

Meeting	OLC	Agenda Item Paper No.	16 126.11
Date of meeting	26 April 2023	Time required	20 mins

Title	Board effectiveness update
Sponsor	OLC Chair
Status	OFFICIAL

<p>Executive summary</p> <p>The OLC Board actively considers its Board effectiveness on an annual basis. At its last update in May 2022, it particularly focused on the themes emerging from the Board’s annual appraisals along with receiving a provisional update on the Committee effectiveness reviews, and revisiting past actions from the GIAA’s internal audit report on Corporate Governance and the recommendations it made. A provisional plan of Board effectiveness commitments for 2022 was also reviewed.</p> <p>Since May 2022 the Board has continued to recognise the importance of its own development alongside demonstrating a commitment to improving its effectiveness. Key actions have included Annual Reviews with each Board member; Board meeting effectiveness questions being asked at the end of each Board meeting; Committee effectiveness reviews (which have now been carried out for both ARAC and RemCom); and a skills audit being completed by every Board member to support future recruitment needs and to aid the LSB with succession planning.</p> <p>For completeness, this update seeks to draw together all relevant progress. This particularly focuses on the themes emerging from the Boards annual appraisals. It also includes a summary of the collated skills audits (Appendix one).</p> <p>In terms of Board appraisals:</p> <p>What clearly emerges is the picture of an evolving Board. Board members are clear about LeO’s Business Plan aims and how well LeO is doing in achieving these outcomes and accordingly they have maintained a strict focus on these. They are also alert to the need to not ignore Priority Three, alongside recognising the opportunity to do more on this in the future. The Board know each other better and feel that this really does enhance working relationships. They feel they are working well together as a group, interact on a professional basis and have accordingly worked through a lot. The working relationship with the Executive is good and has continued to improve over the last year with a clear focus on scrutinising and questioning alongside supporting. This is a Board that is alert to, and committed to, appreciate inquiry, recognising that there is a growing confidence in each other “without fear of negative behaviours” and whilst not being “inappropriately cosy”. It is fair to say that the Board as a whole has realised that the priority for the last twelve months has been to ensure that LeO’s improvement trajectory has continued. This has meant a focus on immediate issues whilst not ignoring longer term goals. The priority for the next twelve months is on owning and developing the new Strategy.</p> <p>In terms of points for learning and future reflection:</p>

There are three areas which will be specifically added to the schedule for Board effectiveness/ Action Plan this year:

- Ensuring the Board has a clear understanding of LeO's end product. "I would still like to interact with staff more and especially do some job shadowing/back to the floor activity".
- Ensuring new Board members are supported and so that the Board can re-establish and re-group as a new Board.
- Ensuring the Board is aware of the specific and changing nature of the MoJ and LSB relationship and the constraints around this.

In terms of moving forward:

Best practice suggests that Board's carry out an externally delivered Board effectiveness review every three years. The OLC last carried out such a review at the end of 2018, considering Ed Nally's report in March 2019. In keeping with best practice the Board has now externally commissioned a Board effectiveness review. This was awarded to Campbell Tickel and started earlier in 2023.

A full report will be considered by the OLC Board at its July Board meeting. An action plan will be developed and agreed following the receipt of the report and will be implemented throughout 2023/24.

This is a central plank of the Board's commitment to its own ongoing evolution and change and in readiness to lead on developing a new Strategy for LeO in 2023/24.

Recommendation/action required
Board is asked to note this update

Board Effectiveness Update

1. Introduction

- 1.1 The OLC Board actively considers its Board effectiveness on an annual basis. At its last update in May 2022, it particularly focused on themes emerging from the Board's annual appraisals along with receiving a provisional update on the Committee effectiveness reviews, and revisiting past actions from the GIAA's internal audit report on Corporate Governance and the recommendations it made. A provisional plan of Board effectiveness commitments for 2022 was also reviewed.
- 1.2 Since May 2022 the Board has continued to recognise the importance of its own development alongside demonstrating a commitment to improving its effectiveness. Key actions have included Annual Reviews with each Board member; effectiveness questions being asked at the end of each Board meeting; Committee effectiveness reviews (which have now been carried out for both ARAC and RemCom); and a skills audit being completed by every Board member to support future recruitment needs and to aid the LSB with succession planning.
- 1.3 For completeness, this update seeks to draw together relevant progress. This particularly focuses on the themes emerging from the Board's annual appraisals. It also includes a summary of the collated skills audits (Appendix one).
- 1.4 A provisional schedule for Board effectiveness in 2023/24 will be shared following Board discussions and will dovetail with the action plan which will result from the externally commissioned Board effectiveness review.

