

**Meeting:** Management Board

**Date:** 19 July 2021

**Agenda item:** 7.2

**Time:** 5 minutes

## **For decision**

**Presenter:** Paul Arnold

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### 1. Topic

- 1.1. Board effectiveness evaluation analysis

### 2. Objective

- 2.1. This report sets out for the Management Board the findings and actions emerging from the recent Board evaluation exercise. This report is provided to Board so that it can approve the actions that have been identified to address any weaknesses identified through the evaluation exercise. This report was also considered by Nominations Committee on 11 June.

### 3. Background

- 3.1. The most recent Board effectiveness evaluation took place during March 2021. The scope of this evaluation included Management Board, Audit Committee, Executive Team and Remuneration Advisory Panel. Nominations Committee was outside the scope of this evaluation as it had only held one meeting at the time.
- 3.2. The process for this evaluation was for members of each of these bodies to complete an effectiveness evaluation questionnaire, which had been developed by Corporate Governance. This questionnaire was based on best practice questionnaires available from the National Audit Office and leading consultancy firms. There were three main types of questions within the questionnaires: ratings (out of 4) for effectiveness in particular areas; yes/no questions to identify whether the body fulfilled particular responsibilities; and open questions to identify strengths or weaknesses.

## 4. Discussion

- 4.1. During April 2021, Corporate Governance analysed the questionnaires completed by each of the Board members.
- 4.2. The overall effectiveness scores for Management Board (3.2 out of 4), Audit Committee (3.67 out of 4) and Remuneration Advisory Panel (3.67 out of 4) indicated that those bodies are all performing extremely effectively. While Executive Team was rated as less effectiveness than the other bodies (3 out of 4), this is still a high score. Therefore, the conclusion that can be drawn is that overall the Management Board and its subsidiary bodies are operating effectively. The culture of debate and constructive challenge was consistently seen as a major strength of all of the bodies.
- 4.3. Full details of the analysis are provided for each of the Boards at Annexes 1 to 4. Below is a summary of the overall effectiveness of each of the Boards, and any specific key actions which will be taken to address weaknesses which have been identified. A summary of some of the key actions is provided below. These will help to deliver continuous improvement, demonstrating the “ambitious” value in the People Strategy.

### Management Board

- 4.4. Key actions include:
  - improving the level of Management Information (MI) provided to the Management Board (a report was provided to Management Board on 17 May providing information on this);
  - identifying an ET member to act as “EDI champion” in Board meetings, to ensure that EDI issues are raised as discussed as appropriate. This would have EDI benefits in both Board meetings and ET meetings;
  - Including more content on agendas about our approach to prioritisation of regulatory resources and lessons learned from cases.
  - providing Board members with information of all regulatory action taken;
  - identifying external speakers with a diversity of views to the Board to attend meetings;
  - regular reporting from Nominations Committee to ensure that the Board has visibility of succession planning.

### Audit Committee

#### 4.5. Key actions include:

- Continuous dialogue with DCMS finance and auditors to ensure that the ICO is meeting best practice regarding emerging finance and accounting policies and practices.
- Consider whether to establish regular informal meetings between the Audit Committee Chair and Paul Arnold or Louise Byers to ensure awareness on emerging issues.

### Remuneration Advisory Panel

#### 4.6. The evaluation was extremely positive so there were minimal actions for improvement. The key action identified for the Panel was to ensuring that the Panel meets each May or June, to ensure that they have visibility of ET objectives.

### Executive Team

#### 4.7. Key actions include:

- Develop clearer thresholds for when a decision is needed by Executive Team;
- Ensure all reports to Executive Team include consideration of long-term issues, to help ET to focus on the most long-term and strategic issues;
- Regular review of ET work programme at ET planning sessions (on a quarterly basis).
- Hold an ET away day to develop teamworking, given the number of new ET members.

#### 4.8. Many of the actions for Management Board (such as improved MI, an "EDI champion" in meetings, and more junior attendees to present reports) can also be implemented to benefit Executive Team meetings.

## 5. Future approach to Board evaluation exercises

#### 5.1. We took the approach of a formal questionnaire approach to discharge a recommendation from internal audit to conduct a formal Board evaluation exercise during 2020/21. This approach gave us a strong baseline evaluation of the effectiveness of Management Board and its sub-committees, but was labour intensive in all elements: preparation, completion and evaluation.

- 5.2. In addition, there is an element of self-review. Therefore, the Board may wish to consider whether we should also conduct a regular, externally delivered, Board evaluation exercise. The Nominations Committee discussed this at its meeting on 11 June and agreed that this would be beneficial. Nominations Committee suggested that it would be useful to conduct such an exercise every three to four years, with the first such iteration taking place in roughly March or April 2022, to allow the evaluation to take place early in the new Commissioner's term. This would allow any changes emerging from the review to be implemented early in the Commissioner's term and reap the benefits throughout the term.
- 5.3. There would be a resource implication of this, but it is hoped that it would be relatively small. For comparison, the day rate of the ICO's internal audit contract is £680 plus VAT. Any providers on the same procurement framework would be available at the same day rate. Therefore, even the most extensive exercise would cost less than £20k (and probably less than £10k). Similar exercises have been conducted by other UKRN regulators, which we could use as a benchmark if this is an option the Board wishes to pursue.
- 5.4. For years where we do not conduct a formal, externally-facilitated exercise, it is proposed to return to a more informal approach, where there is an annual discussion at Management Board of strengths and weaknesses.

## 6. Recommendation

- 6.1. The Board is recommended to:
  - a) Approve the actions set out in section 4 and Annexes 1 to 4 to increase the effectiveness of Management Board and its sub-committees.
  - b) Agree that we should conduct an externally-facilitated Board effectiveness evaluation in Spring 2022 and every three or four years thereafter, with informal exercises in other years.

## 7. Next steps

- 7.1. The next steps for this work are to implement the various actions identified in the annex. It will be beneficial for Corporate Governance to draw up a brief plan that sets out the timescales for implementing these actions – some will be quick wins, but others may be longer term pieces of work.

7.2. If approved, we will also need to procure the externally-facilitated evaluation exercise.

## 8. Impact on Risks and Opportunity Register

8.1. Implementing the actions set out in the annex helps to mitigate R81: Management Board Resilience. As the overall effectiveness of Management Board increases, the amount of cross-skilling will also increase which should help to ensure that the Board can continue to be more effective even if vacancies arise or when succession occurs. The increased awareness of succession planning through regular reporting from Nominations Committee will also contribute towards this.

## 9. Publication considerations

9.1. This report can be published internally and externally.

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**List of Annexes:** Annex 1 – Management Board effectiveness analysis

Annex 2 – Audit Committee effectiveness analysis

Annex 3 – Remuneration Advisory Panel effectiveness analysis

Annex 4 – Executive Team effectiveness analysis