



Cabinet Office



UK Government  
Investments

Guidance

# **Board effectiveness reviews: principles and resources for arm's-length bodies and sponsoring departments**

Published 11 April 2022

---

Contents

ALB board effectiveness review (“BER”) principles

Externally facilitated board effectiveness reviews



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gov.uk](mailto:psi@nationalarchives.gov.uk) GRO

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://www.gov.uk/government/publications/arms-length-body-boards-guidance-on-reviews-and-appraisals/board-effectiveness-reviews-principles-and-resources-for-arms-length-bodies-and-sponsoring-departments>

# ALB board effectiveness review (“BER”) principles

The overarching principles that should underpin the BER are:

- A BER must provide a robust review of the board’s effectiveness - including whether it has the structure, processes, people and performance to deliver. It must consider how it interacts with the executive and stakeholders, and whether respective roles are clear. It must involve feedback and perspectives from outside the board and consider best practice elsewhere;
- A BER should focus on both outcomes and behaviours;
- In deciding the scope of the Review it is recognised that ‘no one size fits all’ for ALBs. However, ALBs should be comfortable in explaining why they have not complied with this guidance if they deviate from it;
- The department and ALBs board should work together to implement its recommendations; and
- BERs should consider, and be considered by, any ALB review that has been undertaken or is proposed for the body.

Detailed principles on the process are as follows.

## Preparation, including ‘who’ is responsible for delivery

### The chair

The chair must lead the BER and has overall responsibility for the process. If relevant, the BER should involve the senior independent director (SID) [\[footnote 1\]](#) and other NEDs as appropriate. The chair should consider ways to obtain feedback from the ALB’s employees and other stakeholders on the performance of the board.

### The Sponsoring Department

The Sponsoring Department must be provided with a copy of the of the proposed scope of the review, and given an opportunity to feed into the scope and process of the review as appropriate. However, they should not seek to substitute their own views, or role, for that of the board.

## Frequency

The chair must conduct a BER annually and ensure that BERs are externally facilitated every three years (see below).

## Content

The scope and areas of focus should be appropriate to the specifics of the ALB. No one size fits all.

Areas which must be considered as part of the annual review include:

- How the board and its committees support the Accounting Officer in meeting the requirements set out within [Managing Public Money](https://www.gov.uk/government/publications/managing-public-money) (<https://www.gov.uk/government/publications/managing-public-money>).

Areas which may be considered as part of the annual review include:

- The overarching culture and tone set by the board. Clarity of, and leadership given to, the purpose, direction and values of the ALB;
- How the board has appropriately considered whether the ALB's policies and actions support Ministers' strategic aims;
- The quality of relationships between all board members and its relationships with the ALB's stakeholders. In particular, relationships between the executive and non-executive members, the board and its sponsoring department and Ministers;
- How the board communicates with, listens and responds to, its organisation and other stakeholders;
- The composition of the board and its committees; including the balance of skills, experience, knowledge, and diversity (including diversity in its broadest sense, i.e. diversity of place);
- Processes for identifying, reviewing and managing risks;
- Succession and development plans;
- Progress on the implementation of recommendations made in the last annual review;
- Quality of the general information provided on the ALB and its performance, in particular KPIs used;
- Evidence that the board is using high quality performance data to assess whether outcomes and KPIs are being achieved, and how the board is challenging whether the data it is provided represents best practice;
- Quality and timing of papers and presentations to the board;
- Quality of discussions around individual proposals and time allowed. The process the chair uses to ensure sufficient debate for major decisions or contentious issues - including how constructive challenge is encouraged;

- Effectiveness of board committees, including their Terms of Reference, and how they are connected with the main board; and
- How the board's practices, relationships and cultural norms compare with other ALBs / best practices.

Further advice on the scope of reviews, and key areas to cover, can be found in the [Guidance on Board Effectiveness \(pdf, 412 KB\)](https://www.frc.org.uk/getattachment/61232f60-a338-471b-ba5a-bfed25219147/2018-Guidance-on-Board-Effectiveness-FINAL.PDF) (<https://www.frc.org.uk/getattachment/61232f60-a338-471b-ba5a-bfed25219147/2018-Guidance-on-Board-Effectiveness-FINAL.PDF>) from the Financial Reporting Council.

## **Post-appraisal activities**

The chair must:

- Ensure there is full transparency of both the BER process and the outcome between the organisation and the sponsor department;
- Ensure the processes and findings of the BER are included in the ALB's Annual Report and Accounts; and
- There is a clear programme of follow up actions and a plan to implement them.

The chair and senior sponsor must ensure findings from the BER are considered in NED and chair appraisals.

## **Externally facilitated board effectiveness reviews**

### **Why**

An external review allows the board an opportunity for candid self-reflection, which can be difficult when the board is undertaking the review itself. An external reviewer may call upon wider best practice to support the review.

### **When**

Must take place at least every three years. Boards should be willing to undertake an externally facilitated review outside of this cycle as appropriate, such as if there are special circumstances that might warrant an outside opinion.

## Who

The chair should commission an external individual or organisation to undertake the external review. This could include asking an experienced NED or chair from a different ALB to undertake the review.

There may be a case, by exception, for the sponsor to take a more direct role in the review, i.e. if there are concerns about the chair's performance.

[Read the framework for providers who may offer BERs \(https://www.crowncommercial.gov.uk/agreements/RM6188:4/lot-suppliers\).](https://www.crowncommercial.gov.uk/agreements/RM6188:4/lot-suppliers)

## Content

An external review is typically more detailed than an internal one, with greater focus on specific issues e.g. relationships and behaviours.

## Post-appraisal

The chair must:

- Ensure there is full transparency of both the BER process and the outcome between the organisation and the sponsor department;
- Ensure the processes and findings of the BER are included in the ALB's Annual Report and Accounts;
- There is a clear programme of follow up actions and a plan to implement them;
- Ensure findings from the BER are considered in NED and chair appraisals; and
- Make the final report available to the senior sponsor, the Principal Accounting Officer (PAO) as well as relevant Ministers.

- 
1. Senior Independent Directors (SIDs) serve as a sounding board for the Chair and act as an intermediary for other directors. More information on the role of a Senior Independent Director can be found from the [Institute of Directors \(https://www.iod.com/news/news/articles/What-is-the-role-of-the-senior-independent-director\)](https://www.iod.com/news/news/articles/What-is-the-role-of-the-senior-independent-director). Not all boards will have a Senior Independent Director.

---

**OGI**

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright