



National Audit Office



REPORT

Non-executive appointments

Cabinet Office

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Non-executive appointments

Cabinet Office

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

29 January 2024

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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.

Part One

The non-executive director landscape

1.1 This part sets out:

- how many non-executive directors (NEDs) there are in government;
- the role of NEDs;
- the process for appointing and re-appointing a NED to the board of a government department or arm's-length body; and
- the roles and responsibilities of ministers, departments, Cabinet Office and the Commissioner for Public Appointments in overseeing NED appointments.

Number of NEDs

1.2 The government does not know how many NEDs in total are serving on all government boards, including arm's-length bodies and government companies. Cabinet Office and the Commissioner for Public Appointments collect data on regulated public appointments.³ The available data do not differentiate between types of public appointments, so they do not show how many appointments are for NEDs.

1.3 The government's *Public Appointments Data Report 2021-22* reported 4,476 chairs and members in post at regulated government bodies as at 31 March 2022. During that year, ministers made 1,190 regulated public appointments, including re-appointments to a second term.

1.4 The government's Lead Non-Executive publishes a yearly report with data about departmental NEDs, the non-executives who serve on the boards of governmental departments. This is a small subset of regulated, non-executive appointments. The Lead Non-Executive's annual report stated that there were 92 departmental NEDs in 2022-23 and 94 in 2021-22.

³ NEDs also serve on boards of arm's-length bodies and government companies that are not regulated.

The role of NEDs

1.5 Non-executives sit on governing boards of government departments and arm's-length bodies. Boards are expected to advise and supervise their organisations. They provide strategic leadership, scrutinise performance, promote transparency and take a long-term perspective. Boards have executive members, who participate in the day-to-day running of the organisation, and non-executive members, who do not, and therefore add an independent, objective perspective.

1.6 When we refer to NEDs, we are referring to those who serve on the boards of government departments and those who serve on the boards of government arm's-length bodies. Arm's-length bodies also constitute a wide range of government bodies, including non-departmental public bodies and government companies. The role of NEDs, and the process for appointing them, may differ depending on whether they are appointed to a department, a regulated arm's-length body or an unregulated arm's-length body. In addition to regulated and unregulated, there is a category of appointments (see **Figure 1**) called 'significant appointments' that require extra safeguards, and others that require pre-appointment scrutiny from Parliament. Separately, some appointments are designated as of interest to the Prime Minister and therefore require consultation with, or sometimes agreement from, the Prime Minister's office on his behalf. The government does not routinely publicise the Prime Minister's interest in these appointments.

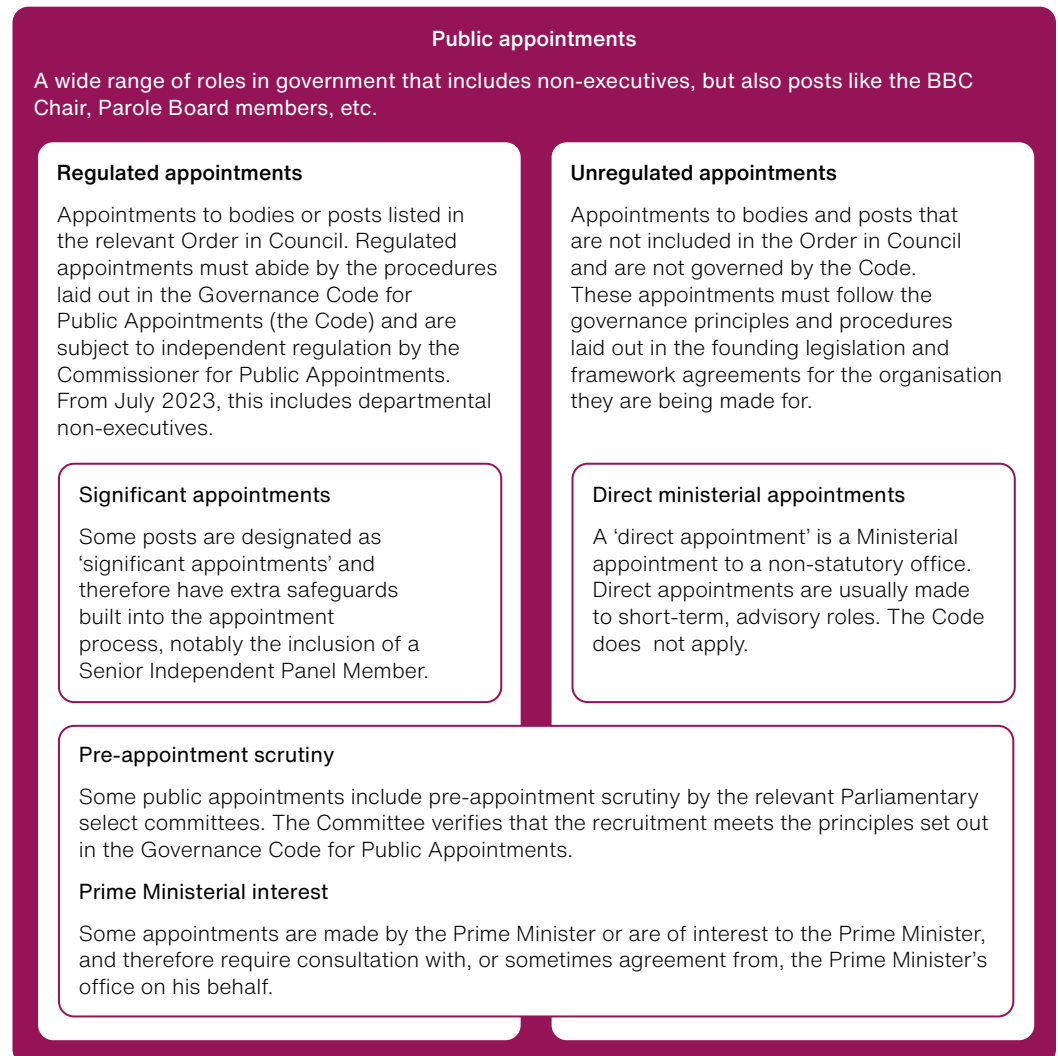
1.7 In general, NEDs are expected to bring an outsider's perspective to government boards (**Figure 2** on page 14). In recent decades, the government has sought to recruit NEDs from the private sector, who can bring commercial expertise and experience running large, complex organisations. Government guidance also suggests that at least one non-executive member of each board should have public sector or third sector experience. For example, Cabinet Office NEDs have previously worked at major corporations, served on private sector boards of companies, and have served as trustees or board members of charities. Departmental boards meet at least four times per year.

1.8 In addition to serving on boards, NEDs often serve other roles in departments and public bodies. Some serve on committees, including audit and risk assurance committees and nominations committees. Others take part in independent reviews, capability reviews, or appraisals. Departmental NEDs also report their views in their department's annual report. Each department has one lead non-executive who has additional responsibilities on the board, meets with the lead minister alone and takes part in a cross-government network of lead NEDs. In extreme circumstances, departmental NEDs can recommend that the Prime Minister and Head of the Civil Service remove a permanent secretary from their post.

