

British Business Bank

Independent Board Effectiveness Review

**Key recommendations**

**April 2023**

Foreword

British Business Bank’s Shareholder Relationship Framework with the Department of Business and Trade requires the Bank to conduct an independent, externally facilitated review once every three years. Clare Chalmers Limited conducted this review during January – March 2023. In the intervening years the Bank is required to conduct internal reviews of its own effectiveness which will be coordinated by Company Secretariat.

This document summarises the key recommendations, as well as some additional suggestions for the Board to consider. The Board has discussed the report and an Action Plan will be developed and implemented.

# Interviewees

The following were interviewed:

1. All Non-Executive Directors (NEDs) and Executive Directors

2. All Executive Committee members

3. A representative of the National Audit Office

4. Heads of Internal Audit

5. General Counsel and Company Secretary and Deputy Company Secretary

# Introduction

1. The report reviewed the following areas:

* Board composition and culture
* Board oversight
* Stakeholders
* Board efficiency
* The Board committees
* Board and committee papers

1. The Board comprises an independent Chair, a Senior Independent Director (*SID*) and six Independent Non-Executive Directors, one further Non-Executive Director from UKGI representing the Shareholder (the *Shareholder Representative Director*), and two Executive Directors (the CEO and CFO). BBB is an Arm’s Length Body (*ALB*) of Government, with its sole shareholder being the Secretary of State for Business and Trade. While the BBB Board usually meets on its own, three times per year it holds *Group Board* meetings which include its subsidiaries, British Business Investments Ltd (*BBI*) and British Patient Capital Ltd (*BPC*); these Boards were not part of this review in their own right, however they are mentioned in relation to the Group Board and the plc Board’s oversight of its subsidiaries.
2. The main strands of the work were a document review of Board and Committee papers and other relevant materials, observations of Board and Committee meetings, and one-to-one interviews with all Directors and a number of regular attendees.
3. At the time of the review, the Board was in the middle of a period of personnel change. Most Directors were in their first term, with two having joined in the previous couple of months. There was a new CEO, following a two-year period with an Interim CEO, and the CFO and CRO roles had recently changed hands. The Chair was also coming to the end of his tenure, with the appointment process for his successor underway. As such, the Board was still gelling as a team and learning how to work with the Executive; it will need to adjust again to the style and approach of the incoming Chair.
4. How well new NEDs settle into the Board is essential to its effectiveness, but there are already some good elements. BBB has a large Board, bringing together a lot of relevant and different skills, contributing to strong oversight and healthy debate. NEDs engage well, putting time into preparation, and having a particularly keen eye for risk and assurance matters – we noted they challenge well, asking high-quality questions. NEDs bring a clear view of the purpose of BBB, its stakeholders and what it is aiming to achieve. The Shareholder Representative Director brings a balanced, constructive and supportive approach which helps the Board to function well.
5. The next page sets out the main recommendations.

## Key Suggestions for the Board to Consider

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| 1. | **Composition** – Consider how to enhance the Board composition reflecting on the balance of NEDs with a strategic mindset, public sector touchpoints and aiming to maintain or improve diversity. |
| 2. | **Board Succession Planning, Training and Inductions** – Appointments processes should be more inclusive, with the Board agreeing the process, job specifications, and who should be involved in interviews, with Executives also having the opportunity to feed in. |
| 3. | **Leadership** – The new Chair should be an effective communicator, a leader of boardroom  conversations, and effective at summarising discussions. The Executive should ensure the Board is  well-supported through reporting via the governance structure. |
| 4. | **Strategy** – The Strategy Days should be more action-orientated enabling opportunities to be more visionary, looking at the long-term horizon, as well as planning ahead with prioritisation, allocation of resources, people and culture, including highlighting of scenarios and trade- offs, and reviewing the timing of the strategy days. |
| 5. | **People and Executive Succession** – Any significant people issues should be raised at the Board at an early stage. The Board should monitor closely and ensure oversight on long-term Executive and Senior Management succession plans, training and development. |
| 6. | **Stakeholders**   * **Employee Engagement:** Consider further ways for NEDs to engage directly with the business. Colleague Forum representatives should come to speak to the whole group, and Board should consider what questions it could pose to the Forum to get feedback and inform decisions. * **Government:** Get further clarity of the respective roles of the Shareholder Representative, Chair, Board and Executive in interfacing with wider Government to help stay synchronised and efficient, and to have the right impact. |
| 7. | **Board Meetings, Agendas and Minutes** – The Chair, CEO and Secretariat should meet to plan agendas, thinking carefully about what needs to be covered, and giving time to the most important discussion items towards the start of the meeting. Closed sessions should routinely be scheduled for after meetings, including just the NEDs or the NEDs and CEO (and maybe CFO). |

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| 8. | **Committees**   * **Audit Committee:** If possible, streamline the meeting schedule, with a quarterly cycle and perhaps an additional meeting focused on the Annual Report. * **Nomination Committee:** Ensure the Committee continues to strengthen the approach to delivering its full remit. * **People & Remuneration Committee:** The Committee should make stronger use of Remuneration Advisors to help identify the appropriate benchmarks. * **Risk Committee** – Continue to improve papers around the main themes. |
| 9. | **Board and Committee Papers:** The quality of papers is good, but there could be more consistent use of an Executive Summary to highlight the main themes and issues, setting out the points the Board might like to discuss. Overall, the length of papers could be reduced, with better signposting of the things that matter most, more framing in terms of strategy and performance, with a balance towards visuals instead of prose. |

# Additional Suggestions for the Board to Consider

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| 1. | **Board Succession Planning, Training and Inductions** – Continue to improve the structure of training and induction. |
| 2. | **Dynamics** – Hold more informal Board dinners to help the new group bond as a team, sometimes inviting the Executives. |
| 3. | **Stakeholders**   * **Subsidiaries:** Put more thought into Group Board agendas to ensure they cover strategic matters and Group-wide themes such as operations and shared services, people, and Group risks. Consider connectivity between the Plc and subsidiary Boards. * **Customers and Suppliers:** Look for opportunities to bring SMEs and partner organisations onto the agenda and for the NEDs to meet and interact with them directly, as well as considering how NEDs could play a stronger advocacy role for BBB externally. |