Board Effectiveness Review

July 2023

Final Report

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# Executive summary

This report sets out the findings of the review of the effectiveness of the Board of the National Institute for Health and Care Excellence (NICE) carried out by the consultancy Campbell Tickell.

NICE is a non-departmental public body established under the Health and Social Care Act 2012. It is an arms length body of the Department of Health and Social Care (DHSC). Its role is to improve health and wellbeing by putting science and evidence at the heart of health and care decision making.

Our review involved a desktop study of governance documents, a survey and interviews, and observations of a Board informal seminar and public Board meeting, and an Audit and Risk Committee meeting.

The review has found many strengths in the NICE Board’s effectiveness, including renewals of the NED and Executive teams that have brought fresh energy and dynamics into the boardroom; a commitment to effectiveness through ongoing learning and development; changes to the style and content of Board reporting; a leaned in culture from NEDs (e.g. participating in Programme Boards); solid work to improve the approach to risk management; and a (changed) well organised governance structure and cycle. There is also wide recognition of the quality of governance support that the Board receives.

There is a strong commitment to shared endeavour in how the Board operates, resulting in effective working dynamics and strong relationships between all Executive and NED Board members. With the support of an external consultant, the Board has engaged in several workshops focused on its development, treating its own learning and improvement as a priority. Peers are also vocal in their respect for the efforts of the Chair and Chief Executive (supported by governance staff) in re-designing many aspects of Board ways of working.

Our identified areas for consideration build on a solid foundation of good work that the Board has already undertaken, with a view to continuous improvement. The themes are:

* **The planning of Board time** – ensuring that sufficient time is afforded to the range of activities the Board needs to be ‘across’, including for example patient/user perspectives, the organisation's transformation and cultural challenges, as well as science and health technology and markets
* **Creating more time for reflection**, with a view to ensuring that the intellectual (and scientific) firepower of the Board is counterbalanced by space for reflection that is not paper-led, and perhaps deepening further the distinction between informal seminar and public Board meeting time to enable that to happen, as well as considering how to use the space between meetings to keep Board members updated
* **The inclusive nature of Board dynamics** – considering the balance of voices in the boardroom, ensuring that the unitary Board allows other voices into the room, including those of introverts, Executive Directors contributing as Board members, and the patient/user perspective
* **Risk management** – strengthening further the risk register and, consequently, drawing on ARC’s role to give the Board assurance that the controls on key strategic risks are effective, and the whole Board engaging in a refresh of the risk appetite framework.

# Introduction and context

NICE is a non-departmental public body established under the Health and Social Care Act 2012. It is an arms length body (ALB) of the Department of Health and Social Care (DHSC). Its role is to improve health and wellbeing by putting science and evidence at the heart of health and care decision making. It is a requirement of Cabinet Office guidance that ALBs undertake an external Board effectiveness review every three years.

The current strategy runs until 2026 and is concentrated on transformation, including: rapid and responsive technology evaluation; dynamic, living guideline recommendations; effective guidance uptake to maximise NICE’s impact; and leadership in data, research and science.

The Board operates with a unitary model, whereby the Chief Executive and some other members of the Executive Team are members of the Board (the Health and Social Care Act 2012 places a requirement for NICE to have at least three but not more than five executive directors appointed by the non-executive directors, one of whom will be the Chief Executive). There are eight Non-Executive Directors (NEDs) on the Board and five Executive Directors. NICE’s governance structure comprises the following committees: Audit and Risk Committee (ARC); Remuneration Committee.

In the last few years, the organisation has made some important changes to its leadership and strategy. The Executive Team has undergone some renewal (with significant changes to Executive Director designations), and there has been a considerable refresh of Board members.

There is a challenging operating environment for all sectors and organisations post pandemic, with considerable macro-economic challenges, and many sectors experiencing shortages of specialist skills and recruitment/retention barriers in a labour market that has changed. The sector of health and social care has been under acknowledged duress for some time. There are also opportunities externally with exponential technology evolution, with perhaps an anticipation of more pace and breadth in respect of how data sets can bring insight. NICE is looking both to respond to and get ahead of these challenges with a programme of deep organisational transformation. We are fully aware that we find NICE in the midst of this change.

The review was conducted through a combination of a desktop study of governance documentation; a survey of Non-Executive Directors (NEDs) and Executive Team members (see the appendix for the trends arising from the survey); online interviews (including NEDs and Executive Team members, representatives of the DHSC, and a Board development consultant); and observations of meetings of the Board and Audit and Risk Committee. This report pulls together the findings from all of these activities (section 3), followed by a set of conclusions (section 4) and recommendations (section 5).

We would like to thank all those who participated in the exercise and David Coombs in particular for all of his help and support.

# Findings

Overall, we found that NICE operates sound, well thought through governance arrangements. The Board is effective against a range of measures as detailed below.

**Board leadership and duties**

As can be seen from the online survey charts, there is a high degree of confidence in the Board’s leadership and exercise of its duties.