Figure 1

Types of appointments

Many different types of public appointments have been established over the years



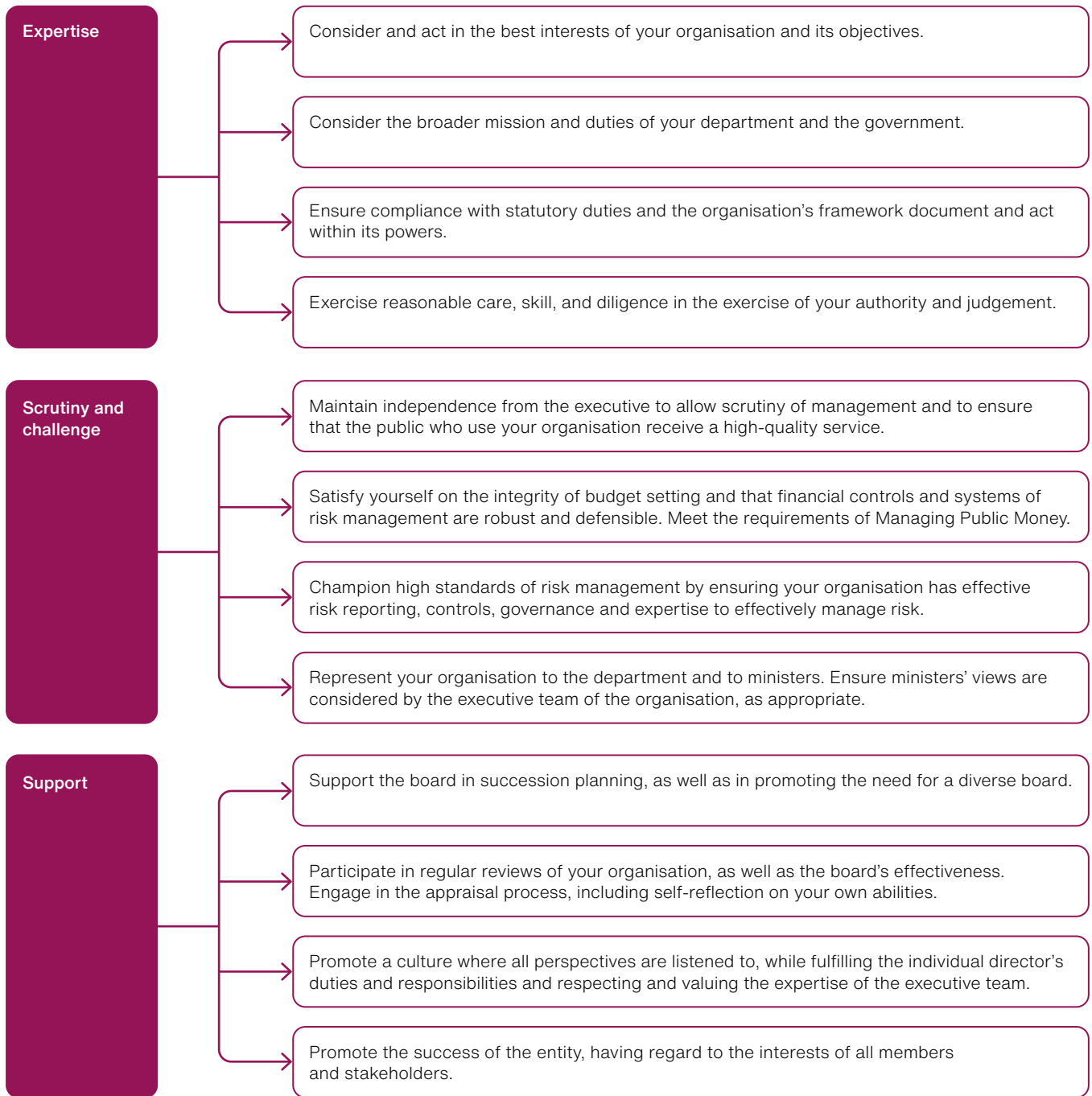
Notes

- 1 Those appointments that are regulated are set out in the Order in Council on Public Appointments. Which appointments are regulated and unregulated has been built up from legislation over time. Although there is guidance available, departments make the decision about whether a body is regulated. It is not always clear why an appointment is regulated or not.
- 2 Government ministers and the Commissioner for Public Appointments agree a list of 'significant appointments', which is published on the Commissioner's webpage.
- 3 Those subject to pre-appointment scrutiny are set out in the *Governance Code for Public Appointments* and *Cabinet Office Guidance: pre-appointment scrutiny by House of Commons select committees*.
- 4 The Prime Minister's interest in certain appointments is not routinely made public.
- 5 There is no formal definition of a 'public appointment'.
- 6 There is not a consensus about whether direct ministerial appointments are 'public appointments'.

Source: National Audit Office analysis of legislation, guidance and interviews

Figure 2
The role of non-executive board members (NEDs)

Government guidance describes 12 responsibilities for NEDs on boards of public bodies



Source: National Audit Office analysis of Cabinet Office, *12 Principles of Governance for all Public Body NEDs*, 2021, available at: www.gov.uk/government/publications/public-bodies-non-executive-director-principles/12-principles-of-governance-for-all-public-body-neds

The process for appointing a NED

1.9 The process for appointing a NED varies across government. Some appointments are regulated, following procedures laid out in the Public Appointments Order in Council 2023 (**Figure 3** overleaf). Since July 2023, this includes NEDs for all government departments. Some other government bodies are not included in the Order in Council, such as the UK Space Agency, and the Education and Skills Funding Agency. These are called ‘unregulated appointments’. In such cases, the process for appointing board members is laid out in their governing documents, such as their founding legislation and framework agreements. Which appointments are regulated and unregulated has been built up from legislation over time, and the government does not have a set of criteria determining which type of appointments should be regulated and which should not. Sometimes, professional recruitment consultants are utilised to recruit NEDs, but government guidelines say that should be rare and departments must seek approval from Cabinet Office before contracting with consultants. Cabinet Office approved the use of professional recruitment consultants in 22 instances in 2021-22 and 15 cases in 2022-23. It does not monitor the cost of the use of recruitment consultants across government.

Re-appointments and extensions

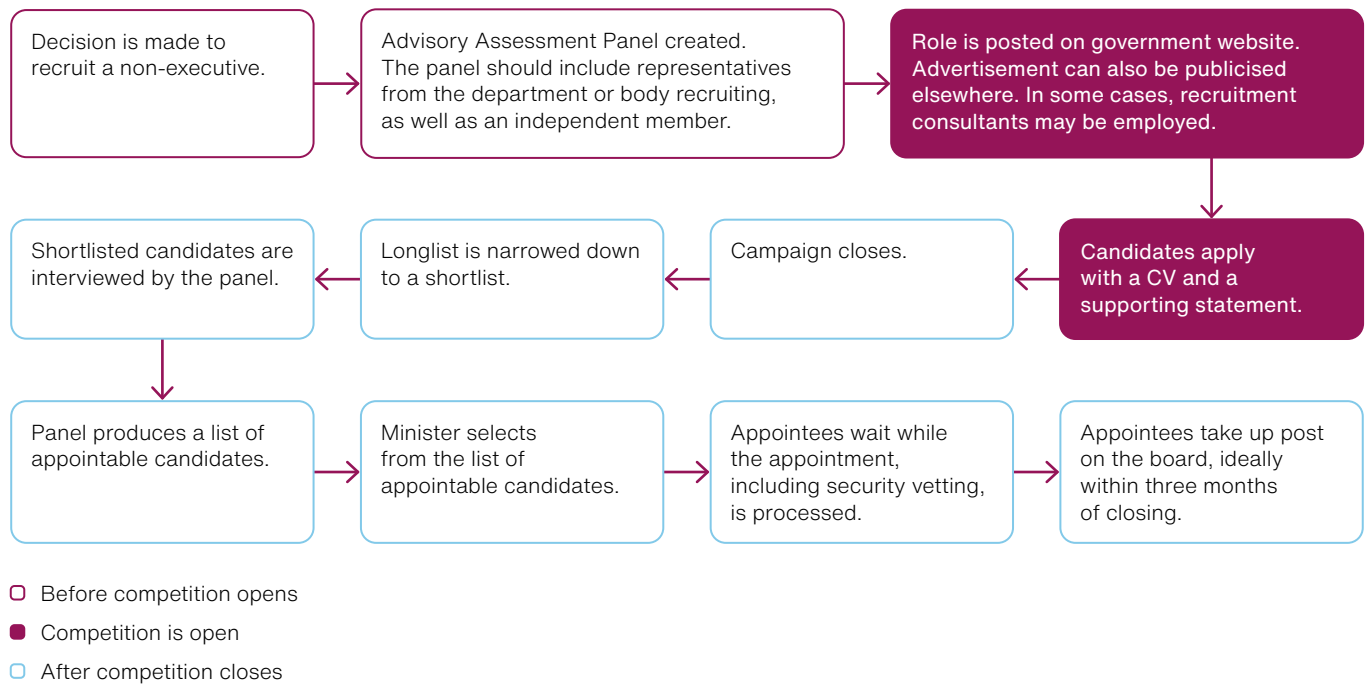
1.10 NEDs can be re-appointed to a second term on the board, although Governance Code for Public Appointments (the Code) states there should be no automatic presumption of re-appointment. The guidance also notes a “strong presumption” that public appointments should not extend beyond two terms or 10 years. For any re-appointments beyond two terms or 10 years, the Commissioner for Public Appointments must be notified. In practice, Cabinet Office is also generally consulted in such cases. Public bodies and departments are expected to follow a rigorous process for re-appointments, including consulting ministers about the requirements, assuring the candidate has received satisfactory performance appraisals, undertaking due diligence into the candidate up for re-appointment, and asking the candidate to update diversity monitoring information. Government guidance notes that departments should hold forward looks 24–36 months in advance. A NED appointment may be for only three years, which means officials have to begin planning for the next campaign almost immediately after the conclusion of the previous campaign.

