient as it needs to be. The continued support and engagement of non-executives will be crucial in ensuring their departments achieve the savings necessary to contribute to deficit reduction, while maintaining high quality public services.”*

**Rt Hon Danny Alexander MP, Chief Secretary to the Treasury**

*“I can see from both my own department, and from the rest of Whitehall, that running our boards in a more business-like manner is helping to drive efficiency; implement civil service reform; and improve the management of major projects. I value the expertise and challenge I receive from the non-executives on my board, and also from the network of non-executives across government. The initiative to enhance departmental boards is one that has already made a positive difference and will continue to do so.”*

**Rt Hon Francis Maude MP, Minister for the Cabinet Office and Paymaster General**

*“There is so much we can learn from non-executives in government. It is not just their financial and commercial sense which I welcome, but also their focus on successful implementation. Their clear determination to achieve the right outcomes is admirable, and is having a lasting impact on the ministers and civil servants they work with.”*

**Sir Jeremy Heywood, Cabinet Secretary**

*“Non-executives and the Public Accounts Committee share a common objective - to make the government run better. Non-executive expertise has already helped to deliver improvements in a range of areas within the public sector, such as procurement processes and risk management. It is beholden on the government to take full advantage of this wealth of knowledge and experience to help ensure departments are delivering real value for money for the taxpayer.”*

**Rt Hon Margaret Hodge MP, Chair of the Public Accounts Committee**

## Chapter 1: Embedding enhanced departmental boards

Government has moved beyond establishing the boards to embedding them. This chapter reports on: who the government non-executives are; the framework within which they work; levels of board engagement; and board effectiveness evaluations.

### Who are government non-executives?

Each government department has a board made up of ministers, senior civil servants and non-executives. The boards are advisory and supervisory and do not take policy decisions, which rightly remain the remit of ministers.

This year the number of non-executives has risen to 67 across 17 departments. There is a full list at the back of the report. Non-executives are appointed by, and accountable to, the chairs of their boards (secretaries of state) <sup>1</sup>. In each non-executive team, there is a lead non-executive who has additional responsibilities to work with the chair and permanent secretary.

Non-executives are entitled to receive an annual fee of £15,000 (£20,000 for lead non-executives or chairs of committees). Last year 28 per cent of non-executives waived their fee or donated it to charity.

While FTSE100 companies only have 12.5 per cent of board members who are women, more than 36 per cent of government non-executives are women. However, the numbers of non-executives with minority ethnic backgrounds remains disappointingly low.

Non-executives are drawn from a wide range of sectors. In the past, we had low representation from the technology, communications, media and creative industries. Now this has risen to 14 per cent of the total, and the experience of non-executives is broadly aligned with employment by sector across the whole economy.

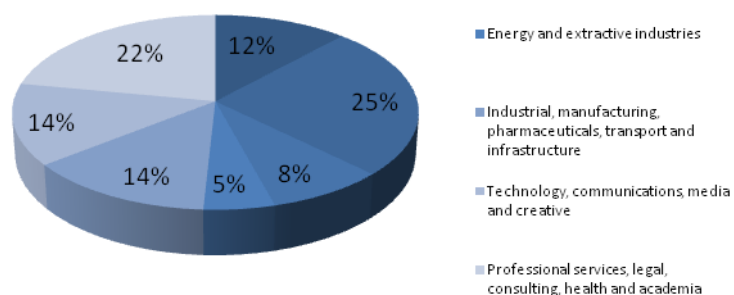
We have appointed **67** non-executives across **17** departments.

There were **73** enhanced departmental board meetings across Whitehall in 2012-13.

The lead non-executive network meets on a quarterly basis; all non-executives meet together bi-annually.

**8** non-executives are involved in the implementation of the Civil Service Reform Plan.

**Government non-executives' primary experience**  
(proportion of all non-executives whose primary professional experience is in each sector)



<sup>1</sup> HMRC's board, as a non-ministerial department, is chaired by the lead non-executive.

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

As part of his role as Government Lead Non-Executive, Lord Browne meets regularly with officials to ensure that work is progressing on the non-executives' objectives.

In addition to these routine meetings, Lord Browne undertook **129** engagements as Government Lead Non-Executive during 2012-13. Since June 2010 he has attended a total of **309** engagements. These include meetings with ministers, permanent secretaries, and experts outside government; speaking engagements; and attendance at relevant events.

