

# Board Effectiveness Review

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Meeting date: 31 January 2017

## Executive Summary

### Context

In December the Board completed an external Board Effectiveness Review (BER) facilitated by Lintstock Ltd. The results of the BER have been published in the Boardpad reading room in the file 'Board Effectiveness Review January 2017'.

Ken McCall, Senior Independent Director, working with the Company Secretary, has analysed the feedback and proposed 4 actions in response to the review.

### Questions addressed in this report

1. What are the main themes of the BER?
2. What actions should the Board take in response to BER?

### Conclusion

1. The appendix of this report highlights the main themes of the BER feedback.
2. From the analysis undertaken 4 actions are proposed for debate at the Board.
  - a) **Provide more focus on performance results and future actions.**  
Business Unit Chief Execs to provide quarterly updates to the Board.
  - b) **Increase the Board's understanding of the Mails Market.**  
Provide a training session on the Mails Market, possibly at the June away day.
  - c) **Enable more support for the Board to give assurance regarding the IT strategy decisions and IT transformation tracking.**  
Provide an independent advisor to the Board to review the IT strategy and give quarterly/ six monthly assurance.
  - d) **ARC to focus more on reviewing the Internal Audit work.**  
Change the ARC agenda to ensure an appropriate time and focus is spent on Internal Audit work.

### Input Sought

1. The Board is asked to consider the BER reports and debate and agree the actions to take forward.

# Appendix

## 1. Linstock Report Summary

<b>A Board Review</b>		
<b>Strengths:</b>	<b>To work on:</b>	<b>Questions:</b>
(i) Board composition rated highly for individual relationships	(i) Does the Board understand the Sub Postmasters and POAC relationships mixed / NEDs attend some meetings	(i) Greater IT expertise or not?
(ii) Annual work cycle and agenda rated highly	(ii) Succession planning and strengthen mails knowledge and understanding	(ii) Should the Board better understand the performance of POL vs competitors?
(iii) Performance of Committees rated positively	(iii) Board Packs – length and use of summaries – mixed views	
(iv) Board testing of strategy rated highly overall	(iv) Top 3/4 strategic challenges <ul style="list-style-type: none"> <li>- RM and future</li> <li>- Bol agreement</li> <li>- IT Transformation</li> <li>- Cost right sizing</li> </ul>	
(v) All Board members agreed the top 3/4 strategic challenges <ul style="list-style-type: none"> <li>- RM and future</li> <li>- Bol agreement</li> <li>- IT Transformation</li> <li>- Cost right sizing</li> </ul>	(v) Level of detail provided in Risk and Reward in papers submitted was viewed as mediocre	
<b>B Audit, Risk and Compliance</b>		
<b>Strengths:</b>	<b>To work on:</b>	<b>Questions:</b>
(i) Effectiveness and use of the meeting time	(i) 'Mound' of papers need more thinking time	(i) Less paper on project structures and more reporting on results and improvement actions
(ii) Composition of ARC	(ii) Lacked pensions specific advice – but VH mitigated	(ii) External speakers / invites on IT transformation Cyber Security also relevant to the Board
(iii) Relationship ARC / CFO and Head of Internal Audit rated highly	(iii) FS changing regulatory landscape and how this impacts the organisation	(iii) Does the ARC require greater focus on the Transformation programme
(iv) Risk management progressed significantly	(iv) ARC performance on reviewing / assessing work of Internal Audit rated least adequate	

<b>C Nomination Committee Review</b>		
<b>Strengths:</b>	<b>To work on:</b>	<b>Questions:</b>
(i) Composition and use of time was rated highly	(i) Succession planning of the 'Top Team'	(i) Can we attract the right talent given the remuneration challenges?
(ii) Process of Board appointments		
<b>D Remuneration Committee Review</b>		
<b>Strengths:</b>	<b>To work on:</b>	<b>Questions:</b>
(i) Composition and use of time	(i) Effectiveness of STIP and LTIP with aligning strategy of business received average ratings	(i) Can we work with UKGI more effectively, can they advise and support?
(ii) Information provided (Natasha Wilson) also highly rated	(ii) Relationships with other UKGI companies for best practice / learning and leverage	(ii) Can the Committee convince the shareholder of a more "hands off" approach?
(iii) Understanding of regulatory / environment shareholder		
<b>E Upward Review of Board by the Group Executive</b>		
<b>Strengths:</b>	<b>To work on:</b>	<b>Questions:</b>
(i) Composition of Board	(i) Take a more strategic and risk based approach to review and governance	(i) IT capability at Board level?
(ii) Engagement with Management, support and challenge	(ii) Non Execs to spend some more time to better understand the business	(ii) Should the Board consider a wider perspective on the future of the Post Office as an enterprise?
(iii) Board testing and development of strategy rated highly	(iii) Top priorities to focus on risk and balanced contribution of all Non Execs	(iii) Can the organisation handle this level of change in a short time frame?