1.11 Ministers can extend appointments when necessary, but guidance makes it clear that extensions should not be used as a substitute for a re-appointment. Extensions are expected to be short (less than 12 months) and are to be used only in exceptional circumstances, such as to cover a period where a body is being abolished.

Figure 3

The process of appointing a non-executive director

The Governance Code for Public Appointments says that the process of making a regulated public appointment should conclude within three months of the campaign closing



Notes

- 1 This is not a comprehensive list of all steps in the process, but a simplification intended to show key stages.
- 2 Some appointments are required to follow different steps, as laid out in legislation.
- 3 All regulated appointment campaigns are required to have an Advisory Assessment Panel. Each panel is unique to a particular campaign.
- 4 A campaign can be extended beyond its originally listed closing date to allow for more applications.
- 5 According to the Governance Code, ministers must be consulted at each stage of the process.

Source: National Audit Office analysis of the Governance Code for Public Appointments and interviews about the process

Roles and responsibilities

1.12 Public bodies, departmental teams, ministers, Cabinet Office, and the Commissioner for Public Appointments all have distinct roles and responsibilities when it comes to public appointments (**Figure 4**).

Figure 4

Respective responsibilities for public appointments

Ministers, the Commissioner for Public Appointments, Cabinet Office and departments all have prescribed roles and responsibilities when it comes to public appointments

Ministers	Commissioner for Public Appointments	Cabinet Office	Department or arm's-length body
<ul style="list-style-type: none"> ✓ Responsible to Parliament for appointments. ✓ Consulted at every stage of the process. ✓ Choose appointee from list of appointable candidates. 	<ul style="list-style-type: none"> ✓ Provides independent assurance of the appointments process. ✓ Consulted about all exceptional appointments. ✓ Publishes annual report about state of appointments. ✓ Acts as an advocate for diversity. 	<ul style="list-style-type: none"> ✓ Owns the relevant Order in Council and the Governance Code for Public Appointments (the Code). ✓ Owns applicant-tracking system used for all regulated public appointments. ✓ Collects data on regulated public appointments and publishes an annual report. 	<ul style="list-style-type: none"> ✓ Departments must have a team with expertise on appointments process. ✓ Runs the campaign to find a candidate. ✓ Determines the Advisory Assessment Panel. ✓ Assures the Code is followed. ✓ Communicates with candidates.

Note

1 This is not a comprehensive list of roles and responsibilities.

Source: National Audit Office analysis of the Governance Code for Public Appointments

1.13 The time that a NED is expected to commit to a role varies, as does the remuneration that they will then receive. We were told that remuneration is often below private sector benchmarks and that this hinders the recruitment of some candidates. A review of role advertisements shows that many require 15–30 days per annum and pay £7,000–£25,000 per annum. However, some arm's-length bodies follow different patterns. For instance, a post on the BBC board advertised in autumn 2023 requires two days per week and pays £38,000 a year (equivalent to 104 days per annum at approximately £365 per day). Meanwhile, a NED on the Leasehold Advisory Service Board would expect to receive £360–£500 per day, depending on the specific role, for two days per month (equivalent to £8,640–£12,000 per annum for 24 days per annum).

Ministers

1.14 Ministers are ultimately accountable to Parliament for the appointments they make and are therefore given opportunities to input at every stage of the appointment process (**Figure 5**). The Code mandates that ministers be consulted before a competition opens to approve the role description. Ministers must also agree how the post will be advertised and how the selection process will be run. If departments want to use recruitment consultants, they must secure ministerial permission as well as sign off from Cabinet Office.

1.15 The Code also states that ministers should have the opportunity to meet with the recruitment consultants and request updates. Ministers must also approve the members of the Advisory Assessment Panel and the panel must update ministers throughout the process. As the competition closes, ministers should be consulted about whether the competition should be extended. Ministers can choose to delegate responsibility for appointments to the appropriate body, although this should be agreed with Cabinet Office and the Commissioner for Public Appointments, which publishes these delegations on its website. As at November 2023, only two such delegations are currently on the Commissioner's website.

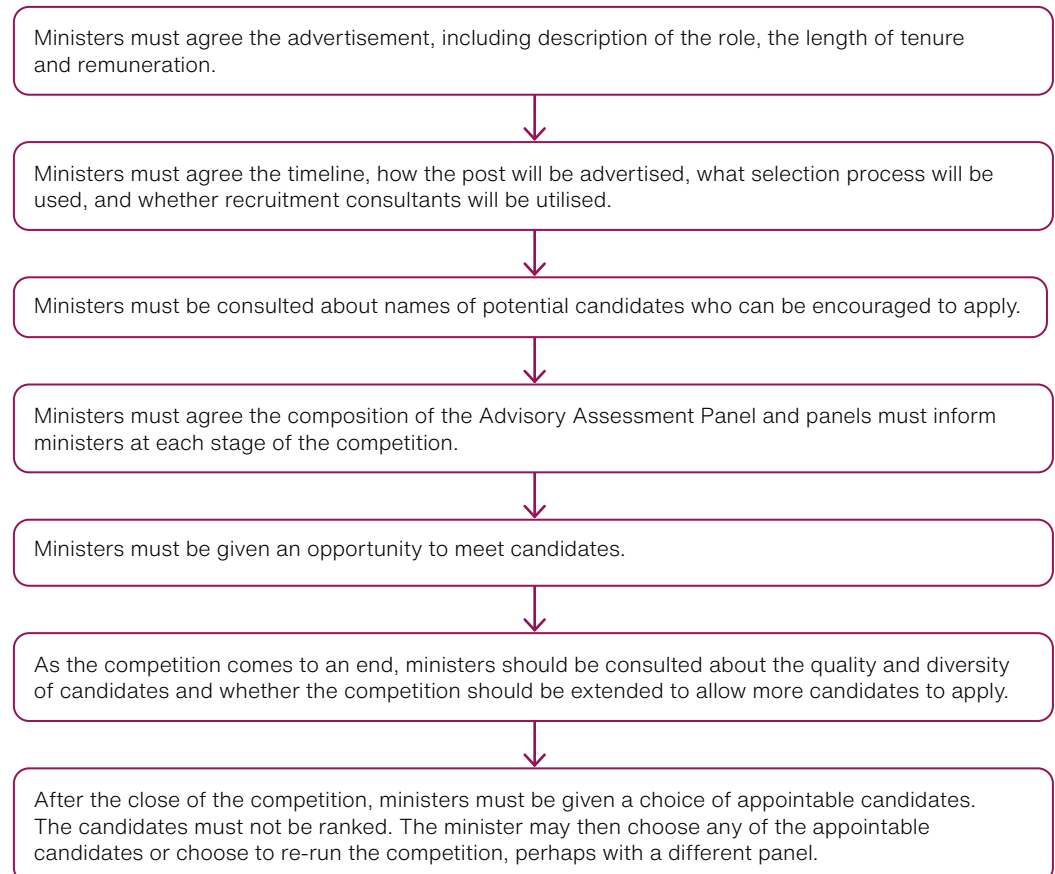
1.16 Ministers have final responsibility for appointing a regulated NED. At the end of the process, ministers should be provided with a list; this should not include rankings of preferences, unless specifically requested by a minister. Ministers may then choose to appoint any of the appointable candidates or re-run the competition. Ministers may also choose to appoint someone who was not on the appointable list but are required to consult the Commissioner for Public Appointments before doing so. Since the Code was published in 2016, ministers have not appointed anyone who had not been deemed appointable.