From our review of documents, the governance framework and documentation are of good quality. The Standing Orders and terms of reference are clear and comprehensive, aligned with the Framework Agreement, reinforcing the powers of the DHSC and delegations to NICE.

From our qualitative research, we learned that the Board maintains a clear focus on strategic direction. There is a recognised need for change and an ambition for pace. NEDs said that they recognise and support the need to balance this with a realistic approach to what is achievable. The NEDs bring knowledge of the external environment and are keen to broaden Board discussions to consider future developments. In the informal seminar and public meetings, we experienced a Board that was highly strategic. The questions and conversation were conducted at a suitable level. In the public meeting, while agenda topics were mostly not directly related to longer term strategy, there was a good conversation about a project on environmental sustainability.

A number of interviewees feel that the Board does not devote enough attention to the patient perspective, and that patient voice and the user perspective appear under-valued, even taking into account that a couple of NEDs bring specific clinical/NHS experience. There has been a conscious attempt to increase the number of NEDs with an industry background (presumably to bring different and market-relevant skills to NICE and an external perspective), and discussions focus time on health technology and innovation. The concern that came up in some interviews was that there is less consideration of some of the more immediate concerns within health and social care, such as cost-effective care, preventative care, how to improve services offered, how to make social care guidelines more relevant, what an integrated approach means, and so on.

There were some concerns that “blue sky” future thinking may not fully embrace the current position of the organisation and its day-to-day pressures. An example given by several people was the recent Board focus on Artificial Intelligence (AI), in the context of an organisation which was described as ‘way behind in basic digital strategy’, with some struggling to make a connection between the discussion and its import for the plans of NICE.

We recognise that it is a responsibility of Boards to engage in horizon scanning. The comments were perhaps about giving sufficient weight to other considerations.

Suggestions put forward specifically about horizon scanning were:

* what is happening in the US and Asian pharma markets
* strengthened relations with international organisations like WHO and OECD and comparator institutions as part of the broader approach to business intelligence linked to a commercial strategy to diversify revenues beyond government grant
* The use of AI and how to translate that into insight into strategic foresight. This was described as a work in progress for NEDs and ET members to identify and manage the inevitable trade-offs.

**Integrity**

Nearly all survey statements regarding integrity met with unanimous agreement: that the Board is independent and behaves with political impartiality, upholds Nolan principles and observes Cabinet Office guidelines, appropriate processes exist for handling conflicts of interest and individuals understand them, there are clear policies for gifts and hospitality (only one respondent was uncertain of the policies), and there is no misuse of resources for personal or political gain.

NICE has a Register of Interests. A comprehensive policy (in line with good practice) on declaring and managing interests for Board members and employees is published on the NICE website, and was reviewed in January 2022.

A viewpoint raised in a couple of interviews was that the potential conflicts of interest for some NEDs could restrict their involvement in certain topics outside formal Board meetings. There is a clear approach in place to manage any conflicts should they arise.

The Whistleblowing Policy was last reviewed in October 2022. It includes the importance of raising concerns (with a range of means for doing so), sets out options for support and reinforces the importance of confidentiality. ARC is responsible for monitoring the effectiveness of the policy and makes clear all cases will be reported at a high level. No reference was made to whistleblowing in the ARC annual report.

**Decision making, risk and control**

From our document review, we have evidenced good quality reporting on the business plan and performance, transformation plan, annual report and financial statements. Regarding the Board’s line of sight into the organisation, KPIs and performance reporting were seen as greatly improved over the last couple of years, with a lot of work having gone into making these more clear and relevant, although there was a recognition that better management information is still needed (key messages risk being lost in the detail). The Board has good sight of overall performance through the integrated performance report (long but improving), which includes progress on a range of KPIs as well as the Transformation Programme, and “Spotlights” on areas not included within these.

In the informal seminar, the Board’s consideration of performance was evident throughout, with several future questions relating to the financial context. At the public meeting, members of the Executive team presented on each of their areas, with NEDs asking a number of relevant questions leading to further discussion on particular aspects. It was encouraging to see the degree of clarity and transparency in providing this level of performance information to Board members, which enables them to provide a high degree of oversight.

The online survey statements, supported by our interview findings, demonstrate that the majority of respondents see the Board as being effective in its exercise of decision making and ownership of risk, with good risk reporting also in place. The Chair of ARC is given credit for improvements, including the organisation of various workshops. A potential improvement that was raised would be to derive a clearer linking of corporate objectives/corporate plan to strategic risks.

From our perspective, the strategic risk register is reasonably well-presented with good content, and is clear on the future actions to get to target risk. The register does not include a gross risk rating, making it difficult to assess the extent to which the mitigations are reducing the risk. We understand that NICE is undergoing a ‘bow-tie’ review of the highest risks in a review of the strategic risk register to improve the definition of risks and inform deep dives.

