

Meeting	OLC	Agenda Item No. Paper No.	11 88.11
Date of meeting	4 June 2018	Time required	5 minutes

<i>Title</i>	Update on implementation of the 2017-18 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 October 2017, Board considered a report on the annual review of Board effectiveness undertaken by the OLC Chair in the summer of 2017. At that meeting, Board approved the action plan that resulted from the review, which was also discussed in private session at the Board meeting of September 2017.</p> <p>Good progress has been made implementing the recommendations of the review and it is an appropriate time, despite a number of new members joining the OLC Board, to consider progress and to establish a broad approach to the 2018-19 annual review of effectiveness which requires some external input (the OLC's Terms of Reference require every third review of Board effectiveness to include some external input).</p> <p>The paper summarises progress against the action plan (Appendix 1) and proposes a broad approach to the annual review of effectiveness for 2018-19.</p>
Recommendation/action required
<p>Board is asked to NOTE the progress update and COMMENT on any issues arising from it, including the broad approach proposed for the annual review of Board effectiveness in 2018-19.</p>

4 June 2018

Update on implementation of the 2017-18 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.

In September 2017 the OLC Board considered and refined the findings of an annual review conducted by its new Chair. In October 2018 it approved the resulting action plan.

This paper provides an update on implementation of that action plan and presents proposals for the 2018-19 review of Board effectiveness.

2. Background to the review of Board effectiveness

The 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.

The methodology used the National Audit Office Board effectiveness questionnaire, followed up by interviews with each OLC member, members of the executive, Alison Wedge of the Ministry of Justice and Neil Buckley of the Legal Services Board.

3. Update on implementation of the action plan

Appendix 1 provides a detailed update on implementation of the action plan. In summary: 12 of the 21 actions (57%) are now complete; 2 (10%) are partially complete; and 7 (33%) are ongoing.

In terms of the main themes for further development identified in the review, the main areas requiring further action are:

- strategic focus – further training for report authors to achieve greater brevity and strategic focus;
- stakeholder engagement - development of a longer-term programme of Board engagement with stakeholders as part of the refreshed stakeholder engagement and communications strategy;

- performance management – agreement and use of tolerances and escalations to drive sustainable improvement in performance against new KPIs; and
- Board development – finalisation of a programme of Board development.

4. 2018-19 Board effectiveness review

The last Board effectiveness review which involved some independent input was the Board effectiveness review of 2015. It is appropriate to seek some independent input into the review of Board effectiveness this year.

There is also a strong need for rigorous reviews of the effectiveness of 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.

At a high level, the proposed approach to the review for 2018-19 is:

- to allow newer members the opportunity to maximise their contribution, the review will take place in Q4 2018-19;
- as was the case for 2018-19, a series of questions the review should address will be developed and shared with Board for approval during Q3;
- the review will be led by the Chair, supported by the Board Secretary and, as appropriate the Chief Executive;
- the review will engage Board members, key external stakeholders and members of the executive will be invited to contribute to the review, and it is likely the review will draw on the NAO survey of Board effectiveness which will allow comparison with the results of the previous review;
- to integrate reviews of RemCo and ARAC with the review of Board effectiveness; self-assessments by the sub-committees will inform the overall Board review; and
- a dual track approach will explore independent input into the review;
 - initially, through the ALB Centre of Expertise to explore whether a Non-Executive Director of another ALB might contribute to the review; and
 - seeking three quotes for a specialist contractor to contribute to the review.

5. Next steps

Subject to Board's views on the proposed approach to the Board effectiveness review in 2018-19, a scoping document and project plan will be developed for the review which will be presented to Board in September.

Once that document is approved, we will seek to secure external input into the review to allow the work to commence in January 2019.