1.17 It is also possible for ministers to appoint a candidate without a competition. Section 3.3 of the Code allows ministers to make such appointments to regulated bodies. Before making a direct appointment to a regulated body, ministers must consult the Commissioner for Public Appointments and publicly justify their decision. The Commissioner's 2022-23 report noted 42 such appointments in England and Wales, only four of which were for more than a year. These appointments differ from 'direct ministerial appointments', which relate to appointments to unregulated roles. Those unregulated, direct appointments are usually to short-term, advisory roles. Before making such an appointment, departments should consult the Prime Minister's office.

Figure 5

Ministerial involvement in public appointments

As ministers are responsible to Parliament for public appointments, the Governance Code for Public Appointments calls for them to be involved throughout the process

**Notes**

- 1 The Governance Code for Public Appointments mandates that ministers be consulted at each stage of the public appointments process.
- 2 If recruitment consultants are used, ministers should be offered the opportunity to meet with them and share their views at each stage.
- 3 Ministers have the power to appoint someone who is not deemed "appointable" by the Advisory Assessment Panel although that has never been done since the Governance Code for Public Appointments was published in 2016.
- 4 Ministers may decide to appoint a candidate without a competition.

Source: National Audit Office analysis of the Governance Code for Public Appointments, December 2016

Departments

1.18 Departments are expected to ensure each appointment process complies with all relevant legislation. The Code requires each department to have a central team of experts on appointments, although the size of those teams varies significantly. At the end of each regulated appointment, the accounting officer or senior representatives must certify that the appointment was made in accordance with the Code. Departments are also expected to keep in touch with candidates, informing them of progress and key dates, and providing constructive feedback if their application was unsuccessful. Departments may employ recruitment consultants to assist with this work. The Code also lays out the expectation that departments should publish real-time data on the progress of appointments and conclude the process within three months of a competition closing.

Cabinet Office

1.19 While departments are primarily responsible for appointing their own NEDs, Cabinet Office has a role in providing oversight and support. Cabinet Office's Propriety and Ethics Team owns the Order in Council, which sets out the bodies that are regulated, and the Code, which lays out requirements for regulated appointments, including the role of ministers, departments and the Commissioner. The Order in Council and the Code are updated from time to time. The Order in Council on Public Appointments was last updated in 2023, while the Code was last updated in 2016. Cabinet Office does not get involved in every appointment, but the Code does state that departments can consult Cabinet Office about the Code. The Code also states that departments should check with Cabinet Office before using recruitment consultants.

The Commissioner for Public Appointments

1.20 The Commissioner for Public Appointments is tasked with providing independent assurance that appointments by ministers to the boards of public bodies are made in accordance with the government's Principles of Public Appointments and the Code. Not all of those appointments are NEDs. The Commissioner has oversight for the regulated appointments in 337 government bodies and offices in England and Wales, according to his 2022-23 report. In the past, the Commissioner's office has audited a sample of public appointments each year, reviewing the documentation to ensure that required procedures had been followed. In 2023, they trialled a new approach, asking departments to complete a self-audit. The Commissioner is required to publish an annual report on the state of public appointments, which should track progress on increasing diversity. According to the Commissioner's annual report, there were 1,200 appointments, including re-appointments, in those 337 bodies during 2022-23. The label 'public appointments' covers a wide range of roles, including members of advisory committees, members of the Parole Board and the Chair of the BBC.

1.21 As set out in paragraph 1.17 ministers can appoint a candidate without a competition in some circumstances. They are required to consult with the Commissioner for Public Appointments and provide a reason why they are not following normal procedures. Historically, the Commissioner published details of such appointments on their website, along with letters from the Commissioner expressing their contentment with the appointment, but no longer routinely does so. Our review of these announcements shows that most are extensions to the term of an existing NED.

1.22 The Commissioner has several other responsibilities. According to the Code, the Commissioner must consider complaints made about the process, although they have historically received few, and may conduct spot checks if there are concerns about an appointment process. The Commissioner publishes the results of investigations into complaints on their website. The Commissioner is also empowered to conduct thematic reviews on different elements of the process. In the past, Commissioners have published thematic reviews into remuneration of public appointments and whether appointments are being made within three months of the closing date, which is the expectation. The Code also mandates that the Commissioner should be an active advocate for diversity, encouraging good candidates from a diverse range of backgrounds to apply for public appointments.

1.23 A list of significant appointments is agreed by ministers and the Commissioner. Those posts have the added requirement of a 'Senior Independent Panel Member' (SIPM) being included in the Advisory Assessment Panel. These SIPMs should be familiar with senior recruitment, the Principles of Public Appointments, and the Code. They should not be politically active. The SIPM has specific responsibilities to highlight any material breaches of the Code that occur during the appointments process. The Commissioner has been meeting with each SIPM to ensure that they are aware of their responsibilities and that they can contact the Commissioner if they have any concerns.

Select Committees

1.24 Many, although not all, of the significant appointments also require pre-appointment scrutiny from the House of Commons select committee that oversees the department making the appointment. In those cases, the select committee holds a session with the prospective appointee (after the minister has chosen from the list of appointable candidates, but before the appointment has been finalised) to verify that the recruitment meets the principles set out in the Code. Official guidance suggests that departments and bodies consult with the select committee early in the process, before the competition begins. After the select committee has met with the proposed candidate, they will issue a report to the appointing minister, who may or may not decide to proceed.

Part Two

Issues surrounding the appointment of non-executive directors

2.1 This part sets out:

- previous reporting by the NAO and others;
- experiences of non-executive directors; and
- analysis of current data and how they have been collected.

Issues previously identified by the National Audit Office and Parliament

2.2 The National Audit Office (NAO) and Parliament have previously reported on issues with the appointment of non-executive directors (NEDs) (**Figure 6**). In our 2021 report on central oversight of arm's-length bodies (ALBs), several ALBs expressed concern about significant delays in public appointments. We noted that delays in appointments were, at times, creating gaps on boards that undermined governance of ALBs. Our interviews with a sample of NEDs for this report also covered a number of these issues.