### Strategic framework for non-executives

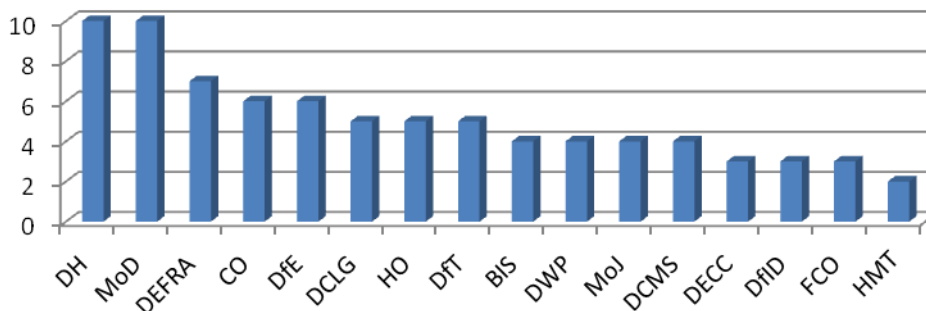
The operation of departmental boards is governed by the Corporate Governance Code for Central Government Departments.<sup>2</sup> The Code identifies five themes where non-executives and boards can add particular value to the operation of departments: strategic clarity; commercial sense; talented people; results focus; and management information. These themes continue to form the framework for non-executives' contributions.

As well as working within departments, the themes also guide non-executives in contributing to cross-government initiatives. One of the most significant of these in the past year has been the Civil Service Reform Plan. Non-executives have supported departments in their own change programmes and eight non-executives<sup>3</sup> from the network are members of the overall governance framework for reform.

### Board engagement<sup>4</sup>

In 2012-13 the total number of board meetings across all departments increased by 20 per cent against the 2010-12 baseline. This means that in one year of full operation of the Boards the number of meetings was significantly higher than the total of the two preceding years when boards were first being established.

Total number of board meetings 2012-13  
(chaired by secretary of state)



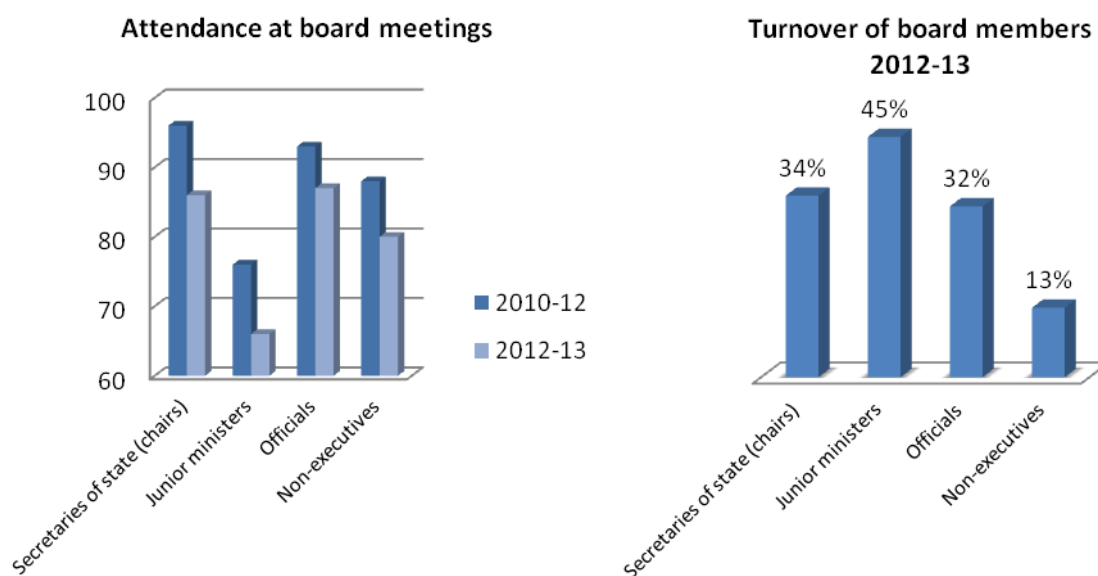
<sup>2</sup> [http://www.hm-treasury.gov.uk/psr\\_governance\\_corporate.htm](http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)

<sup>3</sup> Members of the civil service reform governance: Lord Browne, Ian Davis (CO), Sara Weller (DCLG), Theodore Agnew (DfE), Claire Thomas (DECC), Ed Smith (DfT), Val Gooding (HO) and Terry Morgan (DECC).

