

CAMPBELL
TICKELL

Board effectiveness review of The Oversight Trust

Final Report: Conclusions & Recommendations

March 2022

5. CONCLUSIONS AND RECOMMENDATIONS

- 5.1 There is great confidence and respect for the strength of the Board and the quality of governance at the Oversight Trust among its members, as well as for the distinctive role played by the Trust's COO. Our Board observation and interviews with Board members corroborated this portrait of professionalism and expertise.
- 5.2 We found that the most salient elements of this review are mostly not about Board effectiveness – it is clear that this is an effective, strong and capable Board, albeit with some further improvements possible which we outline below – but rather about how to make the intrinsic model of oversight as effective as it can be and to have clarity about what is in and out of scope. This Board's role is rather different to the direct stewardship role of most Boards, where there may be an obligation to beneficiaries, and is focused rather more on how other Board members go about approaching the execution of their duties.
- 5.3 A couple of important contextual elements have a bearing on our experience of the Trust. One is that, like every Board over the last couple of years, this Board has had to contend with the impact of the pandemic on ways of working. For many Boards, cohesion and enjoyment can feel as though they need to be dug out rather than more casually uncovered. Against this background, every Board probably has scope to be more of a team, if it decides that this matters – and commits to it – although the sense of cohesion at the Trust Board is reasonably sound, and we were struck by how much people seem to enjoy being on this Board (notwithstanding the challenges of the unusual nature of the role). Given, however, that soft influence is an important element of the relationship with OpCos, one would imagine that the Board's role has been tougher to deliver through these changed ways of working.
- 5.4 Secondly, we note that four Link Directors joined the Trust Board in 2020 and had only met a couple of times in person at the time of our interviews. In governance literature over the last 20 years there has been a growing appreciation of the Board as a social system, with the identification of traits shared by high performing teams and Boards – for example, attentive listening, respect for the team norms, trust and willingness to be candid.¹ It is suggested that effective Boards pay attention to the Board as a social system – the better the individuals work together, the better the quality of governance. Charan (2005) describes corporate Boards evolving through three phases – ceremonial groups (not much dialogue, compliance focus), liberated Boards (more participation, but individually focused) and progressive teams. The progressive team is where:

¹ Sonnenfeld describes how this becomes a virtuous circle: *'because they respect one another they develop trust; because they trust one another, they can challenge one another's conclusions coherently; because a spirited give-and-take becomes the norm, they learn to adjust their own interpretations in response to intelligent questions'* (<https://hbr.org/2002/09/what-makes-great-boards-great>).

- Individuals maintain independent viewpoints
 - There is robust dialogue and debate on critical issues – and consensus and closure
 - The Board adds value on many levels
 - There is challenge between Board members without going through the CEO
- 5.5 The Board is developing as a progressive team, but more time is needed for people to get to know each other better and more time is needed to bottom out some of the gritty strategic questions left a little hanging in the air. In our experience, Boards don't become 'upstream' by accident.
- 5.6 Although the Trust is an unusual organisation, in that it oversees the work of others rather than undertaking work itself, there would be benefits in having some kind of plan which identifies how the Trust can assess the extent to which it is being successful in its role. The success measures could be linked into findings of the Quadrennial Reviews of the OpCos, and feedback from surveys. The OpCos have strategic objectives and the Trust could look at how it assures itself that these objectives are being achieved – this could involve stakeholder feedback outside the Quadrennial Review process.
- 5.7 It is welcome that the Board has an away day programmed in the calendar. This session would benefit from considering the questions around scope, purpose and assessment of efficacy that have been surfaced through this review. These should then influence considerations around what kind of resourcing is needed in the future and how the Board will approach COO succession planning. They should also influence how the Board views its relationship strategy and who takes responsibility for what outcomes.
- 5.8 We would recommend that the Trust does engage in some horizon scanning, since the external operating environment will have impact on the work of OpCos and this longer-term perspective may be important in understanding how their Boards conceptualise their strategic challenges.
- 5.9 Following these discussions, we believe it would be helpful for the Board then to review the risk register and whether any mitigations can be strengthened.
- 5.10 In terms of the approaches that underpin Board effectiveness, the Trust could further enhance some processes (and model exemplary practice) in light of its oversight role of the governance of others – in particular, a more robust approach to appraisals, but other refinements also, such as introducing a Code of Conduct, a comprehensive conflicts of interest policy, and the routine scheduling of development sessions (at least two a year) with specific themes.
- 5.11 We would suggest that it is important that roles are properly ritualised into the governance of the Trust and the rhythm of its work – so there are clear expectations of how/when the Chair reports to the Board, how/when Link Directors report (akin to the way one might expect of committee Chairs) and how frequently the SID liaises with the

Chair. It is helpful for periodic meetings (e.g. quarterly or three times p.a.) to take place between the Chair and SID so that there is ongoing feedback and reflection on the Board's development and what the Chair may need to do to lead and support that.

- 5.12 There is support among a number of Board members that an additional accountant on the Board would provide some cover to the Board in respect of its skills and to help address the perception of conflicts of interest in preparing consolidated accounts. Increasing the size of the Board by one (if progressed) would further provide an opportunity to address other aspects of Board diversity. There is also an appetite for banking experience on the Board, but this requires further discussion among Board members about whether they would wish to recruit two members to the Board (and the advantages to succession planning of doing so.)
- 5.13 While the Trust is unique, aspects of its role have much in common with that of a Protector in other organisations. We recommend that the Board looks to consider whether having regular attendance from a Board member or from the COO at the Protectors' Forum might be beneficial to the Trust. The types of areas that Protectors discuss in joint meetings are: comparing notes on key issues affecting the different Protectors and how they are respectively tackling them – for example, the longer term implications of Covid for spend-out projections; changing priorities; transparency regarding the presentation of accounts and reports; treatment of potential reputational and presentational risks; and the role of Protectors in providing additional assurance work for the organisation. They also have opportunities to hear from NLCF on recent changes and, where relevant, details about a sponsoring government department's review.
- 5.14 Lastly, we recommend that the COO takes a view on how to progress some matters of detail (and preference) emerging from the document review, which have already been shared with him.