



## Public Chairs' Forum seminar

24 September 2018

### Working Effectively with Department Non-Executive Directors

This seminar was an opportunity for members of the Public Chairs' Forum (PCF) and department non-executive directors (NEDs) to consider how they can make best use of their expertise, to ensure the public services they oversee are being delivered effectively. The event was chaired by Christian Brodie, Chair of the PCF and Student Loans Company Ltd. Members then heard from four NEDs with experience from across department and public body boards: Sir Ian Cheshire, Lead Government NED; Baroness Ruby McGregor-Smith CBE, NED Department for Education, (DfE); Bryan Ingleby, NED Department for Business, Energy and Industrial Strategy, (BEIS); and Natalie Elphicke OBE, NED at the Student Loans Company Ltd (SLC). There followed a Q&A session with the audience.



Sir Ian Cheshire gave the opening presentation. Since Francis Maude, as former Minister for the Cabinet Office, introduced the government non-executive director role in its current form in 2010, Sir Ian expressed his view that great progress has been made in utilising the range of expertise on advisory departmental boards and audit and risk committees (ARC). However, eight years on, the variation of results in the performance of non-executives across departments is stark.

The value of non-executives is clear: they are more independent from the politics, so the quality of conversation and strategic challenge they can bring to the department is different to that of a minister or civil servant. Sir Ian reinforced the importance of departmental non-executives understanding what is going on in their public bodies. Although, there is no one-size fits-all approach, Sir Ian spoke highly of the model in the Department for Environment, Food and Rural Affairs, (DEFRA), whereby a small number of chairs of public bodies sit on the department's board. This gives the board greater insight into what both the public body and department are trying to achieve.

Sir Ian acknowledged the striking range of talent in the non-executive community, and wishes to encourage it as a resource that should be tapped into beyond the department-

public body relationship, but also across government. With over 500 non-executives across all public bodies and departments, there are too many to host a single gathering. However, Sir Ian suggested organising meetings centred on specific themes and challenges. Both public body and department boards are aiming to 'make things work better,' share talent and provide an independent safe space to discuss strategy. Therefore, there is clear value in sharing insights across government.

Bryan discussed his role on the ARC at BEIS. The department's public bodies deliver a range of activities from overseeing the UK's space programme to keeping the lights on in our homes. Whilst the department is small it relies on many partner bodies to deliver its policies.

The main challenge for the ARC is to ensure there are essential risk management and assurance frameworks that respect the public body's sovereignty and are a positive reflection of what's going on in the wider landscape. The ARC has a role to test the strength of the relationship between the department and public, assessing the line of sight the department has on the partner organisation; how assurance and risk is being managed; and identify the challenges in both directions. It also looks to hold the department to account for ensuring requests for information are relevant and clear. Bryan felt there has been a shift towards more constructive department-public body relationships, particularly in the use of the term 'partner organisations', decided on after consultation with arm's-length bodies (ALBs). Most risk registers are now managed by the ALB itself and they are trusted to provide the relevant risk information to the department and escalate risks when appropriate. This is beneficial to the department as the risk information is contextualised by the public body and only relevant information is selected.

Bryan acknowledged there will always be tensions between the department and public body, especially in relation to public appointments. However, BEIS has adopted the EAST principles looking to improve 'engagement', promote 'assurance', align 'strategy' and foster 'talent' between the two.

To address the lack of consistent messaging of different contacts within the department, BEIS has appointed individuals to lead on specific areas, e.g. policy and finance, and these are the gatekeepers for the relationship with the public body. The department also hosts events to air tensions and collaborate, such as events for all chairs of ARCs.

Baroness McGregor-Smith reflected on how she was a NED at the Department for Digital, Culture, Media and Sport, (DCMS), before moving to DfE's board. She commented on the different approaches taken by the departments, chiefly due to how much of DCMS's work relies on partner organisations. She has focused her role on bringing new talent to the department, for example working with social mobility commissioners and doing a 'deep dive' in to the apprenticeship levy. In DfE, there have been three different Secretaries of State since she was appointed, as well as big policy changes. However, beneath the high-level changes, there are many common challenges with other departments, such as the relationship to leadership, pay and retention. As the department moves into a more stable phase, having implemented many of its key policies, she feels there will be greater opportunities for working with other departments through their NEDs. DfE is in the midst of a major transformation and is recruiting two new NEDs to lead on digital and HR. Therefore, the department would welcome insights on what works across government.

Natalie provided the perspective of a NED sitting on an ALB board. She started by noting the breadth of the ALB landscape; with 400 bodies varying in size, popularity, level of trust from the public, and political sensitivity of its role. NEDs must be mindful of these factors and the level of support the staff require to cope with them. She had three key messages for the audience.

