

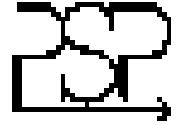


Building Effective Boards

Enhancing the Effectiveness
of Independent Boards in executive
Non-Departmental Public Bodies

by Lynton Barker

November 2004



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ISBN: 0-84532-057-3

Foreword by the Chief Secretary to the Treasury



This Government is committed to increased investment in public services which is focused on the frontline and delivers improvements in the services that matter to the customer. Organisations within the public sector at all levels need to work together effectively to make further improvements through continued reform.

Following the 2004 Spending Review all departments now have stretching efficiency targets alongside their new Public Service Agreements. These are intended to be challenging and we do not underestimate the scale of the further change required across government, including within the wider public sector. The arms-length bodies to which this report is directed form a vital part of the delivery network. They provide services as diverse as museums, the inspection of hospitals and schools, and co-ordination of science funding and research.

The Government is fortunate to have advice from the Public Services Productivity Panel on how we can improve public services. Panel members, with their experience of managing large public and private sector organisations, bring a fresh and valuable perspective. I am very grateful to Lynton Barker for preparing this report. His knowledge and experience of boards, performance management and organisational change make him well placed to offer valuable insights in this area.

Lynton Barker's report provides an analytical framework that should form the basis for discussion and action between all those concerned with board effectiveness in executive NDPBs. His report sets high yet achievable standards for the management and governance of executive Non-Departmental Public Bodies (NDPBs) and should positively affect how they connect to and work with their various stakeholders and partners.

This report aims to make a real and lasting difference to the performance of boards and their members and through this to continued improvements in the delivery of key public services.

A stylized signature of Rt Hon Paul Boateng MP, written in a dark, bold font.

Rt Hon Paul Boateng MP
Chief Secretary to the Treasury

About this Report



Boards are important. Effective boards are critical to the success of organisations in the public and private sectors. They set the strategic tone for an organisation, providing leadership and a clear focus on priorities. As forums of challenging debate, boards are unified by a clear sense of collective responsibility. Effective boards are innovative and flexible, but maintain a resolute focus on risks, accountability and performance.

Currently, there are many effective boards in the public sector. But some boards struggle to maximise their potential. This is not surprising, as building good boards is challenging. In this report, I have posed the question “What makes an effective board?” Over the years I have had the pleasure of being a member of strong boards and have had the frustration of struggling on ineffective ones. My report draws on this experience, as well as expert input from a wide range of consultees, to provide a framework to help boards in the public sector think about their effectiveness and ways to improve their performance. The report is not a magic wand. It doesn't contain all the answers. But I hope that board members will find it provides a useful context in which they can ask important questions about their roles, and then apply their imaginations to the challenges of leadership and governance.

The Scope of this Report

This report focuses on executive Non-Departmental Public Bodies (NDPBs) across the United Kingdom. These organisations operate at arms-length from government departments. Unlike private sector boards, or those in other parts of government, the members of most executive NDPB boards (sometimes called Commissions or Councils) are all independent, ie they have no executive responsibilities in the organisation.

While executive members of private sector boards benefit from an in-depth understanding of the company's business, independent boards of executive NDPBs provide a greater degree of dispassionate scrutiny and challenge, public accountability and objective decision making. Independent boards need to ensure however that they understand the organisation's business very well. This report will help these boards ensure that they have the right understanding and relationships in place to put their full independence to insightful and effective use.

How to Use this Report

This report offers a practical framework for the evaluation of board performance, providing an objective standard by which to judge performance. Whilst developed specifically with independent boards of executive NDPBs in mind, it is clear that boards in other parts of the public sector may also find it a useful tool.

About this Report

This report is divided into two parts:

Part 1 provides an introduction to the scale of the challenge government is facing and the key conclusions my research has arrived at.

Part 2 is a practical guide for independent boards of executive NDPBs, their executive teams and their sponsor departments. It provides a framework for working collaboratively to put action plans in place to improve board effectiveness. Ultimately, these action plans will help build more effective services.

Acknowledgements

I would like to thank the executive NDPBs and their sponsor departments as well as board members and chairs that formed a consultation group which met with me and my team twice for discussion and have provided continued insight, ideas and time. Without their open and enthusiastic participation this framework would not have been possible. I am also very grateful to the large number of board members of executive NDPBs who helped us collect an evidence base of experiences in the form of written questionnaires. I should specifically mention the Department for Culture, Media and Sport which sponsors the largest number of executive NDPBs of any UK department and therefore has a wealth of developed thinking in this field. I would also like to thank Dame Rennie Fritchie, the Commissioner for Public Appointments for her invaluable support throughout my work.

I have worked in close collaboration with Fiona Driscoll of the Public Services Productivity Panel on this report and we are both very grateful to the project team of Simon Bor, Paul Connolly, Danielle Mulder, Nancy Shenouda and Dean Stokes.



Lynton Barker

Public Services Productivity Panel

Contents

		Page
Chapter 1	Introduction	1
Chapter 2	Performance Evaluation	5
	Overview of the Framework	5
	How to Use the Framework	7
	The Performance Evaluation Framework	10
Chapter 3	Annex – Consultation	21

Introduction

The Landscape

1.1 The 283 executive Non-Departmental Public Bodies (NDPBs)¹ of the United Kingdom are vital links in public service delivery networks. UK government NDPBs alone account for annual spending of over £20 billion. Based on a detailed survey of over three hundred executive NDPB chairs and board members, I have found significant scope for improvement in the performance of these independent boards and a need for greater clarity around the scope and remit of executive NDPBs.

