

Meeting	OLC Board Meeting	Agenda Item No. Paper No.	10 90.10
Date of meeting	12 September 2018	Time required	10 Minutes

<i>Title</i>	Approach to the 2018-19 review of Board effectiveness
<i>Sponsor</i>	Rob Powell, Chief Executive
<i>Status</i>	OFFICIAL
<i>To be communicated to:</i>	Members and those in attendance

Executive summary
<p>In June 2018, Board considered an update report on implementation of the recommendations arising from the 2017-18 annual review of Board effectiveness.</p> <p>That paper also set out broad proposals for the 2018-19 review of Board effectiveness. With a number of new members having joined the OLC Board since that review took place, and with the Chairs of ARAC and RemCo leaving the Board in March 2019, the review of effectiveness is an opportunity to review the effectiveness of the changing Board and set Board development priorities for 2019-20.</p> <p>The paper proposes the scope, timing and approach to completing the review.</p>
Recommendation/action required
Board is asked to APPROVE the proposed approach for the 2018-19 annual review of Board effectiveness.

12 September 2018

2018-19 review of Board effectiveness

1. Introduction

The Code of Good Practice on corporate governance in central government departments expects an annual review of Board effectiveness.

The OLC Operating Framework makes clear that there will be an annual review of Board effectiveness, led by the Chair and Chairs of ARAC and RemCo. Every third year, in line with the Corporate Governance Code for Central Government Departments, there should be independent input into the review of effectiveness.

2. Proposed scope

The 2018-19 review considered a series of questions which drew on good practice guidance including material produced by the Institute of Chartered Secretaries and Administrators, National Audit Office and major professional services firms involved in governance.

We propose a very similar scope for the 2018-19 review, as set out in Appendix 1 in a series of questions.

3. Proposed methodology

We propose a methodology that is similar to last year's review. The review will be led by the Chair, supported by the Board Secretary and, as appropriate the Chief Executive.

The last Board effectiveness review which involved independent input was the Board effectiveness review of 2015, so this is required for the 2018-19 review. Ed Nally, Chair of the Solicitors' Disciplinary Tribunal, has agreed to provide that external input.

The main elements will involve:

- Board members completing the [National Audit Office Board self-evaluation questionnaire](#) in December 2017;
- interviews with each OLC member, members of the executive, Alison Wedge of the MoJ and Neil Buckley, CEO of the LSB during December and January;
- a private Board session as part of the OLC Board meeting on 28 January; and
- a final report and action plan being discussed and agreed at the OLC Board meeting on 20 March.

4. Alignment with self-assessments by ARAC and RemCo

There is also a need for formal self-assessment by both ARAC and RemCo this year, as the 2017-18 annual effectiveness reviews expected by the sub-committees' terms of reference were 'light touch' given changes of membership.

We are proposing that RemCo and ARAC self-assessments take place during Q3, and inform the overall Board effectiveness review. The proposed methodology follows that used in Q3 2016-17 when the Committees last undertook a self-assessment:

ARAC	RemCo
<ul style="list-style-type: none">• in October, ARAC members and the Accounting Officer will complete the NAO's ARAC self-assessment checklist; this checklist has been updated since ARAC members last used it in December 2016;• we will also invite other attendees (from the MoJ, internal audit, NAO, BDO and LSB) to provide any comments or feedback by email or a call with the Board Secretary;• in November or December, ARAC will hold a call or include as part of a meeting a private discussion to consider an analysis of the survey results and stakeholder interviews; and• this will allow the Board Secretary to produce an action plan for approval in January or February.	<ul style="list-style-type: none">• in October, RemCo members, the CEO, CO and Head of HR will be asked to respond to a short series of questions, which we will share with RemCo in September, covering outcomes, meetings, support and logistics and any other items;• the Board Secretary will produce a summary of the findings to inform a private session of RemCo in November; and• at its January or February meeting, RemCo will approve the final report and action plan.

5. Next steps

Once the scope of the review is approved, we initiate the project starting with the RemCo and ARAC self-assessments, as set out in sections 3 and 4.

Appendix 1 – Proposed scope of the review

Strategy and leadership	
Theme	Areas to explore
Strategy, direction and leadership	<ol style="list-style-type: none"> 1. Does the Board contribute effectively to the development of strategy? 2. Does the Board have a sufficient understanding of the environment in which LeO operates? 3. Does the Board's operation set the right tone for the organisation?
Culture, values, people and remuneration	<ol style="list-style-type: none"> 4. Is the Board sufficiently focused on organisational culture, values and their alignment with the strategy? 5. Are there clear succession plans in place for the replacement of key staff? 6. Does the Board provide sufficient leadership on equalities issues?
Stakeholder relationships	<ol style="list-style-type: none"> 7. Does the Board have a good understanding of the views/concerns of stakeholders? 8. Does the Board receive sufficient insight and information about stakeholder relationships and key meetings with them?
Performance measurement, and accountability	<ol style="list-style-type: none"> 9. Are KPIs identified, assessed and reported to management and the Board at appropriate intervals to allow the Board to monitor progress delivering the strategy? 10. Is there adequate scrutiny/challenge of KPIs by the Board? 11. Does the Board have adequate assurance that performance indicators are being acted upon by management?
Assurance	
Theme	Areas to explore
Risk	<ol style="list-style-type: none"> 12. Is the Board spending sufficient time reviewing strategic and possible future risks? 13. Is the risk appetite fully defined by the Board and communicated?
Financial management and propriety	<ol style="list-style-type: none"> 14. Is Board sufficiently involved in testing and challenging budget proposals? 15. Does the Board effectively monitor performance against the budget? 16. Is the Board confident that there is adequate audit review (internal and external) of the operation of key controls, including fraud and propriety issues? 17. Does the Board receive sufficient assurance about LeO's operation, management and internal control systems?

Operation of the Board	
Theme	Areas to explore
Board skills and structure	<p>18. Is the Board the right size and equipped with the right skills and experience to fulfil its functions and duties effectively?</p> <p>19. Is the board structured appropriately with the right sub-committees and allocation of individual responsibilities?</p> <p>20. Are the scheme of delegation and terms of reference sufficiently clear?</p>
Board culture and operation	<p>21. Is there a culture of openness, ability to express dissenting points of view and a collegiate way of escalating and resolving differences?</p> <p>22. Does the board get the right balance between time spent on direction/leadership and assurance/management?</p> <p>23. Are problems and divergences from plans openly reported with recommendations for action and a culture of personal accountability by those charged with actions?</p>
Practical operation of the Board	<p>24. Is the programme of Board agenda driven by strategy and focused on the right issues?</p> <p>25. Are Board papers of sufficient quality, appropriate length, clarity and focus to support effective Board discussions?</p> <p>26. Is information security for Board papers adequate and should a Board portal be considered?</p> <p>27. Are Board minutes of a high quality?</p> <p>28. Do Board members receive appropriate support / assistance outside Board meetings?</p>
Board development agenda	
Theme	Areas to explore
Board development agenda	<p>29. What are the main strengths of the Board?</p> <p>30. What are the main areas for improvement/development?</p> <p>31. What are your three main actions to develop the Board in the next 12 months?</p>