Firstly, regarding the politics, NEDs must be apolitical in a political context. Her job is straightforward – to ensure the company runs well, not to assess the merits of student finance policy. With a career background in financial services, she is able to use her understanding of the technical environment and bring good financial discipline to the board of the SLC.

Secondly, problems! Things do go wrong in any organisation, publicly and privately, which can lead to departmental reviews, NAO reports, Public Accounts Committee hearings and critical headlines. Therefore, NEDs need a thick skin and strong systems. With a background in risk management and compliance, Natalie has also brought this expertise to her ALB.

Thirdly, partnerships. The ALB must have a good working relationship with the department. Since the SLC moved from Department for Business and Industrial Strategy to DfE, which oversees significantly less public bodies, it is easier to engage with the partner team in the department. Natalie has been invited to join the department's ARC, which has been useful to get insight into departmental priorities, challenges and the lens through which the SLC is viewed. It is a useful forum to consider opportunities to collaborate and help the department in their management of the public body. Knowing the pressures in the department can inform the SLC's approach to designing business cases. Natalie regards the group of DfE Chairs as a beneficial forum to share insights and ideas.

### **Q&A with the audience**

The high turnover in the civil service was noted. One Chair said there have been five Director Generals in their department since they had been appointed, so NEDs can help provide stability, particularly if they are appointed on three or four year terms. Sir Ian Cheshire said John Manzoni and Sir Jeremy Heywood as respective CEO and Head of the Civil Service are aware of the problem of churn, and the government is trying to address the issue, particularly regarding pay and retention. However, these changes will take time to make a difference and therefore NEDs are a useful point of continuity in the interim. He urged public bodies not to rely on individuals in departments, but to build a network of relationships with key players in the department. Baroness McGregor-Smith also reinforced the importance of just accepting the high levels of turnover. Often the in-depth policy remains the same, and therefore Chairs and NEDs should focus on the key issues not the key players.

One Chair reported instances of political NED appointments occurring in their department. Sir Ian was disappointed to hear of this, although he pointed out that the governance code for departmental boards does not actually say anything against ministers choosing their appointees, but in general appointments are merit-based. Sir Ian also reminded the audience that it is appropriate for the minister to take an interest in appointments because the relationship with the minister is an important aspect of an effective board. However, Sir Ian encouraged Chairs and NEDs to push back on political appointments if they do not think it is in the interests of the board.

The need to widen the pool of NED applicants and speed up the pace of appointments was raised by many audience members. Attendees were encouraged to challenge the department if it was felt the short-list lacked a diverse range of applicants. Sir Ian said he would raise issues regarding the speed of appointments with Oliver Dowden CBE MP, Minister for the Cabinet Office. He felt the government had improved in this area; however acknowledged further progress could be made.

One Chair was concerned with the turnover in government NEDs in his department, although Sir Ian said that while the standard offer is a three-year term, there is an unwritten expectation that NEDs will sit for two terms if they are performing well. He felt two terms was

the right amount of time to maintain independence but also have a comprehensive understanding of the department's challenges.

Bryan encouraged departments to learn from other departments in how to manage risk better. One public body reported a positive example whereby they raised an emerging judicial risk with the departmental ARC and the board members helped change officials' behaviour.

It was noted that UK Government Investments' annual assurance day is a good opportunity to share best practice. Although 90% of NEDs' time should be focused on the department, a key message from this event was the benefit of connecting departments and public bodies through joint Chair and NED working groups, such as the audit network.

Improvements are being made in connecting public bodies to their partner department, but opportunities continue to be missed to connect public bodies with each other. It was suggested the departmental NEDs could suggest which public bodies in their department should collaborate. Sir Ian confirmed he would raise this at the October departmental NED conference.

A key challenge for department NEDs is whether there is ministerial interest in the public body. However, given that public bodies are a key part of the governance and strategy of the department, NEDs should ensure that they are discussed at the departmental board meetings and engaged with. One Chair said it is vital for public bodies to have a connection with all of the department's board to compensate for the amount of turnover. Sir Ian emphasised that there is a duty on the lead NED to promote getting to know Chairs, and he will reinforce this at the October conference.

One final comment was that Cabinet Office guidance should be improved. For example, within one department, the NEDs have formed a group with finance teams to discuss the terminology in Managing Public Money and what it means for their role, including the issues they should be asking the board, because the guidance is unclear. Public body NEDs have said joining these groups would be useful to learn from each other.

Following the seminar, the Public Chairs' Forum wrote to Sir Ian Cheshire with a proposal that we work with him to encourage departments to use the resource NEDs provide to its full potential.