1.2 The principles and the framework I recommend in this report will help boards evaluate their performance and set aspirations for the future. They provide a framework that is also likely to be applicable to organisations in the wider public sector (eg. the NHS and local government).

1.3 In the private sector the Higgs and Cadbury reports have laid down guidelines on the governance and strategic responsibilities of boards and in particular their independent or non-executive members. The conclusions in this report are compatible with those guidelines since, despite some clear differences around ownership and accountability, the corporate governance challenges of the public and private sectors are similar.

1.4 In the public sector the work of the Office of the Commissioner for Public Appointments (OCPA) has produced a step-change in the scrupulousness and quality of the appointments it regulates. I have drawn heavily on sector-specific guidance emanating from OCPA's work, in addition to the Cabinet Office's extensive and on-going expertise in this field.

1.5 While the basic model for executive NDPBs as arms-length bodies delivering government policy remains robust and has often proved effective, executive NDPBs and their independent boards have grown up over time and widely different cultures have evolved around their varying remits. For example, the relationships between executive NDPBs and their sponsor departments, including the degree of autonomy enjoyed by the former in the development of strategy, differ enormously.

The Model Used in this Report

1.6 The three crucial elements underlying high performing boards which I have used as the basis for the model used in this report are:

- Ensuring that the **structures and functions** of the organisation and its board, and the relationships between the board, the organisation, the organisation's sponsor department and its key stakeholders are clear and fit for purpose.

¹ Source: "Public Bodies 2003".

- The **actions and behaviours** of the board and its key stakeholders are constructive and cooperative, working in the best interest of the public to deliver policy outcomes.
- **Performance evaluation** is objective and constructive, used as a tool to drive through real performance improvements.

Structures and Functions

1.7 I recommend that executive NDPB remits be regularly reviewed by their sponsor department with the chair's involvement. Where necessary, clarity should be provided around the remit to determine whether optimal mechanisms are in place for delivering government objectives. Such reviews should test historical remits against current circumstances and take account of the executive NDPB's role and position within the delivery network.

1.8 For executive NDPB boards to be able to function effectively:

- the purpose of the executive NDPB and how it is linked to government policy must be clearly understood;
- the board's remit should clearly relate to the executive NDPB's purpose and contain the right balance of:
 - strategy and performance management;
 - formal governance;
 - communications with stakeholders; and
- boards should have clear objectives against which performance can be measured.

“Many governments struggle to attain the most effective governance structures to carry out different types of public sector function. Effective structures should deliver key priority outcomes of government. Starting with key priority outcomes of government departments, governance structures can be systematically mapped according to the purpose of arms-length bodies and their degree of independence. This then allows performance of both the organisation and its governance to be clearly measured.”

**Prof Meredith Edwards, National Institute for Governance,
University of Canberra**

1.9 Recruitment and retention of able board members is critical to success. As this report makes clear, recruitment should relate to the board's skills, knowledge and aptitude requirements. Recruitment should be about maximising the pool from which board members can be recruited to provide the widest possible choice of candidates. In line with the organisation's founding legislation, recruitment should therefore be wide ranging and look outside of the sector in which the executive NDPB operates.

Actions and Behaviours

I.10 For an executive NDPB board to work effectively as corporate owner of the organisation and to make the best possible decisions on its strategic management and governance the chair should:

- act as board team leader with an understanding of what skills, knowledge and aptitudes the board needs;
- regularly carry out skills, knowledge and aptitude audits, which may be relatively low key and informal, to help understand the current board composition and provide board members with further clarity about their individual roles;
- act as board “conductor”², fostering an environment where dissenting voices can be heard without damaging collective responsibility; and
- act as the interface between the board and its executive team, and the organisation and its sponsor department.

“The chair’s role is crucially one of relationship building. The chair ensures that the relationship between the board and the executive, and the board and the department is constructive and positive, based on trust. Without dominating the board, the chair must also manage the relationships within the board, ie between its members, making sure they are effective and that the board, acting as a team, has full corporate ownership for all decisions.”

Paula Ridley, Chairman, Victoria and Albert Museum

I.11 Executive NDPB boards also need to ensure that they:

- act strictly within their remit;
- take full corporate ownership of all decisions;
- have board members who remain independent yet involved and informed, engaged in different aspects of the organisation while remaining objective;
- deliver the best possible decisions;
- clearly communicate the board’s role throughout the organisation; and
- work cooperatively with key stakeholders, the senior executive staff of the organisation and its sponsor department.

²See “Corporate Governance and Chairmanship” by Adrian Cadbury.

Evaluating Performance

I.12 To maintain high performance standards within complex policy and governance arrangements, objective and challenging evaluation of board performance is necessary. This should include:

- subjecting the board collectively to annual evaluation against performance plan or overarching list of objectives, which may be externally facilitated;
- senior responsible officers in the sponsor department appraising the chair's performance annually;
- board members being assessed individually for their performance against personal objectives;
- using frameworks for board member appraisal based on the OCPA Code of Practice and Cabinet Office guidance; and
- using evaluations and appraisals to identify areas for future development to drive through performance improvements.

“The board is ultimately accountable for the performance of its organisation, and should be judged accordingly. Although the link between the performance of the board and the organisation may not always be perfect, the level of the organisation's performance should be a significant factor in any assessment of the performance and effectiveness of the board.”

Roger Moore, Chief Executive, NHS Appointments Commission

The Remainder of the Report

I.13 The remainder of this report contains the performance evaluation framework, based on the three themes that I have discussed above: Structures and Functions; Actions and Behaviours; and Evaluating Performance. Boards of executive NDPBs, their executive teams and sponsor departments should use this framework collaboratively to evaluate current practices and performance. This evaluation should be used to generate recommendations for change, contributing to further performance improvement.