<sup>4</sup> Figures in this section refer to ministerial chaired boards only.

In the context of the higher numbers of meetings, attendance has dropped slightly for secretaries of state, senior civil servants and non executives; however it remains relatively high at 80 per cent or over. Attendance of junior ministers has fallen more significantly to only 66 per cent.

Turnover among chairs, junior ministers and senior civil servants has been very high, with a third to nearly a half of these board members changing over the course of 2012-13. Within the group of senior civil servants represented on boards there was 35 per cent turnover in primary permanent secretaries alone. Most of the ministerial changes are the result of the significant reshuffle in September 2012. The cumulative effect of these changes has been that many boards have had to focus on building relationships between new board members as well as re-thinking how they work and their priorities. The continuity of the model of board governance was itself never in question. Non-executive membership of boards remained fairly stable with a turnover of only 13 per cent. This contrast in turnover levels highlights the important role non executives can play in supporting continuity and stability in departments.



Alongside the meetings of the main board, board committees are now up and running. All departments have a risk and audit committee chaired by a non-executive; and non-executives are involved in reviews of succession planning and senior appointments, either through a formal nominations committee or in other settings. In total, non-executives have had an advisory role in over 50 senior appointments.

In many departments, non-executives also work closely with senior civil servants on performance or management boards. This is suggestive of the wider role that non-executives play in supporting departments to focus on issues and monitor performance. Typically the lead non-executive will also meet with the secretary of state and permanent secretary bilaterally several times a year. Overall, non-executives report that they are working at the limit or, in many cases, well beyond their contractual commitment of 15 days per year.

## Board effectiveness evaluations

In line with best practice in the private sector, departmental boards conduct annual evaluations of their own effectiveness, supervised by lead non-executives.

At the end of the 2011-12 financial year, 15 departments completed board effectiveness evaluations for the first time. These evaluations identified a number of cross-cutting issues, such as the need to:

- clarify the role of the board and its sub-committees;
- ensure good information flows to and from the board;
- improve performance reporting and oversight of risk and arm's length bodies;
- ensure that the board has processes in place for succession planning and inducting members; and
- provide board members with informal time together and good quality secretariat support.

### Professionalising board evaluations:

The development of board effectiveness evaluations was assisted by Dr Tracy Long, DCMS non-executive and Founder of Boardroom Review. Her input, based on professional experience, was instrumental in providing departments with clear and consistent methods to evaluate their boards.

The specific action plans for individual departments were published in departments' annual reports.

Over the past year, departments have been addressing these issues and progress has been made in many of the areas highlighted (as illustrated in the following section).

Departments are currently conducting evaluations of their board's effectiveness for 2012-13. Actions arising from them will, again, be published in each department's annual report. It should be noted that due to significant changes in board membership over the course of the year some departments are delaying their evaluations until working relationships among the new board members are more established.

As specified in the Corporate Governance Code for Central Government Departments, the third set of board evaluations covering 2013-14 will include independent input.

## Summary

Good progress has been made this year in embedding throughout government the work of non-executives and the model of board governance. This has been helped by the very low level of turnover among non-executives and the stable framework for the role of non-executives. Ministerial engagement still varies across departments. Where the secretary of state demonstrates strong leadership of the board, engages junior ministers and senior civil servants and works closely with non-executives to ensure a relentless focus on a small set of priorities, there is strong positive impact. Where the impact is more limited, the executive team, led by the secretary of state and permanent secretary, must re-engage the non-executives to drive improvement. Board effectiveness evaluations can be a useful vehicle for doing that; and the independent evaluations to be carried out next year will be an important measure of how much progress has been made.



## Chapter 2: Progress on priority areas for 2012-13

Building on the five themes enshrined in the Corporate Governance Code for Central Government Departments, non-executives selected three priorities to focus on with executive teams during 2012-13: capability of boards and departments; major projects, procurements and commercial opportunities; and management information. This chapter reports on what has been achieved in these areas; and what remains to be done.

