

## **UKGI Board Evaluation**

### **Headlines**

The Board was, in effect, a merger between two pre-existing Boards with very different roles. It is relatively new – three years old. Overall, after a good deal of thought and change in the way it works, it is widely seen as an effective Board concerned with important and difficult issues which engages with its business seriously and professionally. The Chair is seen to be hugely committed to his role and to be doing a very good job. The Board members like and respect each other and get satisfaction from their roles. The taxpayer gets good value from the input of the individual members of the Board both in Board meetings and outside, especially on corporate finance issues. On governance issues, the role is developing positively and there is plenty of opportunity to go further here. It is therefore not surprising that the suggestions for improvement are relatively minor and in most instances, build on change already made.

The role of the Board (in contrast to that of the Transactions Committee) is not easy to define given the complicated landscape in which it sits. Great progress has been made in clarifying this but most people think there is further to go to maximise the value it adds. A number of people are asking for even greater focus of the Board's time on fewer items where the Board can add most, and for continuous engagement between the NEDs and executives about this because of the constant changes to the UKGI portfolio and the turnover of executives.

The dynamics around the Board table are good. Some people think they could be even better if fewer people were in the room and if the air time were shared more evenly. There is agreement that the Board is very strong on financial and banking skills but would benefit from the addition of a broader range of perspectives especially from the industrial sector and greater experience of governance. As the evaluation was underway, two new NEDs were in the process of being appointed, addressing this point. Both are from commercial, not financial, backgrounds and have chairing experience in Government owned or regulated businesses.

### **Methodology**

This is a facilitated self-evaluation of the effectiveness of the UKGI Board, based primarily on non-attributable face-to-face conversations with all the Board members and a number of executives. A list of the people to whom I spoke is attached at Annex A. The interviews all took place between 5 and 20 March. I attended a Transactions Committee meeting on 14 March and a Board meeting, preceded by an Audit and Risk Committee meeting, on 21 March. I read the papers for these meetings and the minutes of the three previous Board meetings. In this report I have tried to represent accurately the flavour of what I have heard. I have indicated the weight of the views expressed and where this might be helpful, whether they come from the NEDs, executives or both. I have summarised the questions on which I think the Board should focus at the end.

### **The Board's Role**

UKGI has brought together in a Government company, wholly owned by Her Majesty's Treasury, the very different roles previously carried out by UKFI and the Shareholder Executive. The company's budget is small and its people are its most important asset. Its income comes from the taxpayer out of HMT's budget and from certain other departments as a contribution for work done with them. It looks after the Government's interests in 27 entities and has relationships with 10 Government Departments. The mix of these entities is constantly changing (as described in a Board paper for the March meeting) with the weight shifting away from the financial services sector and from transactions, to the governance of arms-length bodies in Government ownership. The range (in terms of the nature of their businesses) is

very wide. UKGI is regarded as having high quality executives from both the civil service and the private sector. Although there is stability at the most senior level, there is a high turnover of executives which presents a number of management and cultural challenges.

UKGI is seeking to be the Government's centre of excellence in corporate finance and governance. The fact that it is a company rather than the arm of a Government Department helpfully gives it scope to do things differently from the civil service. "It should feel like a professional firm at the heart of Government."

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Against this background, the Board's role has not been easy to define. With significant input from the Chair and the SID, it has invested time and effort in this and in its modus operandi, both of which are set out clearly in the Board's Mandate. The functioning of the Board is seen to have changed fundamentally since its inception. It has both fiduciary and advisory roles. The former are relatively limited because of its size and the constraints on the degree of its self-determination. The Board has become very clear about the importance of managing the UKGI's reputational risks. As one NED put it "we need to avoid absorbing someone else's reputational risk by default". So it is now involved in defining the new mandates which the organisation takes on, their scope, and their success measures. More broadly it has a leadership role, giving the organisation air cover within Whitehall and Westminster and nurturing the highest quality skills and experience in its people, as well as advising on individual transactions (largely through the Transactions Committee) and the governance of its arms-length bodies.

## **The Use of the Board's Time**

The Board now meets 6 times a year (reduced from 8) for about 3 hours. It has Board dinners twice a year and has met once outside London. (The Board meeting prior to the one I attended had been held at Sellafield, involving an overnight stay and dinner the night before). It does not have its own Awayday although Board members are invited to attend the executives' annual Awayday. In addition, this Board is unusual in the amount of time which the NEDs give to the organisation's business outside Board meetings. Each of the independent NEDs has a range of arms-length bodies on which they take the lead and a number of them invest a great deal of time with the relevant executives, making an input to the key issues, in some cases taking on a mentoring role.