2 Performance Evaluation

OVERVIEW OF THE FRAMEWORK

Purpose and Use

2.1 This performance evaluation framework is designed to allow the boards of executive NDPBs, in collaboration with their executive teams and sponsor departments, to examine the performance of the board and the structures and relations underpinning it. The framework can be used to:

- diagnose the current performance of the organisation and board;
- identify current good practice for the board, its executive team and sponsor department to build upon;
- identify areas for improvement;
- provide a framework for future development;
- decide how to put the necessary actions in place within an agreed timetable;
- ensure that actions link to a step change in performance; and
- ensure that change is sustainable.

Outline Structure

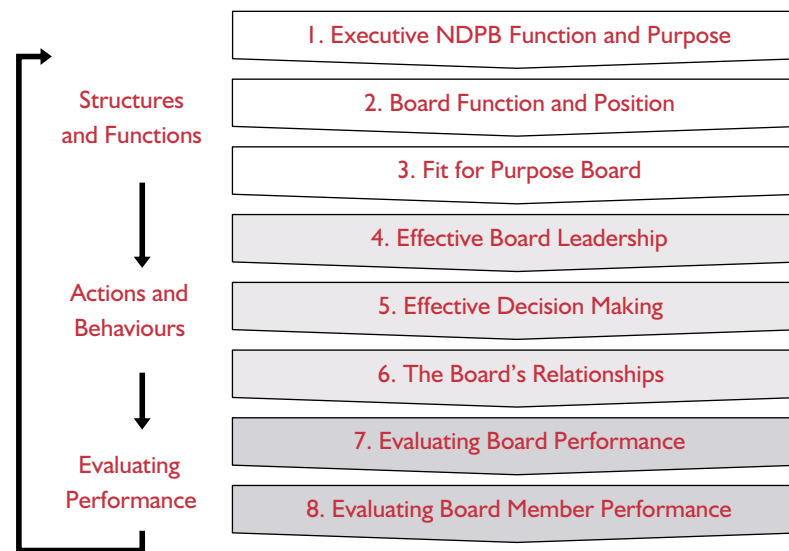
2.2 This framework sets out **eight essential components of effective board performance** and, by extension, effective organisational performance.

2.3 Each component represents a key outcome necessary for strong board performance.

2.4 Each component is broken down into **key elements of good practice**. These elements are explained using **indicators of strong performance**.

2.5 The structure of the framework and the key outcome relating to each part are shown next.

2 Performance Evaluation



- **1. Executive NDPB Function and Purpose:** The organisation and its sponsor department, together with key stakeholders, are always clear about the organisation's remit and its position within the overall aims of the sponsor department and key stakeholders.
- **2. Board Function and Position:** The board's responsibilities and objectives are clear and the board is best placed both to guide the strategy and to monitor the performance of the organisation.
- **3. Fit for Purpose Board:** The board is composed of the right set of skills, knowledge and aptitudes to enable it to meet its objectives, manage change and deal with unexpected events.
- **4. Effective Board Leadership:** The board is led as a team within a constructive and open atmosphere that encourages the best possible decision making and good corporate management.
- **5. Effective Decision Making:** The board steers the organisation through well-informed and corporately owned decisions.
- **6. The Board's Relationships:** The board, its executive team, sponsor department and key stakeholders understand their respective roles, fostering constructive relationships.
- **7. Evaluating Board Performance:** The board's performance is actively monitored and improved through objective assessment.
- **8. Evaluating Board Member Performance:** All board members are regularly appraised against their personal objectives, ensuring all members continue to develop and add value to the board.

HOW TO USE THE FRAMEWORK

Putting the Framework in Context

2.6 Prior to using the framework, the following questions can be used to provide context for a specific organisation.

<p>What is distinctive about the board and/or the organisation?</p>	<ul style="list-style-type: none"> ■ What are the key functions of the organisation (eg regulator, service provider, etc)? ■ What is the current 'distance' from the department (ie its 'arms-lengthness')? ■ Does the board structure have any unusual characteristics (ie are any board members not independent members; are there any ex-officio members)?
<p>What are the current drivers for change?</p>	<ul style="list-style-type: none"> ■ What was the impetus behind deciding to use this framework? ■ Have any new policies, legislation, or resourcing changes occurred? ■ Have any gaps in performance or governance recently been identified or have any significant functional changes recently taken place? ■ Is there sufficient impetus and will to drive through performance improvements?

Using the Performance Evaluation Framework

2.7 The board, its executive team and members of the sponsor department should use the framework collaboratively. Each of the eight components should be considered consecutively to determine what is most relevant. There is some degree of overlap between the different parts of the framework to allow such an approach.

2.8 The evaluation group should honestly compare the current behaviour and performance of their board with the elements of good practice underpinning each of the eight components. They should then decide which of the **four performance ratings** (shown in the table below) best describes the board's current performance against each component. From these eight individual ratings an overall rating can then be derived.

