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| Meeting | OLC Board | Agenda Item No. | 4 |
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| Title | Executive Report |
| Sponsor | Paul McFadden, Chief Ombudsman |
| Status | OFFICIAL |

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| Executive summary |
| <p>The LSB Board approval of the 2021/22 OLC Budget and Business Plan has enabled us to progress plans for delivery of the Business Plan. OLC Board will note the steps taken to develop a programme structure to prioritise key projects and detail plans for delivery of underpinning workstreams. This includes a reprioritisation of People Plan objectives to ensure a more realistic plan for delivery and alignment with delivery of the Business Plan.</p> <p>Our stakeholder engagement will continue to focus on building confidence with stakeholders around the direction we have set in the Business Plan and demonstrating progress against deliverables and commitments with pace. We are engaging with the LSB Executive to consider enhancements to public reporting of our performance and we have moved early to meet our commitment to establish a stakeholder advisory group in April 2021, with the remit of getting immediate and practical input from targeted stakeholders on our plans for improving our processes and reducing the backlog.</p> <p>Performance continues to show some promising signs of recovery with assumptions for case closures being exceeded in the early months of this year. Board members will note the progress the Chief Operating Officer continues to make in assessing and addressing key priorities and positively engaging our operational teams in developing plans for process and performance improvement. In particular, with the PAP backlog positioned very clearly as our immediate critical priority Board members will note the urgency with which we have developed plans to address this through the PAP reduction project and will hear more from the COO on this progress.</p> <p>The current lockdown restrictions continue to impact and present challenges, although planned easing of restrictions means that we are turning our attention to plans for return to the office and future approach to ways of working. This includes potential for reshaping how we lead and manage our staff and consideration of blended approaches to working environment including how any changes in working practice could impact performance and delivery.</p> |

Senior leadership resilience remains one of LeO's strategic risks and a range of steps are being taken to bring stability to the Executive and wider Management Team and to fill key roles and skills and capacity gaps. The Chief Ombudsman will provide OLC Board with a fuller update on these plans.

On finance, governance and risk we continue to develop our approach in these areas with progress made s and actions taken to build capacity and capability across these areas. We continue our focus on actions and projects to provide ongoing assurance and address audit recommendations.

Recommendation/action required

OLC is asked to **NOTE** the paper.

March 2021

Executive Report

2021/22 Budget and Business Plan

The LSB Board approval of the 2021/22 OLC Budget and Business Plan provides welcome certainty and allows us to implement plans for delivery and enhance our focus on the immediate next steps, most critically our plans for stabilising and reducing the pre-assessment pool backlog. A Business Plan delivery project led by the Business Performance Manager has been scoped to prioritise key projects and develop detailed plans for delivery of underpinning workstreams. This will include assessment of key risks and a clear mechanism for accountability for progress reported into the Executive Team.

The LSB Board discussion and supporting papers made positive reference to key elements of our plans, including our underpinning modelling and assumptions and a much stronger appetite to pursue innovations and alternative delivery models. It is also clear that the approach to engagement and responding to stakeholder concerns were well received as was our commitment to the stakeholder advisory group and mid-year review against progress.

Whilst these provide signs of growing confidence in the direction we have set, we are also mindful of the concerns raised by the LSB about the pace of the improvement trajectory set out in the Business Plan and our commitment to seek to deliver improvements against this. Updates later in the Board meeting will outline some of the early progress we are making with people and performance aspects of the business plan which are central to delivery of this improved trajectory.

In approving the budget, the LSB Board also made a commitment to reach agreement on an enhanced public reporting approach to help ensure greater transparency and understanding of LeO performance. We are considering what this enhanced reporting might look like and the OLC Chair and Chief Ombudsman have sought early engagement with the LSB Executive to consider enhancements to the data and information currently published on our performance including the accessibility of this. This will build on the commonly agreed dataset (including the work that is being progressed to improve and add narrative to this) and consideration of the further development of the framework we have set out on Value for Money.

We have moved early to meet our commitment to establish a stakeholder advisory group, with the remit of getting immediate and practical input on our plans for improving our processes and reducing the backlog. Terms of Reference for the 'Challenge and Advisory Group' have been shared with a proposed focused group of members with the first meeting to be scheduled for end April 2021. Our proposals for the group recognise the potential for the remit and membership to evolve in due course to consider wider objectives related to, for example, how first-tier complaint handling can work more effectively.

