



National Audit Office



REPORT

Non-executive appointments

Cabinet Office

SESSION 2023-24
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HC 513

Key facts

4,476

number of public appointees in regulated roles (including chairs and board members) at 31 March 2022 according to Cabinet Office's Public Appointments Data Report

203

average number of days that elapse between a campaign closing and a public appointment being announced on the previous website, for appointments made in 2022-23

90

the number of days that should elapse between a campaign closing and a public appointment being announced, according to the Governance Code for Public Appointments

14.6%

percentage of new public appointees who identified as from an ethnic minority in 2022-23

53.7%

percentage of new appointees who were female in 2022-23

3,730

number of CV's uploaded to the new applicant-tracking system by prospective applicants, as of November 2023

92

number of non-executive directors (NEDs) on departmental boards in 2022-23, according to the Government Lead Non-Executive's annual report – this is a small subset of all government NEDs

Summary

Background

1 Non-executive directors (NEDs) are crucial to the effective running of government. They are individuals who sit on governing boards of government departments and arm's-length bodies, including non-departmental public bodies and government companies, to provide external expertise. They provide strategic leadership, scrutinise performance, promote transparency and take a long-term perspective.

2 The role of NEDs, and the process for appointing them, differ significantly depending on the body that they are appointed to. NEDs are one type of public appointment, part of a larger group that also includes members of many advisory committees, office holders and chairs of public bodies. There are different categories of appointments, including those that are regulated,¹ unregulated, deemed significant and those requiring pre-appointment scrutiny by a select committee (Figure 1).

3 Departments and their ministers are primarily responsible for appointing their own non-executives. Cabinet Office has oversight of the public appointments process and provides support and guidance to departments. It maintains the Governance Code, which sets out the process of making a regulated public appointment and collects data on the appointments process across government. In some cases, the Prime Minister's office is involved in the appointments process. For example, where the Prime Minister is responsible for making the appointment or has an interest in it.

¹ Regulated appointments are appointments to bodies or posts listed in the relevant Order in Council and that must abide by the procedures laid out in the Governance Code for Public Appointments, and that are subject to independent regulation. The Commissioner for Public Appointments reported that there were 624 appointments and 576 re-appointments to regulated public bodies in England and Wales during 2022-23.

Our scope

4 This report covers the appointment and experience of NEDs of government departments and public bodies. It does not cover other types of public appointment. In this report we focus particularly on regulated appointments, as this is where Cabinet Office has a defined oversight role.

5 This report sets out:

- the non-executive director landscape (Part One);
- issues associated with appointment of non-executives (Part Two); and
- Cabinet Office's recent efforts to improve data on public appointments and other areas of focus (Part Three).

6 We consider the experience of NEDs once appointed to their roles, including the training and induction they are provided with and how their skills and experience are utilised by government. We do not examine or report on the value for money of the appointments process. We do not consider the wider governance structures of the organisations to which they are appointed. Our study methods and scope are set out in Appendix One.

Key findings

Length of process

7 **In 2022-23, on average 203 days elapsed between campaigns closing and a public appointment being made and announced.** This is well beyond the 90 days that the Governance Code for Public Appointments (the Code) states that officials should aim to meet. Cabinet Office is not able to provide a figure for NED appointments only, so this figure covers all public appointments. Cabinet Office started collecting real-time data on the length of time that NED appointments take in April 2023. Before April 2023, it collected data manually on a yearly basis. In April 2023, Cabinet Office introduced a new system that records the length of time an appointment takes for different types of public appointment. For the two public appointments that have been completed on the system, and include time data, the average time taken was 136.5 days from closing date to announcement. No NED appointments had been completed between April 2023 and November 2023, so Cabinet Office does not yet have data from the new system on NED appointments specifically (paragraphs 2.3 to 2.4, 3.2 and 3.5).

8 Many of our interviewees raised concerns about the length of the appointments process for regulated NEDs. In particular, a number of interviewees told us that ministerial involvement can delay the process, and that ministerial churn can also delay appointments. We have not been able to verify the extent of this issue because Cabinet Office does not yet hold the relevant data. Delays could mean people drop out or create gaps on boards, creating risks to governance and reducing the number of high-quality candidates. The National Audit Office and Parliament have previously noted that the appointments process is lengthy and burdensome, sometimes resulting in gaps on boards and undermining the governance of arm's-length bodies (paragraphs 2.6, 2.7 and Figure 6).²

Data

9 Until April 2023, Cabinet Office's only method of collecting data about non-executives was a manual exercise, requesting data from departments once a year. Departments were required to provide information to Cabinet Office about all regulated public appointments. Departments would also provide data on recruitment campaigns undertaken during the previous year. This would include information about the candidates who applied, the shortlist, those found appointable and those appointed. As the data were produced and processed manually by departments, errors and inconsistencies were common, and there were no real-time assurance checks to correct erroneous inputs (paragraph 2.9).

10 Cabinet Office launched a new applicant-tracking system in April 2023 that centralises applications and allows Cabinet Office to gather real-time data. Cabinet Office told us that departments are using the new portal for all regulated public appointments (except those being run by executive search agencies) and some unregulated appointments. The centralised system also makes it possible for Cabinet Office to see which campaigns are soon to open, currently open, and closed. It can generate a forward look, seeing which openings will be coming up, which previously required manual returns from departments (paragraphs 3.2 to 3.5).

11 The new system enables Cabinet Office to produce data on the time taken for each stage of the appointments process. It is currently developing dashboards to share this information with departments. It plans to share this real-time data with ministers so that they are aware of delays. Cabinet Office told us in some cases it is still collecting data manually outside of the new system, such as data on existing NEDs serving on boards (stock data) and any recruitments that happen outside of the new system by executive search agencies (paragraphs 2.3, 2.9, 3.2 and 3.10).