There are 16 risks in total, which is a relatively high number for ARC and for Board review. Risks would benefit from being presented in order of severity of current risk score. The overall scoring of risk looks high on the current ratings, especially when viewed against target risk as all risks are outside target, some quite considerably. The mitigations and assurance column generally includes controls/actions with limited content on assurance, so we would suggest separating out controls and assurance into two separate columns to develop a stronger awareness of assurance and to strengthen assurance content within the risk register.

From our experience the Board is highly risk aware, and in our meeting observations NEDs and Executive staff refer to risk in their comments. A general portrait arising from our interview findings is of an organisation that is traditionally risk averse, but the Board has been encouraging an approach which is more tolerant, and there have been good discussions where a recommendation is acknowledged to have some inherent risk but the Board feels comfortable to accept it and mitigate the risk. There is also a view that the leadership team could go still further with doing things differently even if this means accepting (and managing) a degree of inherent risk, and this would help drive the organisation’s necessary culture change.

This position may inform some of the views about risk appetite. The online survey results demonstrate that just under one third of respondents – 31% – disagreed that *The Board is clear about its risk appetite across the range of NICE’s activities* though the majority agreed with the statement. The last structured work on risk appetite was undertaken in early 2022 and it may be beneficial to revisit the statement and the approach. At the informal seminar that we observed, there was some discussion about risk appetite in the context of transformation, with a ‘pre-mortem’ worst-case scenario consideration of tolerances of risk across certain areas – and that felt the right kind of balance of discussion to help inform a wider framework, with consideration also of stressor indicators (i.e. what are the red flags that NICE might see – by way of example – in the external environment if things are not well perceived).

While discussions about risk appetite are a live discussion in the Board, there is less confidence among NEDS that the spirit of these discussions cascades down to other staff.

**Board operations**

Generally, the design of Board work is viewed very positively – a sense of real, steady improvement came through.

There is a good level of capacity in the Board calendar. The 2023 schedule includes five public Board meetings, each preceded by informal seminar lasting about three hours, a private Board meeting to approve the accounts, two Board dinners, two Board development sessions and a Board strategy day. The 2022/23 meeting minutes show that the attendance of NEDS at Board and committees is good.

The change to a reduced frequency of Board meetings was generally welcomed, and most NEDs were able to engage with NICE in between Board meetings, through Programme Boards or 1:1s with Execs. However, there was also a feeling that the larger gap between meetings makes it difficult for the NEDs to keep abreast of what is happening in the organisation. One proposal was to have brief interim updates (while avoiding generating more work with papers and meetings). It would also be important at the end of a calendar year to reflect on how the changes have worked. There is a slight concern that with much fuller agendas there is less time for having space for broader discussions.

At all of the meetings we observed, attendees appeared well prepared and to have read the papers well in advance. Agendas were well planned, with a good range of topics. Papers were generally of a high quality, information was presented clearly, with effective visuals where appropriate.

As we understand it, Board seminars are more about testing, checking in, discussing, brain-storming areas a little bit, offering an update on key topics, and testing subjects/tone of messages with the Board in anticipation of an effective public discussion. At the informal seminar we observed, there was a slight risk that the Board was in reality entering into decision making (i.e. something a little stronger than steering or discussing), and we recognise that this is probably an area that is difficult to keep in balance (perhaps something for the governance team to remain alert to).

The split between informal seminar and public Board meetings was mostly seen as working as effectively as possible, given some unavoidable constraints. The seminars provide a valuable opportunity for deeper dives and broader discussions. The public Board meetings are accepted as slightly “formalised”, but there is a desire for them to be meaningful, with transparency of information presented, and a degree of healthy debate and challenge.

The public meeting was well-conducted, indicating a Board working well together. We acknowledge that it can be challenging to get these meetings right and to not create a slight sense of déjà vu. Given that this is a public meeting, the external impression is obviously important, and it is likely that any external attendees would have been impressed by the professionalism, openness and engagement of those involved.

There was not a lot of real challenge at this meeting and it is possible that this was just due to the nature of the agenda items. However, it is worth considering if the visibility to members of the public, and also to staff, could constrain more challenging discussions, and, if so, how this would be mitigated in case of an item requiring a harder conversation.

In terms of Board papers, there is positive feedback that the quality of papers has improved over the last couple of years. There is an increasing use of presentations, which is welcomed. Further evolution is to look to continue to reduce length and that this would set a good example within the organisation, where it was reported that lengthy reports are the norm.

Another suggestion for improvement is to craft better summaries and “asks” of the Board (essentially, crisper templates); one person commented that a lot is presented for approval or note but not many questions are posed by papers to the Board (we note that the informal seminar did pose questions in some of the presentations, but these were not always strictly addressed in the ensuing discussions, though one might take the view that the discussions captured the spirit of the topics). At the public meeting, the header pages outlined the purpose of each paper and what action was required of the Board. However in practice this did not always follow through to the discussion, as for some items the conversation appeared to lose a little focus as to the main purpose of Board input. (The exception was the item on NICE Listens, where some specific questions were included in the presentation, which was beneficial.) We note that in the online survey a quarter of respondents disagreed that Board papers are well structured and concise.