2.9 The key questions to ask when using the framework are:

- **What are the current strengths and weaknesses of the board's performance?**
- **What actions can be carried out to further improve current performance?**

2 Performance Evaluation

2.10 The four performance ratings of the performance evaluation framework are:

Rating	Description	Headline Actions
Highly Performing	The board consistently implements current good practice, in some cases being a leading example of good practice	<ul style="list-style-type: none"> Some refinements required Ensure standards maintained
Performing	The board shows significant areas of good practice, though some need to be fine tuned or altered	<ul style="list-style-type: none"> Build on existing positive practice Consider some new approaches
Developing	The board is improving its current practices but there are a number of aspects requiring rapid change	<ul style="list-style-type: none"> Keep up momentum on areas of improvement Look to improve other areas
Under performing	The board has significant issues affecting its performance that need to be addressed as a matter of real urgency	<ul style="list-style-type: none"> Quick decisive change required Look outside for advice or help

Agreeing What Change is Needed

2.11 Once an evaluation has been made the following questions can help create an action plan to support a step change in performance:

How can current good practice be built on?	<ul style="list-style-type: none"> Using the framework decide on the key areas for implementing change Identify the ways in which current practice can be improved
What practical obstacles/challenges need to be overcome?	<ul style="list-style-type: none"> Are there any resource constraints to take into account? Are there any legal issues (ie primary legislation) that prevent changes? Are there other changes to take account of within the organisation or sponsor department?
How will improvements be implemented?	<ul style="list-style-type: none"> Create a structured plan for putting the list of actions or changes into practice Think through what can be realistically done by when – ie don't set the bar too high or too low – aim for stretching and SMART³ goals
Will these really affect performance?	<ul style="list-style-type: none"> Does the list of changes add up to a coherent model? How will changes in performance be measured? How will success be ensured, now and in the longer term?

³ SMART stands for: **Specific** – ensuring it is clear what meeting the objective will achieve
Measurable – there should be a clear and transparent measure of success
Achievable – the objectives must be stretching, yet achievable
Relevant – the objective should reflect what the organisation is trying to achieve
Timed – it must be clear when the objective should be delivered

An Example

2.12 Using the first component of the framework (Executive NDPB Function and Purpose) I have set out below an example of what an evaluation against each of the four performance ratings might look like. For each rating I give an illustration of the description of current performance and example headline actions.

Rating	Description	Headline Actions
Highly Performing	The board and sponsor department are clear about the organisation's aim and its position within the department's strategy	<ul style="list-style-type: none"> ■ Produce timeline for future reviews ■ Ensure processes for two-way strategy communication continue to be as effective as possible
Performing	Both the board and department are quite clear about what they want from the organisation but this is not communicated effectively to the other	<ul style="list-style-type: none"> ■ Ensure that the department and the board meet regularly so that both understand the agreed strategies and their implications for the other
Developing	The board understands aspects of the sponsor department's strategy but does not see how it can be married with the current direction of the organisation	<ul style="list-style-type: none"> ■ Arrange high level meetings between the chair and the Senior Responsible Officer in the department, or Minister ■ Ensure agreed alignment of priorities is sustainable and able to be implemented
Under performing	The board does not see how the organisation fits into the role of the department and the department feels the organisation's objectives are at odds with the department's priorities	<ul style="list-style-type: none"> ■ Carry out review of the executive NDPB to agree its position within the department's landscape ■ Clarify the independent nature and needs of the body ■ Clarify the requirements of the department

THE PERFORMANCE EVALUATION FRAMEWORK

Structures and Functions

Executive NDPB Function and Purpose

The organisation and its sponsor department, together with key stakeholders, are always clear about the organisation's remit and its position within the overall aims of the sponsor department and key stakeholders

Good Practice	Indicators of Strong Performance
The organisation has a clear remit and set of strategic priorities	<ul style="list-style-type: none"> ■ The organisation has a focused and relevant aim, which cascades into outcome focused objectives ■ The board has ownership of the creation of these objectives and their translation into the strategic plan of the organisation
The organisation's position within the delivery network is clearly understood	<ul style="list-style-type: none"> ■ The relationships and interdependencies between the organisation and other parts of the delivery network are understood ■ All parts of the delivery network understand how the organisation adds value to the sponsor department's delivery objectives ■ The organisation's aim flows from the relevant objectives of the sponsor department (eg from its Public Service Agreements (PSAs)) and interconnects with those of key stakeholders as appropriate (including those objectives cascaded further down the delivery chain) ■ The degree of independence of the organisation from its sponsor department is understood and agreed by both parties, and set out in the management statement
Changes in strategy/priorities are rapidly communicated between the sponsor department and the organisation	<ul style="list-style-type: none"> ■ Policy or strategy shifts are discussed between the sponsor department and the organisation ■ The organisation quickly adapts to these shifts as necessary, in a proactive rather than reactive way
Consultation between the organisation, sponsor department, and key stakeholders takes place, as appropriate, prior to any significant policy change	<ul style="list-style-type: none"> ■ The organisation's board is consulted prior to changes of departmental policy or strategy impacting upon the organisation (eg PSA formation during a Spending Review) ■ The sponsor department is involved in the creation of strategy of the organisation (eg offering comments on aims, objectives and the strategic plan) ■ The level of involvement of the sponsor department in this process is agreed by both parties and determined by the agreed degree of independence of the organisation from its sponsor department set out in the management statement

Good Practice	Indicators of Strong Performance
<p>Effective communications between the organisation, sponsor department and key stakeholders are in place</p>	<ul style="list-style-type: none"> ■ As circumstances change, key messages are immediately communicated between key contacts in each organisation (eg the chair of the board) ■ The Senior Responsible Officer in the sponsor department and chair of the board regularly discuss strategic developments ■ The organisation's chair and Minister responsible for the organisation meet regularly, (at least annually), to discuss shared issues (including strategy and accountability)
<p>Regular review of the organisation occurs to ensure that governance is effective and that remits and relationships evolve in line with organisational and policy change</p>	<ul style="list-style-type: none"> ■ Robust and regular reviews (normally every 5 years) of the organisation's remit and governance and its fit with the objectives and priorities of the department and other parts of the delivery network are carried out in line with Cabinet Office guidance ■ Reviews, or updates, are carried out whenever political change occurs or when significant organisational change occurs in the department or the organisation ■ Reviews are used as an opportunity to reflect on and discuss the performance of the organisation and department in more detail, to ensure that broad structures, relationships and aims are still effective ■ Reviews make any necessary actions for change clear, with agreed timelines

2 Performance Evaluation

Board Function and Position

The board's responsibilities and objectives are clear and the board is best placed both to guide the strategy and to monitor the performance of the organisation

Good Practice	Indicators of Strong Performance
<p>The board, its executive team and sponsor department all understand the responsibilities of the board</p>	<ul style="list-style-type: none"> ■ All board members (and key personnel in the organisation's executive and sponsor department) clearly understand the purpose of the body as defined in relevant legislation and in framework documentation ■ All board members clearly understand the role that they are expected to fulfil in enabling the body to achieve its objectives – eg to improve performance; to set strategy and values; and to provide scrutiny and oversight
<p>The board has clear, deliverable objectives that in large part flow from those of the organisation and must include governance</p>	<ul style="list-style-type: none"> ■ Board objectives are formed following the creation of the organisation's objectives ■ These objectives are outcome focused, relating to organisational strategy and performance, governance and the needs of the public ■ These objectives frame the priorities of the work of the board, though the board recognises the need for flexibility in times of unexpected change ■ An implementation plan is used to frame the activities of the board, to ensure the successful delivery of these objectives
<p>The board is informed about the organisation and its business while remaining independent</p>	<ul style="list-style-type: none"> ■ All board members are aware of the current responsibilities of the board, taking all updates to existing material (eg the management statement) into account ■ Information flows effectively from the executive team and from the sponsor department to the board both during and outside of board meetings (eg important and urgent news) ■ Board members have a firm grasp of the specific issues facing the organisation and its performance ■ The board remains fully objective allowing it to challenge current performance and make unbiased decisions
<p>The board has a clear relationship with its executive team, its sponsor department and key stakeholders</p>	<ul style="list-style-type: none"> ■ The board is the main conduit for the flow of strategy to and from the organisation and its sponsor department ■ The executive team carries out the operational implementation of this strategy ■ The board acts as the external face of the organisation ■ The division of responsibilities for strategy setting, oversight and implementation between all parties is jointly understood and communicated clearly

Fit for Purpose Board

The board is composed of the right set of skills, knowledge, and aptitudes to enable it to meet its objectives, manage change and deal with unexpected events

Good Practice	Indicators of Strong Performance
<p>The collection of skills, knowledge and aptitudes needed on the board is clear</p>	<ul style="list-style-type: none"> ■ The chair, with the sponsor department, maintains and updates the profile of the board required to ensure it can fulfil its objectives – ie through a skills and knowledge audit ■ The board profile does not simply use the competencies of the existing board members as a starting point ■ The profile also takes account of the need for any necessary stakeholder involvement (including a board composition which reflects the community it serves) or technical knowledge and expertise on the board
<p>Any deficits on the board are quickly identified and addressed</p>	<ul style="list-style-type: none"> ■ Skills and knowledge audits of the board are regularly carried out ■ The chair, with the sponsor department, ensures that the board has effective and regularly updated recruitment, induction, development and retention policies in place and that these are acted upon as needed
<p>Recruitment appoints the best possible people</p>	<ul style="list-style-type: none"> ■ Cycles of retirements and handovers are monitored and anticipated ■ The sponsor department with the board recruits as widely as possible, not just from a pool of sector insiders, when recruiting new members ■ Advertisements for positions make remuneration and responsibilities clear and provide a list of required competencies ■ Suitable support is offered to all candidates (eg access to email, childcare during meetings, videoconferencing, meeting papers in Braille) ■ Candidates are assessed against clear person specifications that take account of skills, knowledge and aptitudes of candidates ■ Interviews and appointments strictly follow the OCPA Code of Practice and the Cabinet Office's "Making Public Appointments" guidance
<p>Induction programmes ensure new board members add value to the board as quickly as possible</p>	<ul style="list-style-type: none"> ■ The chair manages and monitors tailored induction programmes for all new board members. Other board members (ie as mentors), the sponsor department and the organisation are all actively involved in the different parts of the induction process ■ New board members are able to make significant contributions to the board within their first six months

2 Performance Evaluation

Good Practice	Indicators of Strong Performance
Development of board members is ongoing and fit for the board's purpose	<ul style="list-style-type: none"> ■ The sponsor department, in discussion with the chair, understands when to recruit new members and when to develop existing members ■ Development objectives (sitting alongside performance objectives) are in place for each board member (including the chair) ■ These ensure that all members develop skills and understanding to carry out board functions relating to their current objectives and to their potential future roles on the board ■ Accessible and high-quality development packages are in place (provided by the organisation, sponsor department or another organisation – either from the public or private sector)
The board retains good board members	<ul style="list-style-type: none"> ■ The induction process ensures board members settle in well and that their concerns and feedback are acted upon as appropriate ■ A clear, fair and proportionate remuneration package or incentive regime is in place (though it is recognised that a number of board positions are currently unpaid) ■ Remuneration or incentives take account of the impacts and risks to personal reputation that the organisation and its performance might have ■ Board members feel appreciated and of value, with their contributions welcomed and acted upon
Board members have clear objectives which flow from those of the board	<ul style="list-style-type: none"> ■ Individual SMART⁴ objectives are produced between the chair and board member, focusing on the key outcomes of the board ■ Members are clear about how the objectives of the board feed into their own objectives ■ Stakeholder representatives and experts on the board have corporate objectives, as well as specific objectives for their role ■ Individual members' objectives are updated after those of the board