### *Capability of boards and departments – incorporating the priority themes of strategic clarity and talented people*

#### **Capability of boards**

The 2011-12 board effectiveness evaluations highlighted the need for boards to clarify their remit and purpose. Many boards have achieved this clarity over the past year through close working between ministers, officials and non-executives to establish board priorities and work programmes. This is reflected in the improved quality of board discussions, for example the Department for Business, Innovation and Skills board's work on the industrial strategy. Boards are now discussing issues of greater substance and focus regularly on departmental performance, major projects and risk. Non-executives report that some board papers are still too long and unfocused mirroring the fact that departments are sometimes trying to do too much. Narrowing the range of priorities needs further work.

As well as in formal board and committee meetings non-executives are able to add significant value outside the boardroom, for example, through bilateral meetings with ministers and senior civil servants. Over the last year non-executives have also been involved in a number of strategic reviews within departments working closely with senior civil servants and reporting back to the main board - for example the Department for Education's zero-based review and the Ministry of Justice's review of the governance and control of its major projects. These examples highlight the impact non-executives can have when tasked by secretaries of states and their boards to investigate specific issues in greater detail.

#### **Capability of departments**

Non-executives have worked extensively with departments to build capability and ensure the right people with the right skills are in the right roles. Since the last report was published lead non-executives now have a formal role in the appointment and appraisal of permanent secretaries. In addition, non-executives have been involved in over 50 senior appointments within their departments and across the agencies that their departments sponsor and fund. This input is much valued by ministers and senior civil servants.

Non-executives are also represented at all levels of governance within the Civil Service Reform Plan, in addition to supporting implementation of reform within their departments.

#### **Next steps**

Non-executives must continue to challenge their boards to strive for greater strategic clarity. The role of the chair is crucial, and strong ministerial engagement is vital to ensuring that boards reach their full potential. Where chairs have limited experience of leading large organisations, lead non-executives in particular can support them in board meetings and beyond – provided that chairs are

willing to accept this support. It is vital for boards to set a clear direction of travel and reinforce that direction regularly.

On wider issues of capability, the recently published Civil Service Capabilities Plan recognises, quite rightly, that the civil service of the future needs an emphasis on different skills to those traditionally found within government. This includes a much greater focus on leadership, digital, commercial and project and programme management skills; this is welcomed by the non-executive community and the next challenge is to set a fast pace for implementation.

Linked to capability is talent management. The civil service must develop a far more sophisticated approach to talent management both within departments and across government. The best private sector organisations know where their most talented people are, nurture them and engage them on the most challenging issues facing the organisation. The civil service needs to act on talent management at a corporate level: departments must allow for talent to move freely between other departments. This requires clear processes and decision-making rigour as well as a change in behaviour, both among senior leaders and those identified as ‘talent’. Non-executives can help the government to match best practice.



### **The Industrial Strategy in the Department for Business, Innovation and Skills**

“During 2012, BIS led on the development of the government's Industrial Strategy, setting out a long-term approach to how government supports business.

I chaired an offsite half-day departmental board in 2012 at which the priority sectors and cross-cutting themes around which Industrial Strategy would be focused were agreed. Being involved at such an early stage has given non-executives the opportunity to help drive forward the strategy and be personally committed to its success. The board reviews different aspects of the Industrial Strategy at each meeting and non-executives have helped to maintain a high level of ambition both inside and outside of board meetings.

I have also worked with BIS to deliver a whole of government approach to the Industrial Strategy, via the government non-executive and BIS partner organisation networks.”

**Sir Andrew Witty Lead Non-Executive, Department for Business, Innovation and Skills**



### **The Department for Education's zero-based review**

“Our input into the Department for Education's zero-based review has helped to achieve effective recommendations in making the department operate more efficiently. Our wide-ranging experience in public and private sector organisations has helped to identify priority areas and provide challenge through ‘deep dives’ into selected areas of the department.

Through this, processes and policies have been stopped or simplified; ministers have committed to reviewing their priorities on a regular basis; and we continue to oversee implementation of the recommendations through the board.”

**Theodore Agnew, Non-Executive, Department for Education**

## **Major projects, procurements and commercial opportunities – incorporating the priority theme of commercial sense**

### **Major projects**

Before 2010, less than a third of major projects delivered on time and to budget. A big reason for this poor record was that too many generalist civil servants were put into highly specialised roles such as managing the delivery of a major IT project. This is unfair to those asked to deliver beyond their capabilities and the risk of failure with such an approach is high. As noted in last year's report, the establishment of the Major Projects Leadership Academy (MPLA) is a key example of using private sector best practice to drive up the competence and skills of civil service project leaders. The government is on track to meet the commitment for all project leaders in the government's major projects portfolio to have commenced the MPLA programme by the end of 2014. To date 85 individuals have started the programme, including 62 in the past year.