Prior to its formal business, the Board routinely meets new arrivals to UKGI for a mutual introduction over a sandwich lunch. The agendas for Board meetings now follow a clear structure and the meetings end with a 30 minute NEDs only session at which they review the meeting, the quality of papers presented and discuss succession and other sensitive issues. The Chair passes on any specific relevant comments immediately to the Chief Executive.

Considerable effort has been invested by the Chair, SID and Company Secretary in the last year or so in bringing more structure and rigour to the agenda, the papers and the risk register, which is used partly to determine the issues to be addressed by the Board. Everyone I spoke to thought that real progress had been made as a result of this work. There was a range of views about the current quality of the papers with some people saying there was further to go

in making the papers consistent in style and structure and in being disciplined in stating clearly what the Board was being asked to do; in ensuring that the executives did not repeat what was in the papers but confined themselves to brief introductions to help shape the discussion; and in focussing the agenda on a smaller number of the most significant issues on which the Board could add the greatest value. Some executives prefer to present slides rather than “dense” papers to the Board which, they believe, engages the Board more effectively. It would be interesting to know whether the Board would prefer to receive more material in that format.

The Chief Executive’s report is well received. It is considered to be open and honest. One NED commented that it should encompass, as a matter of course, all the significant current issues on UKGI’s agenda at any time, freeing the Board to focus its time on a smaller number of key issues.

One of the points which came up in almost every conversation I had was about how the Board could best add value to the work of UKGI either individually or together. Given the wide range of arms-length bodies and their key projects, it is not always easy to see how the NEDs can make a real difference to the work of the executives. A number of examples were cited (the **IRRELEVANT** and the steel crisis) where the input of individual NEDs, the Board as a whole or the Transactions Committee had changed the way the executives were thinking and brought a new perspective. This was more likely to happen where the NEDs spent time alongside the executives outside Board meetings. This engagement enables the NEDs to understand the substance of the issues themselves and the political context in which they are being handled and helps the executives understand what the NEDs can offer them and encourages them to open up rather than to defend their work. One person suggested that the NEDs might be asked routinely to open up any Board discussions on their areas of special interest, thus making more use of their understanding of these.

In terms of issues, there was an appetite for the Board to engage more with people and organisational questions given UKGI’s aspirations to be a centre of excellence, its relative youth and the challenges of the high turnover of executives. There was also an important discussion at the Board meeting I attended about how best to equip the executives to carry out their NED roles, something the Board would be well placed to frame and inform.

Most people thought the amount of time spent in the Boardroom was about right. One NED thought there should be more meetings; others, including some of the executives, thought there could be fewer. The NEDs value the time they spend together outside their meetings. The off-site at Sellafield was frequently mentioned by the NEDs and praised both for its content and the less formal engagement which the Board members were able to have with one another. It may be worth considering whether an annual Awayday (or one every other year) for the Board with the top executive team could be valuable, perhaps in place of one of the routine meetings.

#### **Board “Housekeeping”**

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Generally, the papers do come out on time but it can be difficult to keep up with papers coming out late or amended – better signposting would be helpful here.

### **How well does the Board work together?**

The Board is seen to be working well together. At the point of merger there had been two “camps” of NEDs who had had very different experiences on the two Boards from which they came and had different expectations. These have now been melded together. Attendance is good, apologies rare, people look forward to the meetings and members are fully engaged in the discussions. Board members value the NED only sessions at the end of each meeting.

The Chair does a good job at bringing out the different contributions from around the table while keeping to time. There is a good culture in the room. It is open, straightforward with no “politics”. The spirit of challenge is alive and well.

The financial and banking sector are well represented amongst the Board members. At the time I carried out my interviews, almost everyone mentioned the need for a wider set of skills and perspectives around the Board table, specifically from the industrial sector and on governance. These issues were being addressed – as mentioned under Headlines above - by the selection of two new NEDs for the Board both to replace Simon Palley who is leaving in May and to help smooth succession. Other suggestions made were for experience of regulation, the private equity perspective and people development and HR, and first-hand experience of running a government entity.