It may help for planning purposes and to avoid rushing items in meetings to include suggested timings for each agenda item (to help people manage their own expectations of contributions). The public meeting was a hybrid one; the technology worked well and a roving camera enabled those on-line to see each speaker clearly. Interestingly, the informal seminar followed more or less the same set up of seating as the public meeting, and this may also be an area for future consideration – whether different styles of working can unlock slightly different ways of contributing. For example, we heard an Executive view that they may submit a paper but then are not often leading the discussion.

The committees were seen to work well, with regular reports from the Chairs to the Board. ARC in particular was seen to be highly effective. However, there was a query about the fact that the independent member of ARC, who is not a full Board member, is the only one with relevant financial experience, and whether their contribution is limited by the fact that they are not up to speed with all aspects of the organisation.

There was praise for the work of the governance team, and we note from the survey results in the appendix (see D9) unanimous agreement (with two-thirds strongly agreeing) that there is effective governance support in place.

*Committees*

Audit and Risk Committee. Overall, from our meeting observation we would conclude that ARC operates as an effective committee, indeed among the best we have observed. It takes its role seriously and is keen to add value as the organisation goes through a transition. There is a good mix of skills and working styles on the committee, a very effective Chair, and a positive working relationship with the Executive.

ARC agendas are well structured and in line with the Terms of Reference, and minutes are generally of a good quality. There is a well-structured, comprehensive forward work programme, the committee receives a good range of assurance on internal control and compliance matters.

A clear ARC focus has been on improving risk management, particularly the clarity of the risk register (of which there is periodic review) and risk definitions. The committee undertakes deep dives on the highest rated risks, with external input (for example on cyber security).

The committee has periodic private meetings with the internal and external auditors and reviews their performance annually. There is appropriate oversight of external audit planning.

The committee has taken steps to improve risk management, with persistent follow up on control weaknesses or incidents.

In terms of internal audit, the committee is engaged in review of the Annual IA programme which includes a Year 2 timeframe. There is a positive position in relation to the implementation of IA recommendations. Results from IAs indicate that the internal control environment needs to be strengthened, with most results at ‘Moderate’, and limited assurance for contract management due to poor compliance with the procurement framework and business continuity. We note that the IA work will be targeted at areas needing improvement, and we saw evidence of good ongoing follow-up by the committee on Limited Assurance audits.

There is a financial accounting performance report at each meeting, which appears to be a review against key financial indicators and management accounts. Quite a bit of time was spent on the financial report (30 minutes compared with the 10 allocated on the agenda) compared to other areas in the meeting we observed, and much of this was operational detail that could have been taken outside the meeting. The report provides details of NICE’s performance against its financial duties (expressed as KPIs), describes key features of the main financial statements (I&E and balance sheet) and outlines by exception financial accounting performance, in this case focusing on aged debt and the losses and special payments register.

The terms of reference for the Board say it is responsible for financial oversight specifically and ARC’s roleis to review *the adequacy and effectiveness of NICE’s governance arrangements*, in particular those relating to ‘the use of resources and internal financial controls” (as one of a number of areas). So, ARC’s role is not one of broader financial oversight but the more traditional role of testing that adequate governance and controls for finance are in place via internal and external audit processes.

Some of the content would have been useful background information for ARC’s role in signing off the financial statements (particularly at year end), but it may be that this report should be there in other regular ARC meetings only as a ‘for information’ item to provide that background.

We would support the move to involve the wider Executive so that the committee is less reliant on the CEO’s contribution.

A few potential improvements would help develop ARC even further. The meeting took 3 hours. There is perhaps a need to relook at agendas, increase the pace and move away from the detail in places to keep the meeting to no longer than 2.5 hours. We note, however, that the May meeting has a volume of year-end material to process.

Remuneration Committee (RemCo). We examined RemCo agendas for July 2022 and February 2023. Items were in line with the Terms of Reference (ToR) and included approving individual salary levels for Executive and senior manager roles as well as the annual pay award, consideration of salaries following an Executive restructure, and a review of the ToR. There was no evidence of an annual review of the committee’s effectiveness.

In interviews we heard that the RemCo discussions have been hugely helpful to senior staff and there was positive feedback about the style and approachability of the Chair.

**Board culture and dynamics**

Board meetings are chaired well, there is the space for everyone to contribute, and all members treat each other with respect and courtesy. There is a suitable balance between challenge and support.

Some respondents did feel that they would welcome hearing more from some of the NEDs and the same people are inclined to lead a lot of the discussions; there is also a risk that some NEDs focus more on their own areas of interest while missing “the bigger picture” for the organisation; however, no-one felt they were not given the opportunity to contribute. In the online survey there was some disagreement that everyone contributes well at meetings. The point was made that some people are more extrovert or introvert in their personality predispositions – so it was not a criticism as such, more a reflection of the psychometric considerations of Board composition.

In the informal seminar and public meeting, Board members and senior staff worked well together; NEDs displayed courtesy and respect in their questions and comments, and Executives responded openly and non-defensively. Positive feedback was given throughout the meeting, including to the other staff members who presented papers. The discussions were generally quite free-flowing, with all NEDs contributing at some point in both meetings, and appearing confident to provide their own thoughts and insight as well as asking questions.

The Chair was very effective at leading both the informal seminar and public meetings. At the public meeting it is possible that some topics would have benefited from a slightly clearer summary at the end, ensuring that any arising actions were clearly agreed, but she ensured everyone was able to speak, facilitated good conversations, and appeared supportive of the CEO and other Executives. In the informal seminar, she was adept at drawing and inviting appropriate people to contribute to the discussion, and there was a good spirit of alignment between the Chair and CEO in how they moved the meeting forward, with each sometimes summarising where the debate had reached.

In our interviews we heard some aspects about the NED and Executive culture of the past, which suggested a difficult relationship, but these predate the current Chair and CEO. From the present perspective, there is a clear cultural position at NICE that the NEDs and the Executive team constitute the Board, and that there is no distinction from their perspective between voting and non-voting Executive staff (though some Executive staff were confused at the time of the interviews about who belongs in which categories – this has since been resolved we understand and indeed was being formally ratified at one of our observed meetings).

It was stated that there is a conscious intent for all members of the Exec Team to be able to contribute to the same extent in meetings, whether or not they are Board members, and most people felt this is mostly the case. Most (but not all) of the Exec Team also felt that they act as a team, representing the whole organisation rather than just their department. In the observed informal seminar, some did contribute in the round and some spoke only in the main to their portfolio. There was less roundedness of contributions than the interview feedback would lead us to believe.

There is a recognition of the need for continued team-building for Board members, especially in light of challenges in spending social time together. The Chair had arranged some meetings to help members to get to know each other better, but it was suggested to us that more needs to be done on this.

There is a lot of positive feedback about the Chair and she is generally viewed as someone of great intellectual ability and verve. An overwhelming majority of survey respondents gave positive ratings for her being adroit in fostering constructive challenge and allowing time for debate at meetings (see D6 in the appendix), and we note that there was unanimous agreement in the survey in relation to the Chair and Chief Executive working together. In the Board meeting we observed the energy, agility and quality of challenge that she brings to discussions.

Areas for reflection are about how to balance the neutrality of her role versus bringing others in. She could for example consider holding her contribution back a little until others have spoken and consider making some slight adjustments to meetings to create space for others to all bring themselves into the room. In some respects, the Board dynamic is still bedding in and everyone can offer feedback on how to optimise the talent in the room.

We heard how hugely generous NEDs are with their time, supporting programmes, projects and leveraging their expertise in one-to-ones with the Executive staff. There have been a lot of pulls on NED time. One NED who had missed a number of ARC meetings had been tied up in appeals meetings. ‘*We do it because we really care about NICE*.’ NEDs also feel rewarded by the changes they see, whether new hires or initiatives moving forward.

The Board has good contact with the Transformation programme. The programme is encouraged to report progress accurately (versus a historic organisational tendency for upwards reporting to be over-optimistic) which has led to setting clear expectations about likely challenges which will be faced, and the Board is supportive of this. There are Programme Boards for each major initiative, which two NEDs attend, and is quite a commitment of time. The culture is one of listening, reflecting and challenging – and not getting too directive. The involvement of NEDs in Programme Boards was generally seen as effective; there was an acknowledgement of the risk that this could lead to less visibility at the general Board level, and this is mitigated by good reporting back, with both Executive and NED members of the Programme Board contributing to this.

There is a fine balance not to get too operational as Board members are drawn into the organisation outside Board meetings, but NEDs seem to generally manage boundaries effectively.

The Executive feel positively challenged and supported by the Board. There is also a very positive feeling within the Executive about their own energy and dynamic: ‘*really humming’*, ‘*really nice people who are all right behind the same common purpose – which is unusual and really good’*. ‘*It’ll be tested as things get bumpy*.’ Some of this sounded like a considerable sea-change that has been effected by the current CEO. She has brought encouragement for the Executive to be more of a team and more unified as well as thinking about how they work with the NEDs. We heard many positive comments about the CEO’s style and determination to drive change from both NEDs and Executive staff.

There is a recognition of the significant culture change needed for the organisation to remain successful: that it needs to become less hierarchical, with individuals feeling empowered and supported to take appropriate risks. We heard that people do feel psychologically safe to challenge each other in the boardroom.

The Board is supportive of the CEO’s plans and also recognises the challenges that this brings – for example, there has been a conscious acknowledgement that staff survey results will get worse before they get better. Some of the NEDs lean in to internal challenges through their involvement with Executive team members outside the Board meeting, and this is appreciated. There remain however some comments that the Board as a whole does not engage very actively in discussions on organisational change (or other internal challenges). This may be due to NEDs’ confidence in the Executive team’s handling of these areas, or reluctance to appear to be interfering in operational matters, but we learned that some Executive Directors would value more input on what are key concerns for them. We view this as a question of designating the balance of time rather than the Board being uninterested in the culture and how process change plays out.

*Diversity*

As can be seen from the online survey results in the appendix, there was unanimous agreement from respondents that NICE sees diversity as an integral aspect of Board effectiveness and incorporates this in its ways of working.

We would suggest that it is helpful to broaden out the consideration of diversity to inclusion to reflect on how the boardroom and ways of working are managed and designed in a way that means everyone can fully participate as themselves (this of course is a challenge that all Boards face). This would help to address some of the feedback discussed as part of Board culture and dynamics.

**Board effectiveness**

It is clear that the Board has been very focused on a developmental journey to foster Board effectiveness, spurred perhaps by a change of Chair and CEO, and six new NEDs being onboarded in one tranche. There has been a conscious transition from a more ceremonial style of governance – more ‘perfunctory’ was one description, through the bedding in of enthusiastic new joiners, towards something different now. Strategy away days and informal Board development sessions have been helping to build relationships and bringing the Executive more into contact with Board skills.

The development sessions were focused on creating a shared language and frames of reference, building emotional resilience, and developing a Board that leans into the organisation and follows through. It is clear that they were landmark in their nature. We learned that they have turbocharged the Board, and that it feels very different now, with much more working together without any sense of division. While collaborative, it is still a challenging and directive Board looking to secure transformational change.

We note that this section of the online survey attracted the highest levels of uncertainty across the survey sections. For example:

* *There is an effective induction programme for new Board members* (44% uncertainty).
* *Board member appraisals are periodic, rigorous, and challenging* (44% uncertainty).
* *Succession planning for Board members in order to feed into the appointment process, is effective and forward looking* (69% uncertainty).

[However, the first two points may simply reflect that the Execs were not all aware of the NEDs’ experience, which was generally positive as detailed below (and as we know all NED members have had an appraisal this year, with all documents signed off and returned to the DHSC).]

Induction. There are differences in the experience of induction between those members who joined in a large tranche and others who arrived solely as an individual appointment. (The large tranche was not by design but a result of the public appointments system, which resulted in a loss of corporate memory for NICE.)

A suggestion was for more written materials and training on core areas in NICE work in HTA and guidelines. There is a need to set out an understanding of NICE’s activities (more context and more detail) before being introduced to Executive leads.

Induction for new NEDs was, however, generally seen as good and positively received. Members of NICE had been helpful, supportive and approachable, although not all NEDs had had the time to take advantage of everything offered. Similarly, there was a lot of access to ongoing learning and development opportunities, while largely leaving it up to the individual NEDs to arrange this. There is some mandatory online training.

Appraisal. The appraisal process was agreed to be light touch and reasonable, based on objectives and honest feedback.

The Chair’s regular 1:1 meetings with each Executive Director were also seen as helpful and valuable.

Succession planning and skills. None of the respondents were aware of how NED succession planning is undertaken. There did not seem to be a clear process for agreeing skills gaps or the types of experience (and personality) which would benefit the Board, although the Remuneration Committee TOR have been revised recently to include responsibility for Executive succession planning.

While we understand the limitations and constraints of public appointments, we still believe it is important that Boards are explicit and analytical about their needs. This has clearly been undertaken at one level, but at this stage of the Board’s development it may be valuable to have a full Board discussion about how to enhance the collective skills and experience in future. The (internal) Board Effectiveness Review included a question in the survey on whether the Board had the right skills which resulted in an action to target experience in integrated care at the next Board recruitment opportunity (no recruitment has been undertaken since that decision and we understand in any case that this is a difficult skill set to recruit for).

The Board has a strong skills profile. The NEDs were almost universally seen as highly experienced, well-qualified and intelligent, who make valued contributions within and outside Board meetings. This nature of the cohort was also recognised as bringing some challenges. The degree of knowledge and experience could potentially be seen to be intimidating and to stifle debate or inhibit some types of contributions. A few people mentioned the need for a broader type of experience and skillset in order to contribute more roundly to organisational development. Mention was made of an additional voice on the patient/public view, and also experience of IT/supply chain/manufacturing/ organisational change would be valuable additions. Some also commented on the need for greater commercial expertise and engagement.

Learning and development. The Board has attended to its collective learning and reflection on ways of working, with three joint ET and NED sessions with an external consultant and two more in the pipeline.

There has been recent Board training: for example, what other countries have in place in terms of access to medicines, health technology work, how other countries decide what gets funded and at what price, and a session on negotiations between the DHSC and British Pharma Industry, which reportedly led to good discussions (and was also recorded for those who could not be physically present).

Ideas for future learning were: integrated care boards/systems – and what these mean in practice; a desire to have more speakers at away to help challenge the strategy thinking and ensure that good account is being taken of external perspectives.