2. Board appraisals

- 2.1 Annual Board reviews were carried out in February and March 2023 and have subsequently been shared with individual Board members and the LSB. A key part of the review is asking Board members to complete a self-appraisal form in advance of the appraisal meeting. In the past these forms have focused on the Board development issues that were first identified over two years ago, including: Collegiate working; Board behaviour and self-discipline; Supporting the Non-Exec/Exec distinction; Working together with other Board members.
- 2.2 This year these headings were reviewed, reflecting how the OLC has moved on as a Board; those likely to form the basis of the externally commissioned Board effectiveness evaluation; and MoJ guidance on this area.

Accordingly feedback was collated on:

- (i) Board foundations (including what the OLC is seeking to achieve; knowing how well LeO is doing in achieving intended outcomes; and Board Committees and Sub Groups).
- (ii) Board role and focus (including Board dynamic and culture; interactions with the Executive; taking collective responsibility for Board decisions; and the emphasis on EDI).
- (iii) Board decision-making (including balancing a focus on immediate issues and long-term success; quality of discussions around individual proposals; and using the available information).
- (iv) Additional comments (including personal value and commitment to the 12 principles of governance and the Nolan principles of public life).

2.3 Feedback against each of these four areas is included below:

Board foundations

- 2.4 What clearly emerges is the picture of an evolving Board. Board members are clear about LeO's Business Plan aims and how well LeO is doing in achieving these outcomes and accordingly they have maintained a strict focus on these. They are also alert to the need to not ignore Priority Three, alongside recognising the opportunity to do more on this in the future. There is a recognition that the last two years out of necessity have involved a tight focus on operational improvement and this has had limitations for the Board role and attention paid to the less operational areas. But this is a self-aware Board and, going forward, there is a desire to occupy less operational and more strategic space and indeed a commitment to welcoming this opportunity.
- 2.5 In last year's Board effectiveness review, a theme emerged over the balance across what is considered by the full Board, what is considered by one of the Board's Sub Groups/Committees and what is considered out of Committee. The message was that this balance needs to be carefully maintained. Whilst there is an ongoing recognition that there remains some deliberate duplication between the work of the Board Committees and the Board – and that this can be further developed this year – the Board is also clear that the Task and Finish group has provided effective challenge to reach a point where, by the end of the year, underlying assumptions could be relied upon.
- 2.6 The overall message is that “the Board is very different to the one I joined” combined with “progress has been so marked” and that the time is therefore right to continue to evolve, moving the focus on to the customer journey time and levels of customer satisfaction, alongside the number of people waiting. Having said this, this is a customer-focused Board and one that is alert to the ongoing need to focus on quality from the perspectives of both sets of LeO's customers. Related to this the Board is clear that the Task and Finish Group would benefit from a review, focusing more on its role around performance and forecast and less on any role around quality.

“The OLC purpose, what good looks like and maintaining stakeholder confidence (by doing what we say we will) are always at the forefront of my mind in discussion and decision-making”.

“The improved process and executive support for the annual budget and business plan has been a real strength and aids Board focus at the right stages of the process. I am looking forward to playing a more active role in the development of the next 3-year strategy”.

“The improvements in Board access to the agreed datasets and the training provided has been invaluable”.

Board Roles and Focus

- 2.7 The Board know each other better and feel that this really does enhance working relationships. They feel they are working well together as a group, interact on a professional basis and have accordingly worked through a lot. The working relationship with the Executive is good and has continued to improve over the last year with a clear focus on scrutinising and questioning alongside supporting. This is a Board that is alert to, and committed to, appreciate inquiry, recognising that there is a growing confidence in each other “without fear of negative behaviours” and whilst not being “inappropriately cosy”. There is a recognition that the quality of papers has improved this year, and how this has given the Board greater assurance and confidence in the work of the Executive. Nonetheless there is more that can be done in this area, not least with reducing the length of some Board papers. Over the last 18 months a ‘discernible change in the feeling around the OLC Board’ has been identified, recognising its growing confidence and certainty in the direction of travel being taken by LeO. January’s Board meeting reinforced this for Board members, demonstrating how sensible conversations can be had and also reinforcing the role of the Task and Finish Group.
- 2.8 Board members are putting in the preparation and are diligent in their approach. This is having implications for the time devoted to the OLC role which for most members considerably exceeds the two days suggested in the original application pack. The Chair is continuing to discuss this further with the LSB.
- 2.9 Collective decision-making is embraced by the OLC. There is good self-discipline around the need to voice areas of disagreement and diversity but, provided the process allows for such questioning, Board members are supportive of decisions reached.
- 2.10 The Board’s tangible commitment to EDI has remained and this continued to feature in all review discussions. But there is a clear message that ‘we can always do more’.

“There is good consideration of EDI, but I think there could always be more – not the obvious areas as they are well covered but some of the less obvious,

unintended and sometimes unconscious judgements on issues. We all have a responsibility to continue to support OLC/LeO in being more and more inclusive. To this end I very much welcomed the training that we have done but am mindful of and determined to continue my own development and awareness”.

“I also think that there has been good progress on the EDI front, however, I am concerned that shortfalls in the available data and the loss of the designated EDI manager may see progress stall/slow down”.

“Board colleagues have sought my opinion and used me as a sounding board, which I think demonstrates that I enjoy their confidence in my judgement and counsel”.

“There has been enormous change in terms of the leadership and culture of the organisation”.

“I do my best to think about how my comments will be received by staff members and think it’s incredibly important to celebrate success and hard work, as well as highlight issues or problems”.

“...keen to see the message land that “it’s okay to push back” recognising that this is a key part of the Non-Executive/Executive dynamic”.

Board Decision Making

- 2.11 It is fair to say that the Board as a whole has realised that the priority for the last twelve months has been to ensure that LeO’s improvement trajectory has continued. This has meant a focus on immediate issues whilst not ignoring longer term goals. The OLC’s work done in Strategic Risk is particularly recognised by the Board and how this is “considerably better than what a lot of organisations have managed to achieve”.
- 2.12 Board members are willing to put a different view through the carefully placed consideration of ‘what if’ devices. The Board consists of some collaborative listeners, who understand context and take a step back. There is respect for what everyone’s role is and a desire to avoid getting “drawn too far into the weeds”.
- 2.13 The Board is mindful that we have not spent enough time on Strategy this year. Whilst they understand the need to ‘steady the ship’ they are also alert to the need to continue to be courageous and ambitious.

“I think the Board discussion process and decision-making works well”.

“...all Board members do share their views on every topic and then reach a collective decision”.

“The quality of Board debate and discussion has improved significantly... We have robust, sometimes difficult conversations – but they are always courteous and respectful”.

“I do sometimes find myself taking a position according to where the balance in the room is - to broaden the debate – for example if the prevailing mood seems over cautious my response would be different than if the prevailing mood seems over optimistic – for me this is about balance in the way proposals are considered”.

“I have found some of the Board discussions about the Scheme Rule changes quite difficult, as my position has been very different to other Board colleagues, but I am happy that I’ve had the space to express my views and am happy that they have been heard. I am very comfortable that we reached a collective decision as a Board and stand behind that decision”.

“I do strongly believe that it is a good practice to give your comments and suggestions only when you feel it is necessary and not to try and comment on everything and specifically not to repeat what has already been said”.

Additional comments

- 2.14 In person meetings have been welcomed and have presented the Board with an opportunity to better understand what each can contribute, including valuing the importance of bringing together those who don’t have an Ombudsman background with those who do. Face to face Board meetings have been well supplemented by workshops and seminars, which have the added advantage of enabling the Board to spend dedicated time with each other on a focused issue.