² Comptroller and Auditor General, *Central oversight of arm's-length bodies*, Session 2021-22, HC 297, National Audit Office, June 2021; Comptroller and Auditor General, *Departments' oversight of arm's-length bodies: a comparative study*, Session 2016-17, HC 507, National Audit Office, July 2016; Committee of Public Accounts, *Departments' oversight of arm's-length bodies*, Twenty-first Report of Session 2016-17, HC 488, October 2016.

12 The system cannot yet provide the insights Cabinet Office needs because not all government departments are adding accurate data to the system or using the system during campaigns. Cabinet Office told us that some departments are still running the recruitment process outside the system and then entering data into the system later on, meaning the data are not available during the appointments process to allow officials to monitor and take any action to address delays in real time. There is currently limited data available, with only 27 campaigns completed, despite the system being fully active since April 2023. Some departments are making errors when inputting data to the system, such as inverting dates, which means that the data generated are not accurate. Cabinet Office is trying to encourage departments to use the system effectively by providing daily drop-in sessions for help with the system, monthly training for new users and developing dashboards it plans to use with departments showing their data (paragraphs 3.9 to 3.10).

Diversity and skills

13 The government has focused on broadening the applicant pool for NED posts, including developing talent pipelines and undertaking outreach events around the UK designed to increase applications. The Commissioner for Public Appointments, the Government's Lead Non-Executive and the Minister for the Cabinet Office have all emphasised the need for diversity in all its forms, including ethnic and gender diversity, regional diversity, and diversity of thought. Using its new applicant-tracking system, Cabinet Office can see interest in future opportunities from potential applicants. Cabinet Office told us that it uses the system to invite interested applicants to outreach events in their area. Departments can use the system to invite individuals with the right skill sets to apply for relevant posts. The government is also running its Boardroom Apprentice Programme, whereby people with no experience on boards can serve as an observer on a board for a year to gain experience. Cabinet Office also told us that it is using media, including social media, to publicise opportunities across government (paragraphs 2.10, 2.14, 3.8, 3.12 and Figure 10).

14 In 2022-23, 53.7% of new appointees were female and 14.6% were from an ethnic minority background. In June 2019, the government launched a Public Appointments Diversity Action Plan to focus on broadening access and improving the diversity and quality of appointees. The government set aspirations for improving the diversity of appointees, stating its ambition for 50% of all public appointees to be female and 14% of yearly appointments to be from ethnic minority backgrounds by 2022. Cabinet Office reported that in 2021-22, 47% of all serving public appointees were female and 12% of all appointments and re-appointments went to people who were from an ethnic minority background. However, our analysis of available data shows that the diversity of new appointees has improved in recent years. Cabinet Office told us it has not yet set aspirations beyond 2022 (paragraphs 2.10 to 2.13, and Figures 7 and 8).

Training and sharing good practice

15 Cabinet Office has sought to improve training for both the newly appointed NEDs and those appointing them. When someone starts in post as a NED, Cabinet Office brings them in for a day of training. The training covers the code of conduct and government's expectations of public appointees. Experienced NEDs are also involved in the training, talking about their experience and sharing learning with newly appointed NEDs. While all NEDs are expected to attend Cabinet Office training, some departments also undertake additional training for new NEDs. Cabinet Office has created a series of training videos to educate officials in departments and arm's-length bodies about the public appointments process. These videos cover topics that include the Governance Code for Public Appointments, the role of the Cabinet Office public appointments team, the importance of forward planning for recruitment, the use of executive search firms, senior salary approvals, and pre-appointment scrutiny (paragraphs 3.13 to 3.15).

Concluding remarks

16 NEDs make an important contribution to the running of government, providing an independent perspective, expertise, and challenge where needed. However, the government must do more to ensure the best quality of candidates are recruited. This includes fixing the often long and drawn-out appointments and re-appointments process, which poses risks to the quality and diversity of boards, as well as to the governance of those organisations when vacancies are not filled.

17 Cabinet Office's new system is a positive step towards identifying where delays are occurring in the system and addressing them, as well as tracking the quality of candidates and the diversity of NEDs across government. Once Cabinet Office has put in place clear mechanisms to analyse the data and ensured that departments are consistently using the new system, this data should enable more transparency and better decision-making, allowing some long-standing issues with the public appointments process to be addressed.

Recommendations

Cabinet Office should:

- a** Set out what good looks like for the appointments process, which should include who needs to be involved at each stage, the length of time the process should take and how candidates will be kept informed. It should also set out expectations on use of its new data system.
- b** Use the data from its new tracking system to provide departmental Permanent Secretaries with regular information on:
 - how appointments are being logged and maintained in the new data system;
 - the progress of appointments within their departments; and
 - benchmarking information against the performance of other departments.
- c** Work with departmental appointments teams to:
 - understand where there are delays in the system and use this data to streamline the process where possible; and
 - improve how organisations identify the skills and diversity they need for a particular role, and tailor adverts accordingly.
- d** Work with departments and their arm's-length bodies to improve consistency of approach to appointments across government, through support, guidance and sharing of good practice.
- e** Establish new targets for measuring success regarding the diversity of non-executive directors and use the new data system to track and publish progress against these targets.
- f** Consider the opportunities afforded by the new system in matching candidates to potential positions. This could include:
 - fast-tracking appointable candidates for other roles;
 - how it makes the process easier when a re-appointment is the best course of action; and
 - making best use of the new 'future opportunities pool' data it is collecting.
- g** Consider how it could develop a risk-based system for appointments and where appropriate, for example, in the case of lower-risk appointments, see if there are new approaches, such as delegated sign-off, it could introduce to reduce the time the appointments take.
- h** Publish data on when decisions are made to provide transparency on appointments.