**Stakeholders and accountability**

There is a good and open relationship between the DHSC and NICE, with regular contact at various levels of both organisations. We learned that there is a willingness and receptivity to challenge at a senior level at NICE. In the context of a challenging financial climate, the organisation has responded well and has developed a clear sense of purpose. The DHSC Deputy Director, Medicines Regulation and Prescribing, attends the public Board meeting.

Stakeholder management more widely is being developed further at NICE – it was recognised this had not been managed well historically, but this should be improved by the new Director of Implementation and Partnerships. The Executive Team is finalising a strategic engagement framework and plan (it has been through ET a few times), including mapping all stakeholders against whom to keep informed and whom to keep on side, as well as the key messages. There will be ET account managers for each of the strategic partners and individuals, but there is the possibility for some relationships to be held by NEDs.

From a NED we heard that the sponsor relationship should be front and centre in the stakeholder strategy when it comes to Board – including the role of the Board within that. There was also mention of the relationship with the NHS, for example understanding whether what NICE produces is considered helpful and relevant by NHS – and following through on that (accepting that implementation is not NICE’s job).

The NICE Charter sets out how it will involve people in decisions, including consultation on draft guidance. It has a Public Involvement Programme.

A comprehensive piece of NICE reputation research was undertaken in 2021. The main conclusions include that NICE has a strong and improving reputation among its core audiences, is seen as scientifically rigorous and uses the best available evidence to underpin its decisions. Negative perceptions include being overly process driven, bureaucratic, not as independent as it could be and that it does not listen to its audiences.

We note that in 2021/22 NICE launched a new programme of public engagement called NICE Listens, which invites a sample of the public to take part in a particular topic area; the first one focused on health inequalities.

In terms of internal stakeholders, the recent lunch with staff in Manchester was very well received, and it was suggested that this should be built on to develop greater mutual awareness between the Board and the employees [“humanisation of the Board”]. Some staff get the opportunity to present at Board meetings and this appears to be a positive experience. While the Board is very leaned in to the challenges of the organisation and there is a strong commitment among its members to the sense of team, NEDs recognise that there also is a degree of disconnection with the organisation arising from the impact of Covid on ways of working, which they are looking to address. The Executive are conscious that they mediate feeling to the Board rather than the Board having its own experiential access to organisational culture.

# Conclusions

Overall, we have found a culture of good governance at NICE and an effective and highly competent performing Board in place. The organisation has a quality set of governance documents and well thought through governance arrangements.

The current Chair and CEO have worked with intent to develop many aspects of governance, from boardroom dynamics to Board reporting, and we have learned that the culture has changed from their antecedents. There has been a considerable refresh of NEDs and EDs during 2021 and 2022 respectively, and consequently an investment of time in developing Board effectiveness and bedding in as a team. The trajectory is one of improvement: from something more processional prior to this Chair and CEO to a culture that is engaged and participative. Behaviours in meetings are professional and courteous, and mutually respectful.

The leadership culture at NICE is strong and benefits from both the calibre of the NEDs and senior staff, and their attitude towards their work. There is a leaned in group of NEDs, who are conscientious, diligent and generous with their time; effort is devoted between meetings to Programme Boards, and to buddying with Executive Directors. The Executive team has been through some changes and its members report positively about the energy in the team. There is a collaborative climate in the meetings we have observed. The Chair and CEO relationship is well constructed: cordial and well functioning but not cosy. There is shared purpose, understanding and respect.

The Department of Health and Social Care is positive about the quality of relationship with NICE, and we note that the Deputy Director, Medicines Regulation and Prescribing, attends each of the public Board meetings.

Building on a strong brand and reputation, there is a significant process of transformational change under way, with a vision of a very different organisation within five years’ time – more agile, fast paced, forward thinking, and more accessible/relevant to the frontline in health. This is in response to a rapidly changing landscape of health technology, a digital and data revolution, integrated health care and increased collaboration post Covid, an increased focus on health inequality, and economic challenges around how resources are utilised. There is also a desire to be ‘more outside in’, i.e. doing what the market needs and delivering value to the market.

There is a scale of change that NICE is undergoing to transform the way the organisation operates. The scale, complexity and interconnectedness of the changes create a challenge for Board oversight and the management of risk. Positively, the Board is adept at staying in the strategic space and not getting unnecessarily into operational detail. There are marked improvements in Board operations and reporting. The Board has moved to a different rhythm of meetings, and this seems to be working well. There have been changes to KPI and performance reporting, resulting in a transparent and integrated performance report.

The committees work well. We observed firsthand the Audit and Risk Committee and found it highly effective. The committee work is well structured, and there is a comprehensive forward work programme. The committee receives a good range of assurance on internal control and compliance matters, and the reporting is generally of a good quality. The importance of maintaining the focus on improving risk management and assurance is something that NICE has already recognised, but which we would also underline, given the need both to improve the control environment and the need to support Board-level oversight.

There are a small number of areas for consideration that emerge from our work that we believe could help draw out even further the existing strengths of the Board, and we view most of these as calibrations of balance in different ways.