“I am pleased to feel that I am leaving LeO at a time when its performance is in a better place than when I joined and hope that I have played my part in contributing to that. I have confidence in both our Chief Ombudsman and Board Chair and hope that the positive journey continues.”

“My final year as a member of the OLC Board has been notable for the consolidation of improvements in the organisation’s performance”.

Points for learning and future reflection

- 2.15 There are three areas which will be specifically added to the schedule for Board effectiveness/ Action Plan this year:

- Ensuring the Board has a clear understanding of LeO’s end product.
“I would still like to interact with staff more and especially do some job shadowing/back to the floor activity”.

“I’d like to Continue to develop and build my understanding of LeO’s operations, obstacles and opportunities”.

- Ensuring new Board members are supported and so that the Board can re-establish and re-group as a new Board.

“...it is important that we welcome and help the two new ... settle in well with the rest of the board so we can continue to improve the effectiveness of the board”.

- Ensuring the Board is aware of the specific and changing nature of the MoJ and LSB relationship and the constraints around this.

3. Committee effectiveness review

- 3.1 Good governance relies upon transparent decision making. It is good practice for the effectiveness of Board Committees to be reviewed annually, in order to ensure that the aims and purpose of the Committee are being delivered, that Terms of Reference are up to date, and that the skills and experiences of non-executive Board members are utilised fully and appropriately.
- 3.2 To inform this Committee effectiveness review a self-assessment form was distributed to all ARAC and RemCom members and feedback requested. Feedback on the self-assessment forms was collated via the Board Governance Secretariat in order to ensure appropriate distance for the Committee Chairs.
- 3.3 Both Committees have reviewed the findings of their Committee effectiveness review and have discussed what this means for the Committee going forward.
- 3.4 Findings from the ARAC review include:

Areas of Strength

- Open dialogue with an appropriate balance between challenge and support.
- Very effective Chair who facilitates collective decision-making.
- Good mix of skills and experience across the membership of the Committee.
- Continuous highlighting and tracking of key actions.
- Terms of Reference regularly reviewed and considered up to date and accurate.

Areas of Development

- Better articulation of the link between Board risk appetite and the Strategic risks facing the organisation, including the effectiveness of the mitigating actions.
- The need for a wider assurance framework to help balance the focus of the Committee across risk, finance, quality and performance.
- Including deeper one-off scrutiny sessions of particular areas of risk.
- Review of attendance.

3.5 Findings from the RemCom review include:

Areas of Strength

- Remco has members who are committed to People issues within LeO and are passionate about trying to work to resolve them.
- The Board members bring valuable experience from other organisations.
- Pragmatic and supportive approach from the Chair and all members.
- A 'safe' space for non-executives and executives to discuss staffing matters with specific focus on important issues where needed. Sharing ideas from non-executives based on their wider experience.
- Terms of Reference regularly reviewed and considered up to date and accurate.

Areas of Development

- Working within the new Terms of Reference; the current RemCo is understandably still a 'work in progress' and need to find its "feet, focus and confidence"
- The role of RemCo and how it will operate going forward still needs to be embedded and get into a rhythm. In terms of 2 meetings per year (in line with the ToRs) it may be necessary to hold an additional meeting to support the ambition of the People Strategy.
- Working effectively as a team – this is largely due to ongoing personnel changes within HR at LeO.
- To settle into a proper non-executive assurance role; with less consideration of detailed issues, which are for the executive, and a greater focus on policy and employer responsibilities.

3.6 The Performance and Quality Task and Finish Group has an increasingly clear vision for its future where it will focus on the forecast and the forecasting methodology. The Board has agreed the actions that the Chair will now revisit the ToR, recognising the need to maintain an oversight rather than a 'doing' function, along with giving some further thought to membership, not least given the skills and experiences of new Board members.

4. Collated skills audits

4.1 Skills audits were shared with longer standing Board members in January and February 2023 and also with the new two new Board members in March.