Despite the progress being made in this area significantly more needs to be done. In recognition of this, in March 2013 I published a short report, entitled 'Getting a Grip' which presented recommendations for improving the execution and control of major projects<sup>5</sup>. The Major Projects Authority (MPA) is responsible for implementing the recommendations. The key findings were:

- There needs to be much improved upfront planning - the first stages of a project are where the majority of major decisions are taken and problems are found;
- Major projects must have the right people with the right incentives to deliver them; and
- There needs to be strong central scrutiny with clear hard edged assurance processes. The MPA must be able to stop or re-scope failing projects, acting in concert with HM Treasury.

### **Commercial sense and procurement**

Non-executives have also contributed to the delivery of major projects within their departments by using their commercial experience to act as advisors to project leaders and, in the case of Department for Transport, conducting an extensive review into the cancellation of a specific procurement to ensure systems and processes are changed to mitigate the risk of a similar failure happening in the future.

Non-executives have worked with departments to improve scrutiny of major projects and procurements through investment committees. This is ensuring that projects receive the right level of scrutiny relative to the value and risk of the project.

The government's Chief Procurement Officer, Bill Crothers is introducing wide ranging procurement reforms, including developing an integrated commercial service for the Crown. In particular, the work of the Crown Commercial Representatives is welcomed, helping government to act as a single customer to drive best value from its strategic suppliers.

### **Next steps**

Non-executives recognise that the reform needed requires cultural change. The civil service has to improve commercial awareness and skills, and have stronger professional functions to support commercial decision making. This is not just true for procurement and project management, but

---

<sup>5</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/175299/Getting\\_a\\_grip\\_Lord\\_Browne\\_major\\_project\\_review\\_Mar-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175299/Getting_a_grip_Lord_Browne_major_project_review_Mar-2013.pdf)

across all the functions to ensure that quality standards are implemented and maintained across government.

Government must ensure that it quickly implements the recommendations from the 'Getting a Grip' report to improve project outcomes and deliver better value for money for the taxpayer. In addition, government should ensure that departments execute a portfolio approach to managing the major projects that are below the threshold for portfolio management by the central MPA. Non-executives will have a major role to play in ensuring that appropriate controls are in place to deliver improvements in this area and that all boards review major projects on a regular basis starting with detailed scrutiny prior to project initiation.

Whilst the steps to train up more civil servants with project management and commercial skills are welcome, it will take years to build sufficient capability within government and, in any case, the world class players will usually be found in the private sector. Secondments in and out of the civil service will help to fill some of the gaps but government also needs to show a better understanding of the market for commercial skills and for the most complex projects be willing to pay appropriately to bring in the skills needed.



### **The West Coast Main Line franchise competition in the Department for Transport**

“As lead non-executive, I raised concerns about the West Coast franchising process and was subsequently asked to lead an independent inquiry into the cancelled competition.

The inquiry examined the sequence of events, the processes followed, the contributory causes and made recommendations to improve the future rail franchising process. The inquiry found that there had been a lack of preparation and planning, a defective process, lack of clear accountability and insufficient commercial capability compounded by a complex governance structure and inadequate quality assurance. My final report outlined a series of detailed recommendations to address all of these areas.

On receipt of the report the Secretary of State and Permanent Secretary agreed to a swift implementation of all the recommendations in the report as a matter of priority. These recommendations have formed the basis of the Departmental Improvement Plan, which is regularly reviewed to ensure progress at departmental board meetings.”

**Sam Laidlaw, Lead Non-Executive, Department for Transport**



### **Commercial advice on Enterprise Zones in the Department for Communities and Local Government**

“DCLG non-executives have advised on the development of the department's new Enterprise Zones, which support growth by encouraging the establishment of new businesses and the expansion of existing ones.

Using our commercial experience of running large and small enterprises, we are able to identify how opportunities can be prioritised and barriers unlocked to accelerate the delivery of positive economic impact.”