We have continued to keep staff engaged on this. An all staff briefing provided a read out of key points from the LSB decision, including addressing some media reports around potential future plans to consider alternative options for consumer redress. A series of staff sessions scheduled in April will facilitate more detailed discussion on the Business Plan with the Chief Ombudsman and Chief Operating Officer and allow us to continue to develop collective focus on our key priorities and how each area of the organisation will contribute to achieving these.

A review of learning from this year's Budget and Business Planning process will also commence shortly and we are keen to receive the Board's early input. This will also review the ARAC assurance process with the ARAC Chair in advance of planning for the preparation of the 22/23 Budget and Business Plan.

Performance and People

Performance across the early part of this year continues to show some promising signs of recovery with operational teams meeting or exceeding set assumptions for case closures in January, February and, we expect, for March. A full update on performance will be considered later in the agenda but a key highlight to draw attention to is the fact that closures achieved in the early part of this year are the highest since November 2019, with February 2021 closures higher than achieved in February 2020 before the outbreak of the pandemic and lockdown restrictions.

Although this may represent early signs of recovery, we do not underestimate the significant challenges remaining or the unacceptable position with regards to the PAP backlog, which will be approaching 5000 by the end of March. This has been positioned very clearly as our immediate critical priority and the performance update will outline the urgency with which we are progressing plans to address the backlog and identify ways to improve our productivity and better ways of working more generally. As the performance update will highlight, at the heart of this work is positive engagement with colleagues across the business, through our operational leaders in particular, with real positive outcomes from this engagement starting to emerge.

Board will also note the work undertaken to reprioritise activity in the People Plan under a clearer project management structure. This takes account of feedback from February's Remco meeting and focuses resources on a more achievable and realistic trajectory which also more clearly supports delivery of Business Plan priorities.

Post Covid-19 Planning

The current lockdown restrictions continue to impact and present challenges and the ongoing impact on performance continues to be monitored by the Executive Team through regular Command Team meetings.

Following the Government announcement of plans for easing of restrictions, the Executive's attention has turned to planning for return to the office and consideration of our future approach. This includes the need for a thorough assessment of ways of working and potential reshaping of how we lead and manage our staff. The use of available office space and consideration of a blended approach will be part of this assessment with

detailed consideration of how any changes in working practice could impact performance and delivery.

It is clear from our early consideration that there are a number of complexities to the decision-making on future working and we have established a project led by Executive Team which is currently scoped and prioritised under the following initial key themes:

- Office environment and facilities - working through return to office scenarios and the impact they will have on facilities and services at Edward House.
- Managing people to achieve performance - work to consider different ways of leading our people and considering potential impact of new ways of working on our performance and delivery. This will include considering performance management where we have a more agile approach to work.
- Wellbeing - Continued focus on staff mental and physical wellbeing and how this can be managed on return to the office or in a more agile working environment.
- HR - supporting future ways of working with relevant policies, procedures and support and assessing potential opportunities for expanding recruitment horizons.
- Technology - Continued focus on ensuring all LeO employees are set up for efficient, effective, and secure home working and assessing IT impact on office return.

Early input on returning to the office/working environment following the easing of restrictions has been sought from Staff Council and wider staff engagement will be undertaken on this shortly. Further updates on our plans will be prepared for OLC Board in due course.

Succession and senior leadership and management structure

The Chief Ombudsman has provided an out of committee update to the OLC Board on developing plans for the Executive Team and wider management structure and progress in addressing a number of current and emerging gaps. A number of positions are in the recruitment process, including the Head of People Strategy and Services who will form part of LeO's Executive Team. Other key appointments to the Executive Team are being progressed with the aim of providing short term stability and addressing recognised gaps in capacity and capability. This will include some realignment of reporting lines to ensure better cohesion between directorates and focus on Business Plan priorities.