4.2 The Board skills matrix outlines the statutory and good practice mix of skills and experience OLC Non-Executive Members should collectively have to ensure appropriate and robust discussions when scrutinising LeO delivery. This also supports succession planning when considering skills needed at the end of terms of appointments.

4.3 As part of their Board self-appraisal, Board members were asked to insert a number against each of the areas indicated using the following grading:

5	Excellent	Professional knowledge
4	Good	Good working knowledge
3	Satisfactory	Working knowledge with some weaknesses
2	Limited	Awareness of this topic
1	None	No knowledge / skills in this area

- 4.4 The collated feedback is included as Appendix one. There is value in particularly looking at where the Board has 1s or 2s, and then looking at whether and where there are any lines where the 1s and 2s by some individuals are not matched by 4s or 5s from others. This speaks to a balanced Board that brings a diverse range of skills – each Board member is not expected to excel in all areas but it is about ensuring that where there are any weaknesses universally these can be addressed, particularly though the next Board recruitment round (which the Chair has already started discussing with the LSB and which will go live from the autumn).
- 4.5 An initial analysis is that the Board is particularly strong when it comes to Strategic Planning, risk identification and management, Corporate governance and regulation, Differing needs of consumers and EDI in service delivery.
- 4.6 The Board is less strong in IT strategy and systems, Marketing and comms, Cashflow management, Accounting standards and stat reporting, External audit, and Digital customer services.
- 4.7 Following discussion with the OLC Board this will be used to inform a discussion with the LSB over the next round of OLC Board recruitment, including reflecting on which of these skills should be prioritised.

5. Board effectiveness review

- 5.1 Best practice suggests that Board's carry out an externally delivered Board effectiveness review every three years. The OLC last carried out such a review at the end of 2018, considering Ed Nally's report in March 2019.
- 5.2 Key issues identified by this Review included in relation to refreshing Board skills; improving strategic focus; and stakeholder engagement. Some of these actions relate to the specific circumstances of 2019/20. Nonetheless a comprehensive update was provided in October 2021, reflecting progress and using the questions to inform a useful process of self-evaluation.
- 5.3 In keeping with best practice the Board has now externally commissioned a Board effectiveness review. This was awarded to Campbell Tickell and started earlier in 2023. The main facets of this include:
- Desktop review of key documents to build an initial picture of the effectiveness of the Board and to understand whether documents and practices align with standards of good practice.

- Survey and interview of all Board members to gather insights, emerging areas of interest or gaps in understanding.
- Focus group/ meetings with Executive members to gather their perspectives.
- Meeting observation to offer a view on the exercise of skills in practice, the quality of discussions and interaction, and boardroom culture and behaviours.

5.4 A full report will be considered by the OLC Board at its July Board meeting. An action plan will be developed and agreed following the receipt of the report and will be implemented throughout the remain part of 2023/24.

6. Conclusion

- 6.1 This external Board effectiveness review is a central, but not the only, plank of the Board's commitment to its own ongoing evolution and change. This is set to continue throughout 2023/24, building on the facets set out in this paper.
- 6.2 What's clear is that the OLC Board is moving into a new phase, one in which it is well place to be more confident and more assertive and in readiness to lead on developing a new Strategy for LeO in 2023/24.

Appendix one

Skills matrix for members of the OLC Board January and February 2023

The Board skills matrix outlines the statutory and good practice mix of skills and experience OLC Non-Executive Members should collectively have to ensure appropriate and robust discussions when scrutinising LeO delivery. This also supports succession planning when considering skills needed at the end of terms of appointments.

As part of your Board self-appraisal, please insert a number against each of the areas indicated using the following grading:

5	Excellent	Professional knowledge
4	Good	Good working knowledge
3	Satisfactory	Working knowledge with some weaknesses
2	Limited	Awareness of this topic
1	None	No knowledge / skills in this area

Skill category	Grading (1 – 5)
CORPORATE RESPONSIBILITIES: General	
Strategic planning	5, 5, 5, 4, 4, 5, 5, 2
Stakeholder relationship management	5, 5, 4, 3, 4, 5, 5, 1
Risk identification and management	5, 4, 5, 5, 5, 5, 4, 1
Major programme change management	4, 4, 4, 5, 5, 4, 4, 1
Performance measurement	4, 4, 5, 4, 4, 5, 4, 1
Corporate governance and regulation	5, 5, 5, 5, 4, 4, 4, 2