⁴ SMART stands for: **Specific** – ensuring it is clear what meeting the objective will achieve
Measurable – there should be a clear and transparent measure of success
Achievable – the objectives must be stretching, yet achievable
Relevant – the objective should reflect what the organisation is trying to achieve
Timed – it must be clear when the objective should be delivered

Actions and Behaviours

Effective Board Leadership

The board is led as a team within a constructive and open atmosphere that encourages the best possible decision making and good corporate management

Good Practice	Indicators of Strong Performance
The chair takes responsibility for the full range of the board's performance	<ul style="list-style-type: none"> ■ The chair ensures that, as far as possible, all areas of good practice in this framework are carried out ■ The chair ensures that she or he has the right specialist skills to lead the board effectively ■ The chair acts as a public figurehead for the organisation (the chief executive may also have a public face) ■ The chair ensures that board members and their performance are well managed ■ If the board has a vice-chair, the role is seen as one which can develop people to be future chairs, as well as providing important substitution for the chair when needed
The chair fosters good relationships with the board's executive team and its sponsor department	<ul style="list-style-type: none"> ■ The chair acts as a main conduit for information flows between the board and the organisation and the sponsor department ■ The chair ensures that the chief executive and sponsor department are informed about the decisions and reasoning of the board ■ The chair ensures that she or he and the board are well informed about the actions and policies of the organisation and sponsor department
The board works together as a single corporate unit	<ul style="list-style-type: none"> ■ The chair builds the board members into a working team, with clear individual responsibilities as well as shared objectives ■ The chair ensures that the vision of the board is shared and understood by all members
Board members express their opinions openly and constructively	<ul style="list-style-type: none"> ■ The chair facilitates discussion, without imposing views on the board ■ There are no barriers to querying the organisation or its governance ■ Every board member feels comfortable about challenging constructively
Board meetings are well managed and organised	<ul style="list-style-type: none"> ■ The chair and chief executive jointly agree on the main issues to be discussed at the meetings ■ The chair acts as a gateway to the board, especially where there is no board secretariat ■ Papers are concise, readily understandable and distributed in good time before the meeting ■ Board members are able to request further information on an agenda item, or request that specific topics should appear on the agenda
Board meetings are efficient and productive	<ul style="list-style-type: none"> ■ Board housekeeping occupies relatively little time in main meetings ■ Board meetings are predominantly spent on important and strategic matters ■ There is sufficient time for adequate discussion of all topics and meetings do not normally need to overrun ■ Minutes of meetings and accurate recording of decisions are taken, distributed and managed as necessary

2 Performance Evaluation

Effective Decision Making

The board steers the organisation through well-informed and corporately owned decisions

Good Practice	Indicators of Strong Performance
Discussions at board meetings are focused and constructive	<ul style="list-style-type: none"> ■ The board has the right level of creative tension – ie a good balance of challenging and constructive debate ■ Board members feel able to challenge the organisation as well as each other and their decisions ■ Board members seek to establish and maintain their confidence in the organisation
Decisions take into account the wider implications for the organisation and are auditable	<ul style="list-style-type: none"> ■ Issues are thought through objectively, exploring the full impact decisions could have upon the organisation, its stakeholders, customers and sponsor department ■ Proposals are developed openly within the board, with reference to the agreed strategic direction of the organisation, the agreed implementation plan to deliver the board's objectives and the wider implications on the public sector ■ Senior members of the executive are present in board meetings to offer advice where needed ■ Accurate records of substantive facts, information and judgements used to form decisions are maintained
Board meetings deliver the best possible decisions	<ul style="list-style-type: none"> ■ The chair draws out the best views and insights of board members, allowing the board as a whole to decide upon a solution ■ Decisions are reached through discussion, avoiding vote-taking where possible ■ Dissenting views are fully explored, with discussion focusing on the best outcome, rather than personal differences of opinion or enforcing the view of the majority ■ All board members take active corporate and individual responsibility for all decisions, irrespective of personal opinions
Board powers are delegated appropriately	<ul style="list-style-type: none"> ■ All matters that the board has responsibility for but are not related to core board meetings are delegated to committees where they are discussed and actioned ■ The board should accordingly have an established set of standing committees with specific responsibilities delegated to them ■ Other short life committees, task forces or similar sub-board management groups are established for as long as required ■ Information from committees is shared appropriately while decision-making remains within committees, except where it is agreed that a board-level decision is specifically required

The Board's Relationships

The board, its executive team, sponsor department and key stakeholders understand their respective roles, fostering constructive relationships

Good Practice	Indicators of Strong Performance
<p>The sponsor department provides support and strategic oversight to the board as required</p>	<ul style="list-style-type: none"> ■ The sponsor department, along agreed lines of responsibility, assists the organisation in cascading departmental strategy (eg PSAs) into the organisation's strategy (ie its aim and key objectives) ■ The organisation is consulted on key strategies of the department that affect those of the organisation ■ All key policies are rapidly fed down from the department to the chair, though departmental officials are not involved in board meetings ■ The Minister responsible for the organisation regularly meets the chair (at least annually)
<p>The executive team assist the board in understanding the organisation and implementing the board's decisions</p>	<ul style="list-style-type: none"> ■ The executive team are welcome at board meetings to ensure information is freely shared, with the board requesting extra information as required ■ The executive team attend meetings to inform board decision-making but do not themselves make decisions ■ The board has systems and methods in place to monitor and follow-up its decisions ■ Board decisions are quickly and fully implemented by the executive ■ The divisions of responsibility between the board and executive are clear and regularly considered, with the board having responsibility for strategy and the executive having responsibility for implementation and operational management ■ The Accounting Officer (AO), amongst other responsibilities, ensures that effective management systems are in place to deliver the organisation's objectives. (The AO's responsibilities are set out in Government Accounting Annex 8.2)
<p>The board is well informed about all aspects of the organisation</p>	<ul style="list-style-type: none"> ■ Board members are involved in the organisation outside of board meetings, both in formal and informal capacities (eg attending regional working groups, or mentoring management) ■ Board members ensure that they maintain their independence
<p>The organisation understands and is well informed about the actions and aims of the board</p>	<ul style="list-style-type: none"> ■ A managed communication strategy is in place, ensuring that board decisions and actions, as appropriate, are disseminated throughout the organisation ■ The aims of the organisation and the board, as well as their wider impact on national priorities are clearly communicated to all staff
<p>Key stakeholders understand the actions and aims of the board</p>	<ul style="list-style-type: none"> ■ Key stakeholders are in regular contact with the board and communication flows between organisations are effective ■ The board consults with key stakeholders before altering strategies that affect the stakeholders or the organisation's relationships with them

2 Performance Evaluation

Evaluating Performance

Evaluating Board Performance

The board's performance is actively monitored and improved through objective assessment

Good Practice	Indicators of Strong Performance
Board performance is regularly assessed	<ul style="list-style-type: none">■ The chair leads an annual assessment of how well the board, as a whole, has met the full range of its objectives and how it has dealt with unforeseen events■ The assessment is part of the performance monitoring and strategy review processes of the board (ie along with other interim assessments and analysis of management information)
Board performance is connected to that of the organisation	<ul style="list-style-type: none">■ The board assessment is outcome focused, tied to the objectives of the organisation■ The assessment includes the organisation's performance and what it requires of the board■ The assessment takes account of the impact the board has directly made on the organisation and through its proper governance
Board assessment is impartial and well informed	<ul style="list-style-type: none">■ 360° feedback is obtained – from board members, the sponsor department, the executive and key stakeholders■ Feedback is as objective as possible (confidential and anonymous comments can be supplied where necessary)■ The chair uses external advice/independent scrutiny where needed (eg through the use of an experienced chair from another board or from corporate leadership consultancies) to ensure impartiality and accuracy■ The chair ensures that the board assessment is impartial, accurate and fair, based on the evidence gathered during the process
The output from the board assessment is constructive and fair	<ul style="list-style-type: none">■ Assessments note the things that have gone well as well as those that have not gone so well (eg due to unforeseen events or poor performance)■ A list of the objectives or responsibilities met or not met is provided with brief justifications in each case
The board assessment process allows change to be readily taken forward	<ul style="list-style-type: none">■ The assessment allows the chair and board to understand current performance and discuss options for board improvement■ Where room for improvement has been identified, constructive actions to effect change are clearly provided■ Recommendations for change emerging from the assessment are clearly stated, to address all issues
The board is clear about how to implement and monitor change	<ul style="list-style-type: none">■ Recommendations are turned into a clear action plan with agreed timescales and milestones■ All actions have clear ownership■ A timetable for monitoring progress is built into the action plan

Evaluating Board Member Performance

All board members are regularly appraised against their personal objectives, ensuring all members continue to develop and add value to the board

Good Practice	Indicators of Strong Performance
The chair is regularly appraised against clear objectives	<ul style="list-style-type: none"> ■ The appraisal is led by the Senior Responsible Owner of the organisation in the sponsor department ■ The chair is appraised annually and within several months of completing a board assessment ■ External input from an impartial governance expert is sought as required ■ The appraisal process follows or is in line with the OCPA Code of Practice and Cabinet Office guidelines
The chair's appraisal is used to assess and improve the leadership qualities of the chair	<ul style="list-style-type: none"> ■ The appraisal examines how effectively the board has been led ■ The chair is also assessed on the standard of board decision making and on their leadership style ■ The appraisal also examines the quality of the relationship between the chair and sponsor department/Ministers as well as to the executive ■ Anonymous feedback from the executive and board members is received
Individual board members are regularly appraised against clear objectives	<ul style="list-style-type: none"> ■ The chair manages the process of assessing the performance of all board members ■ Good practice principles for staff appraisals, produced by the Cabinet Office and OCPA, are followed ■ The output from board member appraisals helps board members clarify their position and functions on the board as well as identifying areas for future development ■ The appraisal process follows or is in line with the OCPA Code of Practice and Cabinet Office guidelines

3

Annex – Consultation

3.1 This report has drawn on a wide range of experience and expertise from across the public, private and academic sectors. Detailed questionnaires, interviews, and wider consultation have been used to draw up the key obstacles to and elements of strong board performance.

3.2 The research and careful analysis from over three hundred questionnaires, as well as an extensive literature review were used as the basis for more in-depth interviews and consultation to focus on the key aspects that really affect board performance.

3.3 Members of the following organisations were consulted throughout the preparation of this work:

- Gordon Adam HM Treasury
- Dr Julian Aviss Director of Human Resources, Visit Britain
- Tim Barraclough Head of Public Bodies Unit, Scottish Executive
- Mark Boleat Board Member, National Consumer Council
- Belinda Brown Public Appointments Unit, Cabinet Office
- David Burgh Senior Corporate Secretary, Healthcare Commission
- Chris Butler HM Treasury
- Pamela Cane Commission Member, Livestock & Meat Commission for Northern Ireland
- Martin Cave Non-Executive Director, WaterVoice: Regional Committees
- Dr Robert Chilton Board Member, National Consumer Council
- Neil Clement Public Appointments Team, Scottish Executive
- Dr Alan Curran Chief Executive, Wine Standards Board
- Geraldine D'Arcy Public Appointments Unit, Cabinet Office
- Alice Darley Cabinet Office
- Prof Meredith Edwards Director, National Institute for Governance, University of Canberra
- Philip Ely Chair, Legal Services Commission
- Janet Evans Head of Public Appointments, Honours and Modernisation Division, Department for Culture, Media and Sport
- Jackie Fraser NDPB Advisory Team, Home Office