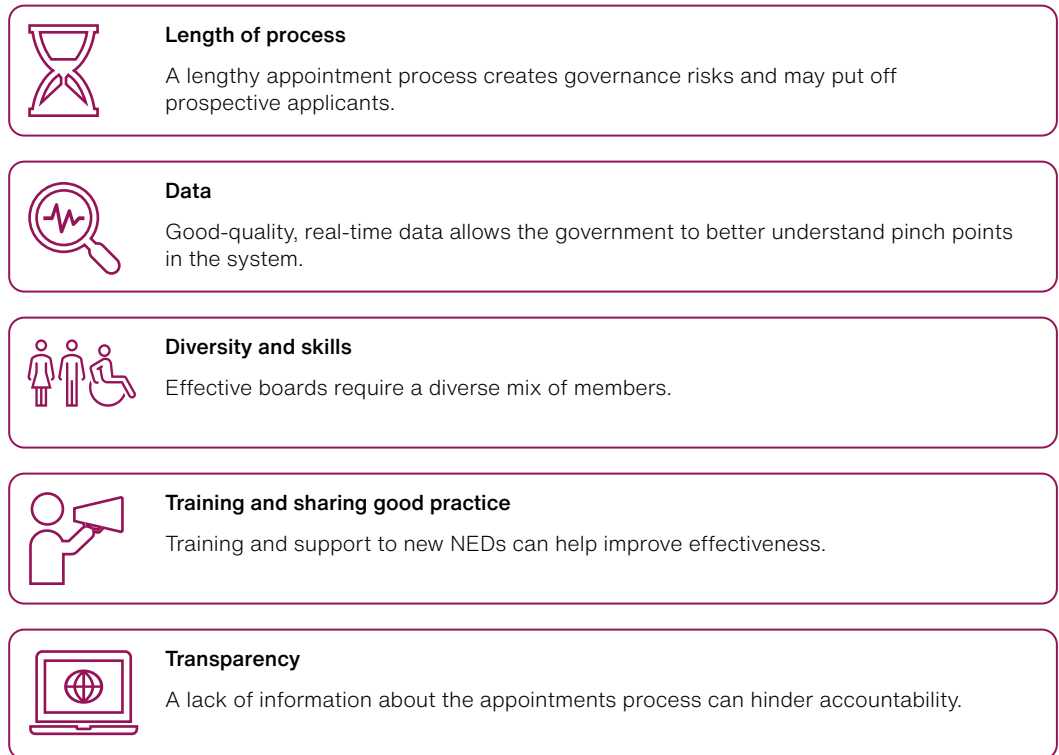
Length of process

2.3 Until 2023, Cabinet Office collected data on appointments once a year, so it did not hold real-time data on delays. The annual data collection did provide some information on dates when the advertisements went live, when an appointment was announced, and when the person took up their post. It did not provide granular data about where and when delays took place. It did not record, for instance, how long it takes to receive approvals from the Prime Minister's office for appointments that Number 10 approves. The Governance Code for Public Appointments (the Code) states that appointments should be completed within three months of the competition closing.

Figure 6

Themes from our work on public appointments

These five themes emerged from our interviews with non-executive directors (NEDs) and previous work by the National Audit Office (NAO) and Parliament

**Notes**

- 1 The National Audit Office highlighted the importance of public appointments to the governance of arm's-length bodies in our 2021 report on *Central oversight of arm's-length bodies* and our 2016 report on *Departments' oversight of arm's-length bodies*.
- 2 Parliament has also previously reported on delays in public appointments, including the Committee of Public Accounts' 2016 report on *Departments' oversight of arm's-length bodies*, its 2021 report on *Government's delivery through arm's-length bodies*, and the Public Administration and Constitutional Affairs Committee's 2023 report *The Role of Non-Executive Directors in Government*.
- 3 During our fieldwork, we met with 10 current and former NEDs.

Source: National Audit Office analysis of previous reporting and fieldwork interviews

2.4 Using Cabinet Office’s 2022-23 data, we found that on average it took 203 days from a competition closing to an appointment being announced on the previous website.⁴ The Code sets out that the aim “should always be to conclude the process within three months of a competition closing”. Only 7% of appointments were completed within three months. Nine took more than a year to complete, with the longest taking more than 400 days. We found that 2022-23 was not unusual, and a similar pattern can be seen in the past two years.

2.5 The Commissioner for Public Appointments has previously investigated why appointments are not being completed within the prescribed three months. In 2019, the Commissioner published a thematic review on the subject, noting that most delays occurred between interview and announcement, but that there were many different reasons for such delays. The review also noted frequent delays at the interview stage due to panel members being unavailable.

2.6 We spoke to several current NEDs, former NEDs and chairs about their experience with the appointments process. Views varied, with many expressing frustration at the process and others describing it as excellent. A number of interviewees noted that ministerial involvement can delay the process, and that ministerial churn can also delay appointments, although there are no data to quantify this impact. In general, they compared the process unfavourably to the private sector process for appointing NEDs. Some warned that the slow pace of the public appointments process deters prospective applicants, creates gaps on boards, and causes applicants to drop out and take a private sector post instead. They expressed concern that this could deprive the government of a diverse range of high-calibre NEDs.

2.7 The Committee of Public Accounts expressed similar concerns in its 2016 report. It noted that delays in the public appointments process create risk for effective governance of ALBs. It found that delays were lengthy and burdensome, and might put off good candidates. In its follow-up report in 2021, the Committee noted that the public appointments process did not give confidence that it is efficient, transparent and fair. It noted the risks the process posed to transparency and accountability. It called on Cabinet Office to ensure that data are collected on diversity statistics and the length of time that appointments take.

⁴ This analysis only covers new public appointments, not re-appointments or appointees remaining in post. This analysis focused on new appointments announced on the previous website by UK government ministers that were ‘open’ competitions, meaning those that required a pool of new applicants and a full selection and appointments process. For instance, it excluded re-appointments of people already in post, or temporary appointments made by ministers.

2.8 The Code states that there is a strong presumption that public appointments should not extend beyond two terms or 10 years. Those we spoke to told us that they either served a three-year term or a four-year term, with the possibility of re-appointment for another term of the same length. Some noted that three years did not seem like enough time, as the first year is a learning process and NEDs often did not develop any sense of expertise until the third year. While the Code is also clear that there should be no presumption of re-appointment, some of those we spoke to considered that re-appointment should be the norm, or it should be an option given to the chair or nominations committee.

Data

2.9 Historically, Cabinet Office has collected data from departments on public appointments for its yearly report. Departments were required to provide information about all regulated appointments on March 31 of a given year. 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. Because data were provided at the end of the year, they could not be used for real-time insights. As the data were produced and processed manually, errors and inconsistencies were common, and there were no real-time assurance checks to correct erroneous inputs. However, Cabinet Office has developed a new applicant-tracking system for managing the public appointments process, which it implemented in 2023. The data produced by this system should allow for much richer analysis in future (Part Three).

Diversity and skills

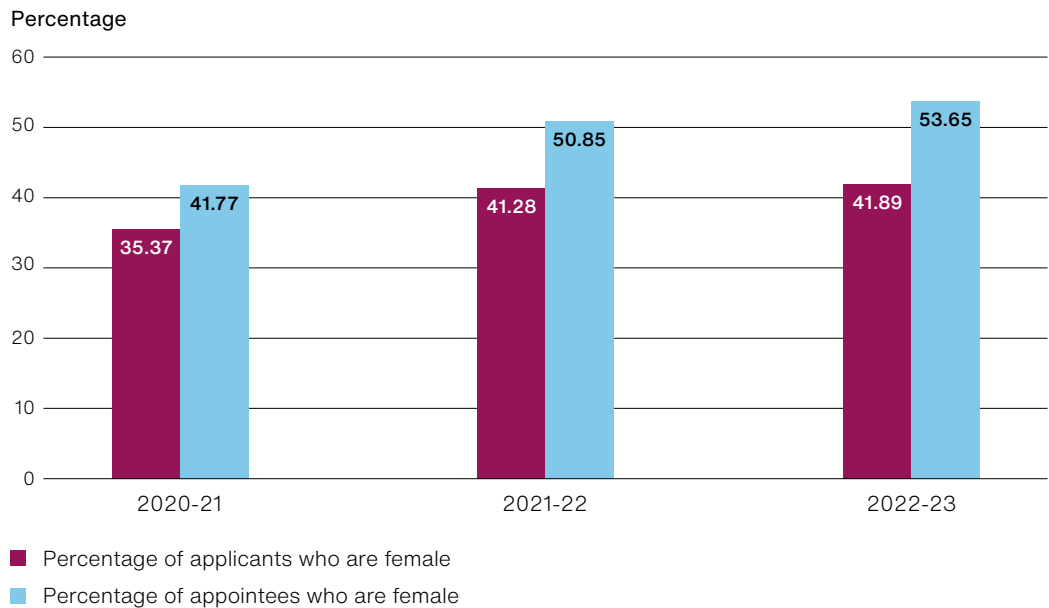
2.10 In June 2019, the government launched a Public Appointments Diversity Action Plan to focus on broadening access and improving the diversity and quality of appointees. This included a government commitment to increasing the levels of diversity among public appointments and has set ambitions for 50% of all public appointees to be female and 14% of all public appointments to come from ethnic minority backgrounds, by 2022. Cabinet Office's Public Appointments Data Report for 2021-22 reported that 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. Cabinet Office told us it has not yet set aspirations beyond 2022.