We have also recruited or are recruiting for a number of posts to develop further capacity and capability and address some emerging gaps in the in the wider Management Team structure:

- A Risk Manager has been appointed to will help lead the further review and development of our risk management framework.
- A Performance & Business Intelligence Manager to replace the current Business Intelligence Manager, with a focus on further developing the commonly agreed dataset and leading work on transparency and enhanced public reporting;

- A Finance Manager to bring further capacity and resilience to the Finance Team. This role was initially planned as a Finance Business Partner in the interim budget earlier this year. Further consideration has led to an uplift in the skills and experience we are looking for in this role.
- Replacements for the outgoing Senior Ombudsman (Service and Quality Assurance), including implementing the currently ongoing review of the Quality Framework, and Level 2 Ombudsman Ops Transformation & Impact.
- Our recruitment of an EDI Manager will be complete shortly with interviews planned for early April. This role will initially report to the Chief Ombudsman as we seek to establish clear internal and external priorities and develop our EDI programme.

Finance and Financial Control

The Finance update to Board highlights an increase in anticipated underspend compared with the figure provided to the Board in the Executive's update on 31 January 2021. This includes increased underspend of £85k resulting from a reduction in the annual leave accrual against our previous forecasts as a result of increased levels of annual leave taken from November. The increased leave taken was largely as a result of additional lockdown restrictions and home schooling from January. This was highlighted by the Executive at the ARAC meeting on 10 March 2021. A separate paper is provided for discussion later in the agenda.

We have almost finished the delivery of the 2020/21 capital programme with a forecast spend of £245k vs £250k. This reflects a major push by the IT team in Q4 to ensure the delivery of final equipment orders and system enhancements by the year end.

The Government Internal Audit Agency (GIAA) have issued their draft internal audit report on Financial Management for the Executive's comment. Overall internal audit were satisfied that key financial risks are being managed through standard processes, clear accountability and appropriate oversight. The report recognises improvement on the position over the last year though makes recommendations for further strengthening of financial management arrangements.

The external auditors (BDO) completed their interim audit in early March and confirmed at the recent ARAC meeting that they commence the final audit on 4th May, two weeks ahead of last year's schedule.

Governance and Risk Management

The Executive continues develop our approach to the management and control of risk. The Risk Assurance Framework project initiated in January will now be led by the newly appointed Risk Manager who will arrive in post on 29th March. The project remains on track to deliver the recommendations from the final Risk Management Audit but the acquisition of specialist risk management skills will be an important step in enhancing capacity and capability in this area.

An Executive Team workshop on strategic risks was facilitated by the Business Performance Manager in March to undertake a full assessment of strategic risks for 2021/22. Further detailed work is ongoing on this and the wider framework ahead of a strategic risk workshop with OLC Board in May. Establishing and agreeing LeO's risk appetite will be a key focus of that workshop and will underpin future arrangements for providing assurance on the Executives' management and control of risk.

A key element of our approach to developing our risk framework has been ongoing collaboration with MoJ Centre of Excellence colleagues to make best use of networks and best practice support. This has included a discussion between the Chief Ombudsman and the MOJ's Chief Risk Officer and regular attendance by the Business Performance Manager at quarterly MoJ ALB Risk Network meetings. This has been a valuable source of advice and best practice and we will continue to seek to develop and benchmark our approach in this way.

In terms of governance more broadly the GIAA Internal Audit Report on Corporate Governance was discussed at the recent ARAC meeting. Based on review of governance arrangements in place in 2020 the report highlighted a number of weaknesses in the framework of governance, risk management and control with recommendations to improve and document governance frameworks and review of the organisation's governance structures by the new leadership team. Discussion at ARAC focused on advances that had been made in addressing many of the issues identified since the audit field work had taken place. The Executive will shortly initiate and scope a Governance and Contracts project which will plan for a full review of existing governance arrangements to identify gaps and potential improvements.

Key stakeholder engagement

Stakeholder engagement between January and March has prioritised the building of the new leadership's relationships with key stakeholders and the sector, This has been helpful in establishing an understanding of stakeholder concerns and issues and setting out direction and approach on LeO's Budget and Business Plan.

Attendance at a number of meetings has also been held around key policy areas such as the transparency agenda and the unauthorised sector and these meetings will feed into our ongoing programme of work in these areas. Further consideration give to our monitoring of the external landscape in the horizon scanning paper.

Moving into 2021/22 building confidence will remain the key focus of our public and stakeholder engagement as we share information on Business Plan delivery and immediate priorities for delivering stability, including the launch of the Stakeholder Advisory Group.