The attendance of the two Permanent Secretaries is universally valued for the perspectives which they bring and the way in which they connect the Board, and through it, UKGI, to Whitehall. It is completely accepted that they are unable to attend meetings in full because of the other pressures on their time.

The Board is considered to be quite big with 7 “independent” NEDs, including the Chair, the two Permanent Secretaries and the CEO. Several people mentioned that the Board could, over time, be reduced in size provided it reflected the right skills mix and diversity of thought needed to meet the changing demands of the UKGI’s mandate.

While the Board’s dynamics are seen to be good, three questions were raised with me in terms of improving this even further:-

First, both some of the NEDs and the executives raised the routine attendance of so many people in addition to the Board members themselves. I was told that at the very beginning there had been as many as 30 people in the room altogether. Now, there are fewer. At the Board meeting I attended, there were 8 or 9 executives in the room at any time, in addition to the Company Secretary, a note-taker and a senior adviser (former Deputy CEO) Anthony Odgers. Most of them stayed throughout the meeting, although there was some turnover for different items of business. Some said nothing.

The argument in favour of such a large attendance of executives is that it helps them do a better job by exposing them to the Board’s thinking and to each other’s work, thus countering the risk of silo working. Some Board members are relaxed about this but other people, both NEDs and executives, think that this is unhelpful as it reduces the airtime for Board members and can inhibit discussions. The better quality of discussion at Sellafeld where there were very few executives in attendance was cited by some Board members as an argument for thinking again about this.

Second, a small number of people wondered whether there was a risk of the Board being too “consensual”. The atmosphere is open and discussion can be robust. The gender balance of

the Board is good (people are keen to maintain this) but its diversity in the broadest sense is quite narrow. This will change to some degree with the appointment of new NEDs but it would be worth keeping an eye on this as the Board continues to develop.

Third, most people think that everyone has a good opportunity to contribute, something which has improved since the Board began. “There are no blushing violets here”. But a number, both NEDs and executives, mentioned that individual contributions were unevenly balanced and those with “softer” voices did not always get the same air time as their colleagues, especially on conference calls. The Chair watches for this and some of the NEDs help to manage it but it may be that more could be done by everyone on the Board to ensure that no-one is crowded out by too many rapid fire interventions.

### **Board engagement outside meetings**

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### **Engagement with external stakeholders**

UKGI has a large and complex set of stakeholder relationships. The Board has stepped up its game in terms of its Client Relationship Management. Many people commented on the great contribution which the Chair makes to this, meeting and gathering feedback from Permanent Secretaries and other key stakeholders around Whitehall. Each senior executive is now a “relationship manager” for at least one Department and there is an annual review of these which has led to a greater transparency in these relationships. Further work could usefully be done on how the impact of UKGI can be measured.

The Board reviews its relationships with major Government Departments on a rolling basis and these discussions are seen as valuable. One person suggested looking at the use of UKGI’s time as a whole to see whether it was spending the right proportion of this on the right issues and to keep this under review as mandates change – “where are the dogs that don’t bark?”

One of the NEDs suggested that more guidance for them on their role here would be helpful – how involved should they be directly with their assets and what input would the assets themselves value?

## Board Committees

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**The Audit and Risk Committee** was created from scratch and is regarded as playing a useful role.

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**The Remuneration Committee** is chaired by Caroline Thompson and meets twice a year. Again, it is seen to play a valuable questioning role within the parameters set by HMT.

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**The Nominations Committee** is chaired by the Board's Chair. It keeps NED and executive succession under review, as was evident at the time of this evaluation in the recruitment of two new NEDs discussed in the private NED only session at the end of the Board meeting. One or two NEDs questioned whether the Board as a whole should spend more time on executive succession given the churn within UKGI.

**Key Questions for the Board to consider**

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

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Alice Perkins CB  
16 April 2019

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## Annex A

### **List of people interviewed.**

Chair Robert Swannell  
Deputy Chair James Leigh-Pemberton  
SID Jane Guyett  
Jitesh Gadhia  
Robin Lawther  
Simon Palley  
Caroline Thomson  
Permanent Secretary BEIS Alex Chisholm  
Permanent Secretary HMT Charles Roxburgh  
CEO Mark Russell  
Deputy CEO Justin Manson  
Candida Morley  
Ceri Smith  
Rob Razzell