2.11 Our analysis of Cabinet Office's diversity data shows that around 42% of applications are from female candidates, and 53.7% of all public appointments made in 2022-23 were to female candidates (**Figure 7** overleaf).

Figure 7

Proportion of female applicants for, and appointees to, regulated public appointments, 2020-23

The percentage of new public appointments who are female has been rising



Note

1 This analysis only covers new public appointees in a given year, not re-appointments or appointees remaining in post.

Source: National Audit Office analysis of Cabinet Office data on public appointments

2.12 Over the past three years, consistently around 20% of applications have been from candidates who identify as from an ethnic minority. In 2021-22, 16.8% of public appointees identified as being from an ethnic minority although this figure dropped slightly in 2022-23 to 14.6% (**Figure 8**).

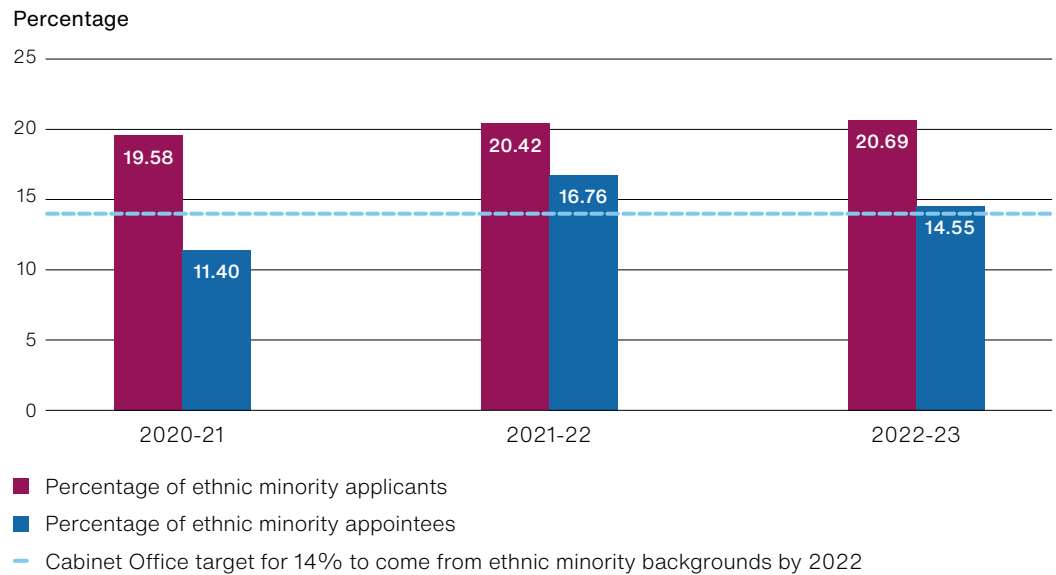
2.13 The majority of applicants and appointees are over 55 years old. Around 3% of appointees are between 25 and 34 years old, and 2% are between 75 and 84 (**Figure 9** on page 28). The distribution of applicants and appointees by age has been similar for the past three years.

2.14 Among the NEDs we spoke to, there was a general feeling that their boards are diverse. They asserted that the Commissioner for Public Appointments, the Government’s Lead Non-Executive, and the Minister for the Cabinet Office are all firmly committed to increasing diversity in all its forms, including regional diversity and diversity of thought. However, the Public Administration and Constitutional Affairs Committee’s 2023 report expressed concern about a drop in female representation and the lack of data available about other types of diversity.

Figure 8

Proportions of applicants for, and appointees to, regulated public appointments who identify as from an ethnic minority, 2020-23

In 2022-23, 14.6% of new public appointees identified as from an ethnic minority

**Note**

1 This analysis only covers new public appointees in a given year, not re-appointments or appointees remaining in post.

Source: National Audit Office analysis of Cabinet Office data on public appointments

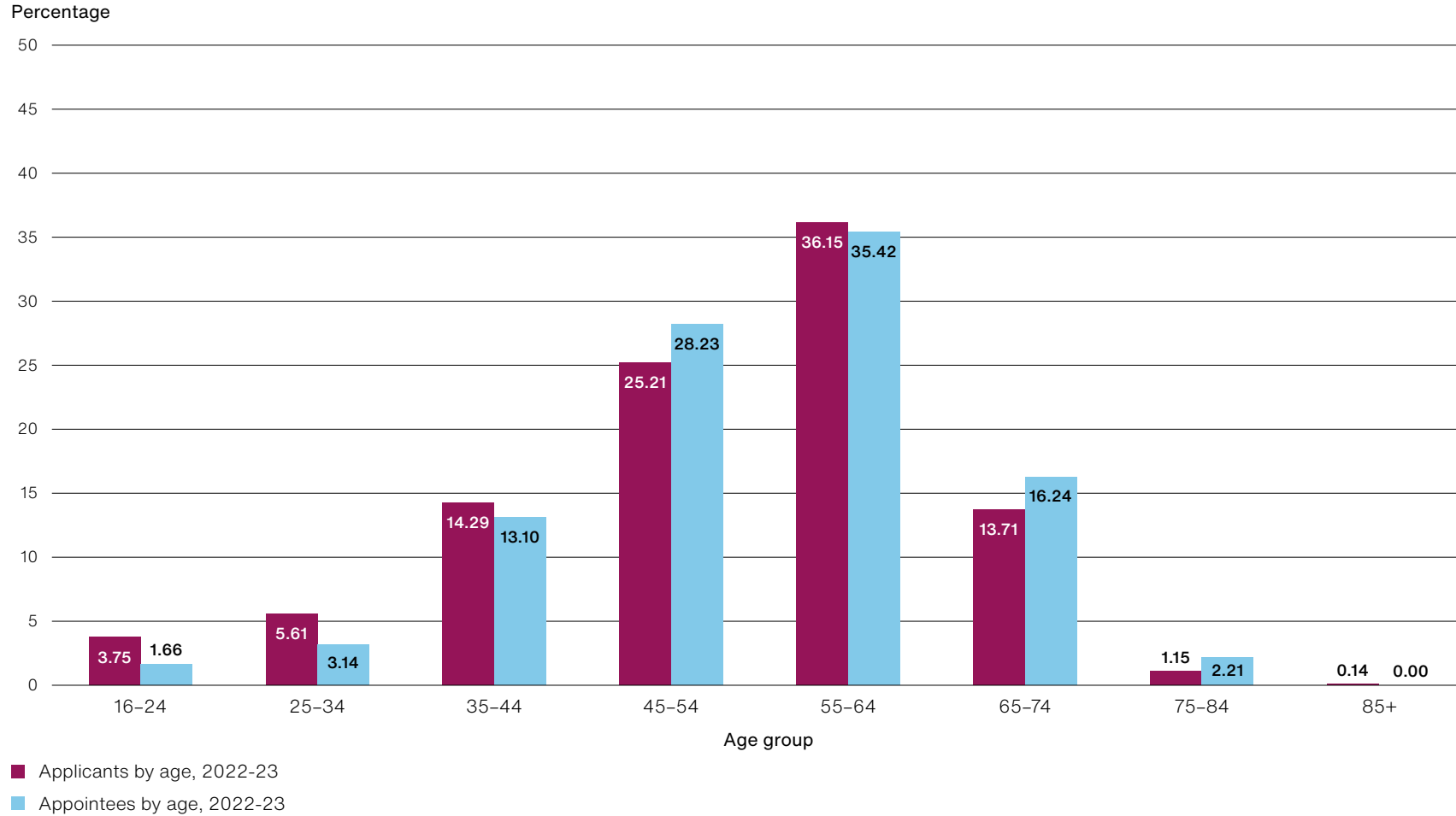
2.15 Our interviewees emphasised the need for boards to have a complementary set of skills. While some skills, like risk and people management, may be necessary on all boards, certain organisations may require specialist skills or experience in particular sectors. By ensuring the board contains members with these different skill sets and experiences, the chair can receive the best advice from the board, and board members can learn from each other. Some of those we spoke to explained that executive search firms provide a useful function, particularly when specialist skills are needed.