3 Annex – Consultation

- Steve Freer Chief Executive, CIPFA
- Dame Rennie Fritchie Commissioner for Public Appointments
- John Hanlon Council Member, Energywatch
- Sir Graham Hart Commissioner, Audit Commission
- Alistair Howie Office of the Commissioner for Public Appointments
- Dr Robert Hunter Board Member, Health Protection Agency
- Mark Jenkin HM Treasury
- Eva Lambert Honorary Visiting Fellow, University of York
- Dr Pauleen Lane Commissioner, Audit Commission
- Ruth Lavery Commissioner, Equality Commission for Northern Ireland
- Sir Michael Lickiss Chair, Visit Britain
- Guy Longhorn NDPB Support Team, Department for Education and Skills
- Rodger Lovegrove Council Member, Countryside Council for Wales
- Sir Michael Lyons Public Services Productivity Panel
- Jeremy Mason NDPB Advisory Team, Home Office
- Rob Molan HM Treasury
- Dr Roger Moore Chief Executive, NHS Appointments Commission
- Pat Morrison Public Bodies Unit, Scottish Executive
- Stephen Moss Commissioner, Commission for Health Improvement
- Oliver Mulvey Public Appointments, Department of Transport
- Dr Tony Peatfield Head, Corporate Governance, Policy and International, Medical Research Council
- Anne-Marie Philp Corporate Policy and Secretariat Business Manager in the Corporate Affairs Group, Medical Research Council
- Howell Rees Public Appointments Unit, National Assembly for Wales
- Paula Ridley Chairman, Victoria and Albert Museum
- Christine Smith Deputy Chair, One North East
- Sue Street Permanent Secretary, Department for Culture, Media and Sport

- Alan Sutherland Honours and Modernisation Division, Department for Culture, Media and Sport
- James Taylor Chief Executive, Northern Lighthouse Board
- Heather Todd Head of the Board Effectiveness Team, Cabinet Office
- Richard Wakeford Chief Executive, Countryside Agency, and Board Member, UK Sustainable Development Commission
- Elaine Webber Public Appointments Unit, Cabinet Office
- Susan Williams Council Member, Sports Council for Wales
- Sharon Wort Cabinet Office

3.4 Board members of the following executive NDPBs provided insightful and informative answers to questionnaires for this research:

- Accounts Commission
- Accounts Commission for Scotland
- Advantage West Midlands
- Advisory, Conciliation and Arbitration Service
- Agricultural Wages Board for England and Wales
- Arts Council England
- Audit Commission
- British Council
- British Library
- British Tourist Authority
- Coal Authority
- Commission for Architecture and the Built Environment
- Commission for Health Improvement
- Construction Industry Training Board
- Countryside Agency
- Countryside Council for Wales
- East of England Development Agency
- Energywatch
- Engineering and Physical Sciences Research Council
- English Heritage
- English Nature
- English Partnerships
- English Tourism Council
- Enterprise Ulster
- Equality Commission for Northern Ireland
- Football Licensing Authority
- Forestry Commission
- Gaming Board for Great Britain
- Gas and Electricity Consumer Council
- Health and Safety Commission
- Heritage Lottery Fund

3 Annex – Consultation

- Higher Education Funding Council for England
- Highland and Islands Enterprise
- Home Grown Cereals Authority
- Horserace Betting Levy Board
- Horserace Totalisator Board (The Tote)
- Horticulture Research International
- Housing Corporation
- Imperial War Museum
- Investors in People UK
- Laganside Corporation
- Legal Services Commission
- Liverpool Housing Action Trust
- Livestock and Meat Commission for Northern Ireland
- Marshall Aid Commemoration Commission
- Meat and Livestock Commission
- Medical Research Council
- Millennium Commission
- Moredun Research Institute
- Museum of Science and Industry in Manchester
- National Care Standards Commission
- National Consumer Council
- National Forest Company
- National Heritage Memorial Fund
- National Library of Scotland
- National Library of Wales
- National Lottery Commission
- National Radiological Protection Board
- New Opportunities Fund
- North West Development Agency
- Northern Lighthouse Board
- Office of the Police Ombudsman for Northern Ireland
- OFWAT
- Oil and Pipeline Agency
- One North East
- Parole Board for Scotland
- Probation Board for Northern Ireland
- Public Health Laboratory Service
- Qualifications, Curriculum and Assessment Authority for Wales
- Rail Passengers Committee Wales
- Rowett Research Institute
- Royal Armouries
- Royal Botanic Gardens, Kew
- Royal Commission on the Ancient and Historical Monuments of Wales
- Scottish Children's Reporters Administration
- Scottish Conveyancing and Executing Services Board
- Scottish Crop Research Institute
- Scottish Environment Protection Agency
- Scottish Legal Aid Board
- Sir John Soane Museum
- South Tees Acute Trust

- Sport England
- Sports Council for Wales
- Standards Board for England
- Stonebridge Housing Action Trust
- Strategic Rail Authority
- Student Loans Company Ltd
- Tate Gallery
- UK Register of Organic Food Standards
- United Kingdom Atomic Energy Authority
- Victoria and Albert Museum
- Wales European Centre
- Wales Tourist Board
- Welsh National Board For Nursing, Midwifery and Health Visiting
- Wine Standards Board



ISBN 1-84532-057-3



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