Appendix 1 – Action Plan

Refreshing Board skills			
Action	Responsibility	Timescale	Progress update
Develop annual Board development plan including collective Board development activities	Chair	December 2018	Partially completed: appraisals have taken place for existing NEDs, which have identified development actions. New NEDs have taken part in induction, and a development plan will be produced by December 2018.
Review induction processes for new NEDs	Chair	February 2018	Complete: Induction process refreshed for the new NEDs who have joined in 2018, and received positive feedback.
Identify the two new NEDs to join the OLC from April 2018	Chair/LSB	March 2018	Complete: Three new NEDs have joined the OLC in March and May 2018.
Improving strategic focus			
Action	Responsibility	Timescale	Progress update
Allocate more time to strategy in Board forward programme	CEO/Board Secretary	December 2017	Ongoing: Board agenda now differentiate between strategy, governance and performance items to allow tracking of time allocation, and more time has been allocated to strategic items in 2018. The next stage is to develop a longer forward plan including key strategic and stakeholder discussions.
Schedule more frequent strategy workshop sessions/away days in the Board programme	Chair/Board Secretary	December 2017	
Ensure Board papers clearly identify relevant OLC strategic objectives	CEO/Board Secretary	December 2017	Complete: papers routinely refer to strategic objectives where relevant. Board did not wish the cover sheet to use a 'tick box' of strategic objectives.
Items on Board agenda to be organised under the headings 'strategy', 'performance' and 'governance' and Board Secretary to track agenda time allocated under each heading, seeking to increase the amount of time spent on strategy and stakeholders	CEO/Board Secretary	December 2017	Complete: the agenda is now organised in this way and we are able to track time allocation. Since introducing a breakdown of Board agenda between strategy, performance and governance, Board has allocated 38% of its time to governance items, 32% to performance, and 31% to strategy and planning.
Provide Board forward agenda for information with each Board pack	Board Secretary	December 2017	Complete: this practice is now in place.

Stakeholder engagement			
Action	Responsibility	Timescale	Progress update
Achieve greater clarity about OLC stakeholders and targeted approaches to managing stakeholders by providing a stakeholder analysis/engagement strategy to the OLC	Chief Ombudsman	December 2017	Ongoing: a refreshed communications and engagement strategy is due to come to the OLC in June for approval.
Use Board slots to invite stakeholders for strategic conversations	Chair/Chief Ombudsman/ Board Secretary	December 2017	Ongoing: The LSB have presented at two Board meetings. MoJ's Justice 2030 team are due to present in June, and the LSCP in July. The forward planner is being updated with a longer-term view of strategic stakeholder discussions at Board meetings.
Ensure NEDs are aware of opportunities to join the Chair at stakeholder meetings	Board Secretary	Ongoing	Ongoing: the Board Secretary is routinely making opportunities available to NEDs and there has been positive take-up.
Performance management			
Action	Responsibility	Timescale	Progress update
Commission development of operational forecasting model	Director of Operations	November 2017 (TBC)	Complete: operational forecasting model has been developed and is in use.
Develop revised shadow KPIs for Board to agree for inclusion in strategy/business plan consultation	CEO	December 2017	Complete: the consultation document included draft KPIs.
Report to Board at least quarterly on progress with the data assurance project	Director of Operations	January 2018 and ongoing	Ongoing: updates have been provided within the quarterly Modernising LeO Board updates.
Executive to develop tolerances above which performance will be reported immediately to the OLC, and agree these with the Board	CEO	June 2018	Ongoing: Draft KPI tolerances discussed by Board in April 2018 and final proposals will be presented for approval in June 2018.

Operation of the Board			
Action	Responsibility	Timescale	Progress update
Refresh the schedule of matters reserved to the Board for agreement	CEO	December 2017	Complete: revised schedule approved by the OLC in March 2018.
Develop guidance on Board papers, set a soft page limit (6 pages or 10 slides) with a comply or explain approach, update the Board paper template and ensure papers contain more analysis, forward forecasts and trend data	CEO/Board Secretary	December 2017	Complete: new guidance in place for Board papers and commissioning brief process instituted.
Have a period of six months during which Board provide constructive feedback to the executive about the quality of Board papers to improve the strategic quality of papers	Board Secretary	October 2017-April 2018	Complete: there has been feedback over the six month period which has informed the commissioning brief process. We are considering commissioning external training for report authors on drafting high quality Board papers.
Develop shorter meeting minutes	Board Secretary	From October 2017	Complete: more focused Board minutes have been developed and in use from October 2017.
Develop a SharePoint site or Board portal for the management and distribution of papers and cease sending papers to NEDs who are happy to work with soft copies	Board Secretary/Head of IT	January 2018	Partially complete: We have ceased sending hard copies of papers but the portal/SharePoint site is on hold because of higher priorities for the IT team and awaiting new NEDs joining the Board.
The executive should implement more consistent QA processes for papers	CEO/Chief Ombudsman/Board Secretary	October 2017 and ongoing	Complete: the commissioning brief process has been instituted (which is part of QA), and there is clearer accountability for QA and sign-off.