2.16 Cabinet Office, while recognising the usefulness of executive search firms in certain circumstances, considers other methods can be used to generate high-quality candidates for NED roles. For example, we heard that the Department of Health & Social Care (DHSC) develops its own talent pipeline using the services of an external organisation. The Department for Transport (DfT) has sought to learn from recruitment consultants by inviting them to serve secondments in the department and offering to let DfT employees shadow recruitment consultants to learn about their approach.

Figure 9

Percentage of applicants for, and appointees to, regulated public appointments by age range, 2022-23

The majority of applicants and appointees were over 55 years old



Note

1 This analysis only covers new public appointees, not re-appointments or appointees remaining in post.

Source: National Audit Office analysis of Cabinet Office data on public appointments

Training and sharing good practice

2.17 Most of our interviewees agreed that it was important to provide support for NEDs, particularly those less experienced who were learning the role or how to operate in the public sector. Some talked about the importance of induction and training while others emphasised mentoring schemes. Those we interviewed also had different opinions about who should offer the training, with some calling for centralised training by Cabinet Office and others asserting that it should be left to departments to provide more tailored training that introduced the NED to their particular organisation.

2.18 Some interviewees emphasised the importance of bringing NEDs together to share knowledge and good practice. UK Government Investments told us it does this for all the NEDs working for the government companies in its portfolio, and it is useful. The DfT brings together NEDs from its public bodies as well. Michael Jary, the Government Lead Non-Executive, also hosts an annual meeting for government NEDs. Those we spoke to would welcome opportunities to bring NEDs together from across government to share their knowledge and experience.

Transparency

2.19 The Public Administration and Constitutional Affairs Committee's June 2023 report on departmental NEDs, *The Role of Non-Executive Directors in Government*, expressed concern about the lack of consistency, accountability and transparency surrounding NED recruitment for departmental boards. The report noted that departments are not consistently providing information in the public domain about the process for appointing NEDs. The report included a recommendation that all departments be required to publish a GOV.UK news story within four weeks of an appointment being made, detailing the recruitment process (including whether the role was publicly advertised), the selection process, and the appointee's suitability for the role. It further recommended that the Corporate Governance Code be updated to include a standard set of skills and qualities deemed desirable to undertake the role of a departmental NED or lead departmental NED, rather than express a preference for individuals from specific sectors.

2.20 The report also discussed the ways in which departments manage real or perceived conflicts of interests among their NEDs. The Committee recommended that registers of board members' interests be published on GOV.UK and updated every six months. The Committee also called for the Lead Non-Executive to monitor departments to ensure conflicts of interest are being properly managed.

Part Three

Efforts to improve the appointments process

3.1 In this part of the report, we look at recent developments with the public appointments system, including:

- Cabinet Office's new data system; and
- other areas of focus, including the government's efforts to improve recruitment and support for new non-executives.

Cabinet Office's new data system

3.2 In 2023, Cabinet Office launched a new, centralised applicant-tracking system that consolidates the selection process for all regulated public appointments and some unregulated appointments (**Figure 10**). The centralised system also makes it possible for Cabinet Office to collect richer, real-time data on the appointments. While it has been fully functional since April 2023, no non-executive director (NED) appointment had been completed through the system as of November 2023. 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.

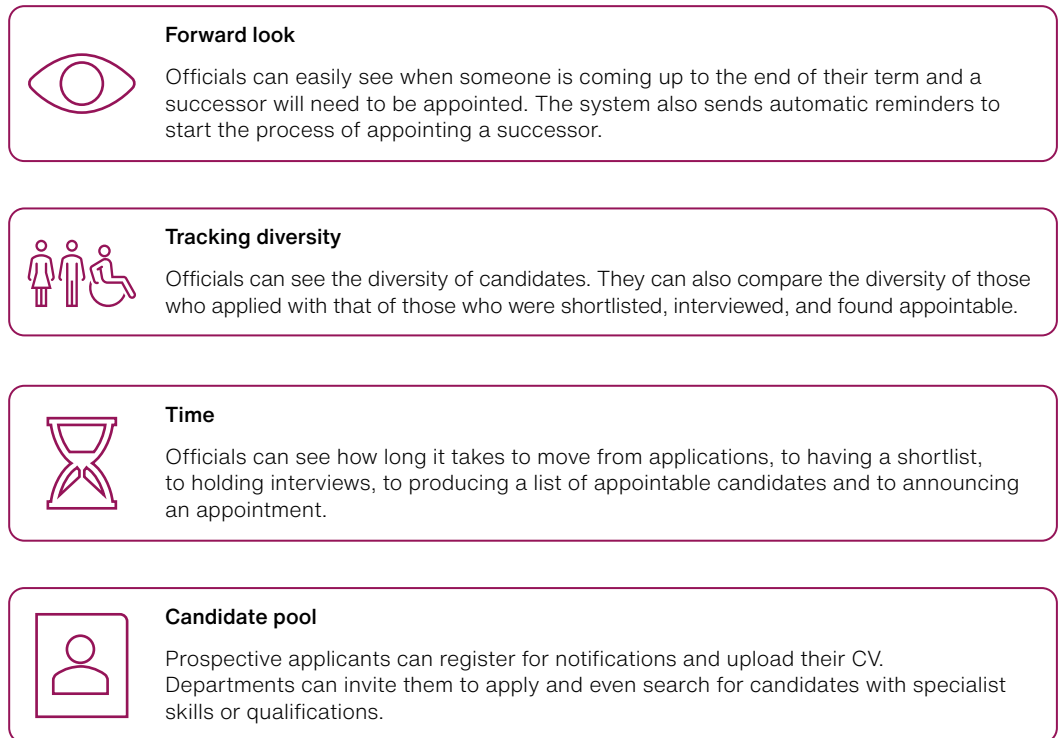
3.3 Applicants who are interested in a public appointment can scroll through advertisements from departments and arm's-length bodies. Clicking on a post brings up further details, including the expected timeline for the appointment, a description of the role, a person specification, and information about the application process and terms of service. The system automatically generates much of the content, about things like pension and redundancy, but departments can edit the text if they prefer. For most posts, applicants can then apply online through the portal, uploading their CV and supporting statement.

3.4 The recruiting body (usually a department) is expected to manage the entire process through the applicant-tracking system. After viewing the applicants, officials can look at potential conflicts of interest, create a shortlist, provide details on the advisory panel, designate appointable candidates, and confirm which candidate has been chosen. The system will keep detailed records of each step of the process. The system is also designed to provide reminders to departments when a post is coming up for renewal, messaging up to 18 months in advance to say that a new campaign should be launched.

Figure 10

A new applicant-tracking system for public appointments

Cabinet Office has rolled out a new applicant-tracking system that offers improvements in four areas

**Note**

1 A new applicant-tracking system has been fully functional since April 2023.

Source: National Audit Office analysis of interviews and Cabinet Office data

3.5 The new applicant-tracking system can provide Cabinet Office with real-time data. Cabinet Office officials can see which campaigns are soon to open, currently open, and closed. They can generate a forward look, seeing which openings will be coming up, which previously required manual returns from departments. If departments use the system in real-time, as expected, government officials will be able to track how long it takes to move from the application stage to sifting, from sifting to interview stage, and from interview stage to appointment. This should allow both the appointing body and Cabinet Office to have a better idea of how long campaigns take and where the bottlenecks are, and to notify ministers of delays, where or when candidates might drop out, and which campaigns fail to fill the required posts. 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.