Procurement, negotiations and contract management	3, 2, 3, 4, 4, 4, 3, 1
People recruitment, retention and development	4, 5, 4, 3, 4, 5, 5, 2
Information technology strategy and systems	2, 3, 2, 3, 5, 4, 3, 1
Marketing and communications	4, 2, 4, 2, 3, 4, 4, 1
Monitoring and evaluation	5, 4, 5, 4, 4, 3, 4, 2
Quality assurance systems	5, 3, 5, 3, 3, 2, 3, 1
Health and safety	3, 3, 3, 2, 3, 2, 3, 2
Information handling and data protection	3, 4, 3, 3, 4, 3, 3, 5
Any wider comments?	
CORPORATE RESPONSIBILITIES: Finance and Audit	
Financial strategy and planning	3, 3, 4, 5, 4, 4, 3, 1
Budgeting and monitoring financial performance	4, 3, 4, 5, 4, 5, 3, 1
Cashflow management	2, 1, 1, 5, 3, 4, 2, 1
Accounting standards and statutory reporting	4, 2, 3, 4, 3, 4, 2, 1
Assurance and Internal financial controls	3, 2, 3, 5, 4, 4, 2, 1

Internal audit	4, 1, 4, 5, 4, 4, 2, 1
External audit	4, 1, 4, 4, 4, 4, 2, 1
Driving efficiency and value for money	4, 3, 3, 4, 4, 4, 4, 2
Any wider comments?	
OPERATIONAL KNOWLEDGE: Legal and Customer Service	
Legal services and sector	5, 4, 4, 3, 3, 2, 3, 5
Legal services regulation	5, 4, 5, 2, 3, 2, 2, 5
Customer service and operational delivery	4, 4, 5, 3, 5, 3, 4, 2
Differing needs of consumers	5, 5, 5, 2, 4, 3, 5, 5
Dispute resolution and mediation	5, 5, 4, 3, 3, 3, 5, 3
Equality, Diversity & Inclusion in service delivery	4, 5, 4, 3, 4, 3, 5, 5
Digital customer services	2, 3, 3, 2, 5, 4, 4, 1
Service user involvement and engagement	5, 5, 5, 2, 4, 3, 4, 3
Any wider comments?	
STATUTORY RESPONSIBILITIES	
Civil Service structure/Sponsorship arrangements	5, 4, 5, 3, 4, 4, 5, 1

Regulation (outside legal services)	5, 4, 4, 3, 5, 2, 4, 2
Public policy making	
Equality, Diversity and Inclusivity Policy	4, 5, 3, 4, 3, 2, 4, 5
Legal services Policy	5, 3, 3, 2, 3, 2, 2, 5
Consumer protection Policy	5, 3, 3, 3, 4, 2, 3, 2
Access to justice Policy	5, 4, 3, 2, 3, 2, 2, 5
Any wider comments?	

Appendix two: Template Questionnaire on Committee effectiveness

Effectiveness Review

As part of the Board effectiveness programme, OLC Board Committee members are being asked to complete this self-assessment form. Please share your completed responses with xxx by **xxx**. Feedback will then be collated into a single report to be discussed at xxx meeting. Any Committee effectiveness action plan that results from this will then feed into the wider Board effectiveness review.

Question	Your response
1. What are the strengths of the xxx Committee?	
2. What areas do you think are still a work in progress?	
3. What do you think we should do more of/stop doing?	
4. Does the agenda cover the right areas?	
5. How effective is the Chair? Does the chair allow sufficient time and space to discuss key items?	
6. How do you think the NEDs and Exec/staff interface works at the xxx Committee? Does the committee take an independent	

view and provide challenge accordingly?	
7. Does anything need updating/revising on the Terms of Reference?	
8. What are the key skills you bring to the xxx Committee, and what are your impressions of the balance of skills brought by colleagues?	
9. Are there any other comments you would like to make?	