**Sara Weller, Lead Non-Executive, Department for Communities and Local Government**

## ***Management information – incorporating the priority themes of results focus and management information***

### **Management information (MI)**

High quality MI is essential for any organisation to make an objective analysis of the options available and then meaningfully measure progress against objectives after a decision has been made. Drawing on non-executive expertise, some departments, as illustrated by case studies, have used innovative techniques to improve standards and now have high quality MI packs which provide board members with the information that they need to make informed decisions about running the department.

### **Central data**

Non-executives welcomed the work to create the cross-government ‘Quarterly Data Summary’ (QDS). The QDS has been established to set out comparative data on the majority of each department’s expenditure. This allows benchmarking in areas of common spend, driving judgements about efficiency. Alongside this there has been a 61 per cent reduction in the number of data requests of departments by the Cabinet Office, cutting out duplication and the collection of information that is not used. There is still work to do to ensure QDS is fit for purpose but the ambition is right.

### **Audit and risk committee chairs**

Each department has an established audit and risk committee with a non-executive as chair. These committees play an important role, scrutinising project governance and providing risk management, including across departments. Bill Griffiths (vice chair of the DWP Audit and Risk Committee), worked with both the Department for Work and Pensions (DWP) and Cabinet Office around the provision of assurance to the board and Accounting Officer in relation to the move of shared services from DWP to the Cabinet Office. This led to a successful joint DWP and Cabinet Office audit and risk committee meeting. The work has promoted clarity around the key risks and assurance required of a founding member of the Independent Shared Services Centre 2, a new model for delivering shared services across the civil service.

## Next steps

Progress has been made in the collection and presentation of MI across government, however there needs to be continued focus on outcome measurement, particularly around policy delivery, where not all departments yet have high quality MI in place. Refining and embedding the QDS will also be important to ensure MI is used to make smart decisions that benefit the whole of government. Crucially responsibility for creating high quality MI needs to be clear with professional standards driven by heads of function.



### **Management information report in the Department for International Development**

“During my time on the DfID Board, I’ve helped the department improve its management information. Working with board members and the board secretariat, I’ve supported DfID to develop a new MI report which links resources and programming more closely with impact and risk.

From this report, the board can see which of its country programmes are particularly critical to delivering its results, and therefore where it needs to monitor risk in greater depth. For example, we now know that if DfID is to achieve its commitment to secure the right to land and property for more than 6 million people, it needs to improve the delivery of those programmes in Rwanda and Nepal. Board members are in agreement that the current format is a huge stride forwards, but I will be continuing to challenge the department in this area as time goes on.”

**Vivienne Cox, Lead Non-Executive, Department for International Development**



### **Improving management information in the Department of Health**

“The non-executives at the Department of Health have used their experience in other board settings to provide constructive feedback on the content and format of the performance management information presented to the board.

As a direct result, the department has developed a single dashboard incorporating both financial and non-financial performance metrics. This dashboard makes the critical information very clear and accessible, and allows board members to drill down to get greater detail on individual performance measures. The board has also helped the department enhance the usefulness of the risk register, which in turn has reinforced the department’s approach to risk management.”

**Peter Sands, Lead Non-Executive, Department of Health**

## Case studies of non-executives' impact



### Board engagement in the Ministry of Defence

“Our monthly meetings, increasingly informed by good quality management information and analysis, have put the board at the centre of decision-making in the Ministry of Defence.

Ably chaired by the Defence Secretary, Philip Hammond, the board brings together the political, military and civilian sides of the department with the added spice of non-executive challenge and rigour.

The board occupies an important space between the National Security Council and conduct of military operations. I have no doubt that the Secretary of State feels the Board debate helps him take better decisions.”

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



### Quality assurance review in the Home Office

“Non-executives have made a significant contribution to the work of the Home Office. This includes the work of one of the Home Office non-executives, Philip Augar, who led a team that conducted a quality assurance review of the UK Borders Agency (UKBA) delivery plan for the Home Secretary.

The review process included a series of challenge sessions which closely examined the business plans for each directorate within UKBA. Following the review, Philip produced an extensive evaluation for the Home Secretary to consider.”

**Val Gooding, Lead Non-Executive, Home Office**



### Major projects governance and control review in the Ministry of Justice

“The Ministry of Justice commissioned Bill Griffiths to lead an independent review into the quality assurance and governance of the department. This was in response to the Laidlaw report into the cancellation of the West Coast Mainline franchise competition at the Department for Transport (DfT).