3.6 The system also collates diversity data for every applicant. It requires applicants to engage with diversity monitoring fields. Although applicants can click “prefer not to say”, Cabinet Office told us that the system generates far more consistent diversity data than before. Officials can also sort the data, breaking the data down into categories such as applied, shortlisted, found appointable, and appointed. By doing so, one can compare the diversity of all applicants with the diversity of those shortlisted or those designated appointable.

Improving how Cabinet Office uses data

3.7 Cabinet Office told us that it expects the new applicant-tracking system will help it to identify where delays occur and generate insights into how it can further improve the process. If departments use the system as intended, Cabinet Office will be able to see where and when there are delays. It will be able to generate reports for ministers that show timeliness of campaigns. Cabinet Office would also be able to generate new metrics and key performance indicators based on the data available, and set realistic targets, backed up by data.

3.8 The system can also help the government to keep track of its available candidate pool (**Figure 11**). In creating an account, interested parties can be contacted about future opportunities unless they opt out. So far, around 9,000 people have chosen to be contacted about future opportunities. The system can automatically message those who sign up for alerts for particular roles, thereby generating potential applicants. Government officials can also use the search feature to check CVs and supporting statements to see if people have a certain academic qualification or experience in a certain professional role. As all applicants are asked to provide a postcode, it is also possible to search for applicants based on geographical location. This system should therefore allow public bodies to invite interested individuals to informational events for relevant openings in their area, and to apply for suitable posts, reducing the need to use recruitment consultants.

3.9 However, such insights will only be possible if public bodies and departments use the system as intended. Cabinet Office told us that a number of organisations are still running the process outside the system and then entering data into the system after the fact, instead of in real time. As of November 2023, 261 roles had been advertised on the system, 27 campaigns had been completed, 18 people had been appointed, and complete time data were only available for two appointments. It would be expected that more appointments would have been completed during that time. For comparison, the Commissioner reported 624 appointments in 2022-23. Our review of the data confirmed that some data were being entered after the fact. Basic errors in data entry, such as inverting dates, also 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 and monthly training for new users. Until more departments are using the system as intended, Cabinet Office will not be able to maximise the usefulness of the new system.

Figure 11

Headline data from the candidate pool for public appointments

The applicant-tracking system holds data on thousands of prospective applicants

**Note**

1 As of 21 November 2023, 8,884 people had registered in the candidate pool. Some people have set up alerts for adverts but have not provided their CV or personal information.

Source: National Audit Office analysis of Cabinet Office data from the applicant-tracking system

3.10 Cabinet Office is also still determining how to use the data that the new system generates. It plans to develop dashboards to use with departments, showing their performance data. While the new applicant-tracking system offers significant opportunities, Cabinet Office needs to develop processes to use this data effectively. It is currently in the process of hiring a digital specialist and establishing plans for maximising the benefits of the new system.

3.11 While the system should allow for better monitoring of length of time and diversity of candidates, it is not clear that it will aid with considering the quality of candidates. Cabinet Office hopes that, by being able to directly access a pool of potential applicants, it will be better placed to match those with appropriate skills to relevant opportunities across government. Departments will have to actively use the system's advanced functions to maximise its usefulness.

Other areas of focus

3.12 Cabinet Office told us that it has strengthened its outreach to encourage people to apply for public appointments. It told us it has increased efforts to attract people from a wide range of sectors including the private and voluntary sectors, but also veterans and disabled groups, drawing on existing non-executive director networks among others. The new applicant-tracking system allows prospective applicants to register for alerts based on location, skills or sector. In addition to using the new applicant-tracking system, Cabinet Office is using LinkedIn and local media to publicise opportunities. Cabinet Office has also organised in-person events in Darlington, Exeter and Edinburgh. Additionally, the government is running a Boardroom Apprentice Programme whereby people with no previous experience on boards can serve as an observer on a board for a year (**Figure 12**).

3.13 The Government Lead Non-Executive, Michael Jary, has publicly announced his intention to “develop a talent pipeline for high quality non-executive candidates” with “different perspectives, skills and experience”. He told us that the government has been making progress but there is more work to do, particularly in terms of increasing diversity and improving the candidate experience.

3.14 The Cabinet Office public appointments team has created a series of training videos to educate officials in departments and arm’s-length bodies (ALBs) about the public appointments process. These videos cover a range of topics, including the Governance Code for Public Appointments, what the Cabinet Office public appointments team does, forward planning, the use of executive search firms, senior salary approvals, and pre-appointment scrutiny. The training provides a useful overview of rules and procedures that must be followed and where officials can find more information.

3.15 The Cabinet Office public bodies team has also done work to ensure individuals taking up posts as NEDs receive induction training. When someone is inducted as a NED, Cabinet Office brings them in for a day of training. The training covers the Code of Conduct for Board Members of Public Bodies and expectations of public appointees, including the importance of declaring conflicts of interests and avoiding inappropriate lobbying. 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. In general, we were told, larger departments who have lots of ALBs are more likely to have a more extensive training offer. Cabinet Office does not require departments to offer this additional training.

Figure 12

The Boardroom Apprentice Programme

The programme helps people with no prior experience serving on a board gain the necessary knowledge and experience

- ✓ Anyone who is over 18 and has no prior board experience is eligible.
- ✓ 60+ host boards (including government bodies and charities) host a Boardroom Apprentice for a year.
- ✓ Boardroom Apprentices participate (but do not vote) in board meetings and are provided a buddy who can support them before and after meetings.
- ✓ Boardroom Apprentices attend eight structured learning days, which cover topics such as governance, legal responsibilities and finance.
- ✓ After the year, Boardroom Apprentices are expected to apply to serve on boards.

Note

1 The programme is not funded by the apprenticeship levy and is not accredited.

Source: National Audit Office analysis of interviews and data

Appendix One

Our audit approach

Our scope

1 This report provides an overview of the process for appointing non-executive directors (NEDs) to government boards. It considers previously identified issues with the appointment process and recent efforts to address those issues. It does not consider the use of NEDs once they are appointed or address the topic of board effectiveness.

Our evidence base

2 Our evidence collection and analysis for this report took place from August 2023 to November 2023.

Document review

3 The document review took place throughout the study period and included documents such as Orders in Council, the Governance Code for Public Appointments, the Cabinet Office's annual report on public appointments, the Commissioner for Public Appointments' annual report, Cabinet Office guidance, departments' annual reports, advertisements for NEDs, and announcements regarding exceptional appointments.

Interviews

4 We interviewed officials at Cabinet Office who work on public appointments, including those responsible for propriety and ethics, public appointments, and public bodies. We also interviewed a representative from the office of the Commissioner for Public Appointments. To understand the role of departments, we spoke to officials from the Department for Transport, the Ministry of Justice, and the Department for Health & Social Care. We spoke with officials from UK Government Investments to understand the process of appointing NEDs to the boards of government companies. We also spoke to 10 current and former NEDs about their experiences, including the government's Lead Non-Executive.

Data analysis and limitations

5 We analysed data that Cabinet Office holds on NED appointments. This included data collected about public appointments in each of the past three years. We focused on producing descriptive statistics that would help to illustrate the landscape of NEDs across government, focusing on the open applications of new applicants and appointees, to align with the focus of our reporting on the appointment process. We also used the dates included in the data to calculate time elapsed. To calculate the time elapsed between campaigns closing and appointments being announced, we used the datasets that Cabinet Office recommended for us. We cleaned the datasets by excluding erroneous entries where dates did not match within the financial year of reporting and excluded entries with missing time data. To be consistent with our diversity analysis, we only analysed new, open, completed appointments made by UK government ministers. Available data from the new applicant-tracking system were limited, as no NED campaign had yet been completed through the system when we were engaging in fieldwork.

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