There is the sense of a high-octane intellectual atmosphere in the seminar for example, where there is challenge around the pace of change or being more innovative and cutting edge. However, the organisational culture change and delivery of the business plan are huge elements to deliver and land (and these against the background of a wider operating environment that is difficult for many sectors but has its own challenges in health and social care). Some anxieties did surface in our discussions about the degree to which the NEDs are in touch with those challenges and the fact that NICE is still in the ‘foothills of the transformation’. It is important that the degree of appetite around future proofing (e.g. around financial sustainability and commercial focus) and the intellectual science/tech-orientated foment is counterbalanced by being emotionally tuned in to the here-and-now of significant organisational change and cultural reception of that change. The Board needs to find and use space for a reflective emotional receptiveness, so that it continues to remain grounded and ambitious.

There is a need to spend time on people and transformation, and the CEO was seen as instrumental in drawing the Board to that space. She was described as recognising that more needs to be done to communicate with the workforce. Fresh blood in the form of ‘new unencumbered executives’ helps. There has been a lot of strength building in the Executive and they operate with more holistic concerns now.

Another area for consideration is the evening out of different voices in the boardroom. The Board hugely benefits from the diverse range of skills and backgrounds, but the technology and commercial orientation was not always (in our observations, and this came through in interviews too) equally balanced by the voice from health and care. We note that the whole five-year transformation plan is user-focused, but the Board needs to ensure that there is an amplified patient and user perspective in the boardroom. There is also scope for input by a wider range of Board members (NEDs and Executive Directors) if the focus on inclusion is intensified a little.

The Board has already made some significant changes to the content between informal seminar and public meetings, and there may be scope for some additional rebalancing, for example looking to focus on performance scrutiny in the public meetings and less so in the informal seminar time. The informal seminar time may need more of the reflective ‘breathing’ space – indeed, it may need more time and the public meeting less time, with a stronger weightiness of performance scrutiny in the public meeting. Board development is not a process that only happens in targeted sessions but can also unfold through finding time and space when the Board comes together for the surfacing of insights about strengths and areas to work on.

Lastly, as mentioned above, risk management continues to be developed. An important next step is the delivery of an assurance framework that offers evidence of risks being managed effectively, and we are aware that NICE is committed to this. It may also be timely to look again at the calibration of risk appetite across the range of NICE’s activities.

# Recommendations

## Our recommendations and supporting actions are set out in the table below.

|  |  |
| --- | --- |
|  | **RECOMMENDATIONS** |
| **1** | **Ensure that Board time is appropriately balanced to take account of both internal and external change** |
| **a** | It may be useful to look at the forward planning of Board time – and which topics are given airtime, e.g. patient voice, social care, internal organisational challenges – and make adjustments as necessary to the forward plan. As part of this, consider whether the main focus of formal performance scrutiny can be positioned in the public meeting |
| **b** | Make time for reflection about the reception of transformation in the informal seminar time and consider whether informal seminar time can be extended. There should anyway be space for wider (non-paper based) reflection time to gather collective insight |
| **c** | Consider implementing timed agendas for both the informal seminar and public meetings  |
| **d** | Introduce an interim update between Board meetings – both to keep NEDs aware of any key events in real-time, so there is less to catch up on in meetings, and also to help streamline the actual Board meetings |
| **2** | **Continue to strengthen the sense of shared endeavour and inclusion in the boardroom** |
| **a** | Consider whether one of the scheduled Board development sessions could consider covering making inclusion meaningful in the boardroom (and what style of facilitation the Board most helpfully needs from the Chair); how a unitary Board model should operate in practice (e.g. how Executive Directors navigate their accountabilities both as Board members and as staff); and how to continue to strengthen the trust and sense of shared endeavour  |
| **b** | Trial different ways of working in the informal seminar to allow for a wider range of voices to be given space |
| **3** | **Continue to develop the approach to risk and assurance** |
| **a** | The framework can be developed further to bring a stronger focus on assurance, e.g. reporting risk in order of severity, i.e. by current rating; attention to the three lines of defence; including a gross risk rating against each risk; reviewing current risk scores; separating out assurance from controls/mitigations [we understand that this has already been identified as an area for improvement by NICE and is being acted upon]. |
| **b** | Once the review of the risk register is complete ARC should move to focus less on definitions and score and more on gaining assurance that risks and controls are being managed effectively.  |
| **c** | In relation to whistleblowing, ARC should include a report to Board on the effectiveness of the policy in its annual report, e.g. how many cases, how the policy is publicised to staff etc. |
| **d** | ARC should discuss the respective responsibilities of it and the Board in relation to financial oversight and controls to clarify which aspects of oversight belong to each, and then report to Board accordingly |
| **e** | Refresh the risk appetite framework model – with a delineated risk appetite for each category of activity |

Appendix 1 – Survey charts

The survey was completed by a total of 16 Board members and Executive team members. A majority of respondents agreed with 53 of 55 statements, giving a level of agreement of 96%. There were no statements where a majority of respondents disagreed. There was one statement where a majority of respondents were uncertain.



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