The review looked to answer four questions that would give reassurance that the department was less vulnerable to the sort of problems that DfT had experienced. The questions surrounded quality assurance and fitness for purpose of analytical models; clarity of governance; quality of decision-making in relation to major projects; and the culture of ownership, accountability and responsibility for the delivery of major projects.”

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





### **Risk management and management information at the Foreign and Commonwealth Office**

“Non-executives have drawn from their previous experience to support the FCO on risk management, helping the department differentiate between operational, financial and reputational risk from policy and operations.

Risk is reviewed monthly as a standing board item. Our sense is that today the FCO is much more sensitive to risk, alert to its management and better at defining impact, response and accountability for judgement and action. On management information, the FCO has come a long way with the basics of better planning, in-year management of costs, and introducing accountability for outcome around the board table. We have also concentrated on finding better metrics to measure performance and determine impact. We aim to go further to underpin more informed judgments around resource allocation.

Overall, the result of these efforts has been to get more rigour, consistency and financial insight into judgments on planning, resource-use options and supporting a more strategic response to ‘coping effectively with less.’

**Sir Richard Lambert, Lead Non-Executive, Foreign and Commonwealth Office**



### **Recruitment in the Department for Environment, Food and Rural Affairs**

“The Non-Executives brought a wider, independent perspective to recruitment of a number of key senior appointments, for example the Chair of the New Covent Garden Market Authority, Defra’s Chief Scientific Adviser, the Chief Executive of Animal Health and Veterinary Laboratories Agency and the Director General Chief Operating Officer.

The lead non-executive chairs the nominations committee and provides challenge and external perspective on talent management and succession planning processes.”

**Iain Ferguson, Lead Non-Executive, Department for Environment, Food and Rural Affairs**



### **Improving board capability in the Cabinet Office**

“The July 2012 Cabinet Office board meeting focused on the board effectiveness evaluation and gave the board an opportunity to clarify its purpose and remit. The non-executives sought improvements in strategic clarity and in management information.

A Board forward programme was created in the light of feedback and is now reviewed at each meeting. As the lead non-executive, I am involved in agenda-setting meetings with the chair and permanent secretary, ensuring that the board focuses on priorities on which the non-executives can add value. The quality of the management information has also improved with the creation of a strategic-level dashboard.”

**Lord Browne, Lead Non-Executive, Cabinet Office**





### **Departmental Improvement Plans in HM Revenue and Customs**

“HMRC was one of the pilot departments testing the new Departmental Improvement Plans (DIPs), which are being introduced as part of the Civil Service reforms to replace Capability Reviews. The DIP team made it a priority to get lots of time with the executive team and the board as they developed their thinking.

The expertise and critical challenge we provided as non-executives proved to be invaluable in shaping the Plan, ensuring the department developed a Plan which was a realistic assessment of current challenges, identified critical areas for improvement and would help to shape future strategy.”

**Ian Barlow, Lead Non-Executive, HM Revenue and Customs**



### **Recruitment in the Department for Work and Pensions**

“Non-executives in DWP have worked hard to support critical recruitment of directors general. I worked closely with DWP Permanent Secretary and Secretary of State to recruit a new DG to lead the Universal Credit Programme. David Lister was part of the selection panel for recruiting the Chief Information Officer.

Our role in the process was incredibly valuable in being able to provide an external benchmark to the candidates seen and bringing our own experience to the decision process.”

**Ian Cheshire, Lead Non-Executive, Department for Work and Pensions**

## Chapter 3: The year ahead

Non-executives have observed from the outset that departments often set themselves too many objectives and fail to prioritise. In this context, it is important that non-executives have clear priorities for their own role.

The five core themes enshrined in the Corporate Governance Code for Central Government Departments (the Code) will continue to guide our work: strategic clarity; commercial sense; talented people; a results focus; and better management information.

Last year we highlighted a particular need for non-executives, within the framework of the Code, to focus on the capability of boards and departments; the management of major projects, procurement and commercial opportunities; and the use of management information. There is more to do in addressing all of these challenges and the choices to be made shortly in the spending review for 2015-16 will bring them into sharp relief. It is important that we remain focused on them rather than changing to a new set of priorities.

Progress on meeting them is held up by an attitude to learning that frowns on failure rather than seeing it as an inevitable and desirable consequence of informed risk-taking to deliver challenging objectives. By promoting discussion in board meetings and beyond, non-executives can make some difference to changing that.

There are structural constraints on achieving change as well. In major private sector organisations, professional functions such as finance, programme management, HR and IT are characterised by clear and common standards used across the organisation as a whole and enforced by dedicated heads of profession. By contrast, in government the heads of profession are part-time, even for a function as fundamental as finance, and lack the powers of their private sector counterparts to force action across silos. Ministers and civil servants have begun to recognise the potential benefits of this model and non-executives will work with them to develop changes.

### Summary

**The agenda for the next year is clear. The combination of the five themes in the Code and the three priority areas provides non-executives with a framework for providing advice and challenge. As well as working within departments, non-executives will continue to meet on a regular basis as a network, sharing best practice and identifying areas where a common approach could benefit all. We have built the platform for non-executives and boards to be a permanent innovation in the machinery of government; and we will have further progress on our specific priorities to report next year.**

*“The introduction of non-executives to government departments was a great idea; they can make a huge contribution to the oversight of the quality of leadership, governance and effectiveness of government and promote strategic thinking within departments. However there needs to be more clarity about how their introduction can be harnessed given that they have no fiduciary duties or responsibilities. Moreover, their effectiveness depends on the extent to which ministers and permanent secretaries are prepared to involve them and on how much the Prime Minister and the Head of the Civil Service are prepared to insist they have a key role. The Public Administration Select Committee (PASC) will be making proposals about how non-executives can be made more effective across Whitehall.”*

**Bernard Jenkin MP, Chair of the Public Administration Select Committee**

*“The wealth of non-executive experience and knowledge in leading large organisations through change is of great benefit in helping to deliver the huge programme of civil service reform. Non-executives are acting as ‘critical friends’ to civil servants – they realise our value but they also push us to continually improve the way we work.”*

**Sir Bob Kerslake, Head of the Civil Service**

*“As the Chair of the MoJ board, I have found non-executives’ input extremely valuable. Non-executives play the role of devil’s advocate, providing challenge and expertise. They have given incredibly useful advice on change management, risk management, governance, ICT and major projects and the longer term outlook for the department. The majority of non-executives’ input comes outside of board meetings, and they are an enormous help to all board chairs, who may not have had experience of working for large companies or of delivering big change programmes before entering government.”*

**Rt Hon Chris Grayling MP, Secretary of State for Justice and Chair of the MOJ departmental board**

## List of government non-executives (as at May 2013)

Department	Lead Non-Executive	Non-Executives			
BIS	Sir Andrew Witty	Professor Dame Julia King	Dalton Philips	Alan Aubrey	Dale Murray
Cabinet Office	Lord Browne	Ian Davis	Rona Fairhead	Dame Barbara Stocking	
DCLG	Sara Weller	Diana Brightmore-Armour	Stephen Hay	Nick Markham	
DCMS	David Verey	Dr Tracy Long	Ruby McGregor-Smith	Ajay Chowdhury	
DECC	Martin Stewart*	Claire Thomas	Terry Morgan		
DEFRA	Iain Ferguson	Catherine Doran	Sir Tony Hawkhead	Paul Rew	
DfE	Paul Marshall	Theodore Agnew	Dame Sue John		
DfID	Vivienne Cox	Richard Keys	Eric Salama	Tim Robinson	
DfT	Sam Laidlaw	Alan Cook	Sally Davis	Ed Smith	
DH	Peter Sands	Dr Catherine Bell	Professor David Heymann	Mike Wheeler	Chris Pilling
DWP	Ian Cheshire	Willy Roe	Dame Clara Furse	David Lister	
FCO	Sir Richard Lambert	Rudy Markham	Julia Bond	Heather Rabbatts	
HMRC	Ian Barlow	Colin Cobain	Philippa Hird	Volcker Beckers Norman Pickavance	John Whiting Edwina Dunn
HMT	Baroness Hogg	Dame Deirdre Hutton	Michael O'Higgins	Dame Amelia Fawcett	
Home Office	Val Gooding	Philip Augar	John Allan		
MoD	Gerry Grimstone	Graham Williams			
MoJ	Tim Breedon	Bill Griffiths	David MacLeod	Dame Sue Street	

Since last year, eight non-executives have stepped down before the end of their contracts. One became the Chairman of the Arts Council; another became a Minister of State for Education and went to the House of Lords; and others have stepped down for personal and professional reasons.

\*The non-executive was appointed on 3 June 2013