Meeting	OLC	*Agenda Item No.* *Paper No.*	13 87.11
Date of meeting	23 April 2018	*Time required*	15 Minutes

Title	**KPI tolerances and escalation**
Sponsor	Rob Powell, Chief Executive
Status	OFFICIAL
To communicate to:	Members and those in attendance

Executive summary

The OLC approved a new KPI framework for 2018-19 at its meeting on 14 March. Detailed KPI definitions have been developed, these details are being finalised in light of helpful feedback from the Chair of ARAC. The new performance management framework has three levels – external KPIs, strategic performance measures reported to Board and management performance measures.

In its Board effectiveness review, discussed in October 2017, the OLC agreed that the Executive would develop tolerances beyond which the performance would be reported immediately to the Board, and agree these tolerances with the Board.

In line with this action, the Executive has also developed initial proposals for tolerances for the new KPIs and strategic performance measures, beyond which any variations will be reported to the OLC.

Critically, a number of the tolerances relate to the detailed delivery plans. These plans follow on from Business Plan approval at last Board and were still being worked up at the time of writing this paper in the first week of April. They will be subject to a challenge session on 17 April to ensure that they deliver the requirements, are sufficiently robust and are capable of close management monitoring. Once feedback from that session is incorporated, final proposed tolerances will be provided to Board for approval in June, so that the first reports against them will be seen in the Q1 quarterly reports.

At this stage, we are seeking initial feedback from Board on the draft tolerances to inform the final proposals we will bring to June Board for approval.

Appendix 1 sets out proposed tolerances for external KPIs and strategic performance measures, and the escalation points. **Appendix 2** sets out a one page proforma which will be used to report breaches.

Recommendation/action required

Board is asked to COMMENT on the proposed KPI tolerances for 2018-19 and next steps.

1. Introduction

Throughout 2017-18, the OLC has worked to shape a new performance management regime and KPIs for the Legal Ombudsman, which it approved in March 2018. The new framework addresses recommendations from the MoJ's 2017 Tailored Review, which highlighted the importance of measuring quality and customer experience, alongside timeliness and value for money.

The Board effectiveness review highlighted performance management as an area of focus, identifying that forecasting and early warning of performance issues could improve. A robust, whole system operational forecasting and capacity model has been developed, which informed the development of KPIs and the 2018-19 business plan.

2. KPI tolerances

The executive has now developed initial proposed tolerances for each external KPI and strategic performance measure, outlined in **Appendix 1**.

The following principles have applied to the development of the tolerances:

- variances should be strategically significant, i.e. they may adversely impact delivery of the OLC's strategy
- those reported to Board should be significant enough to require Board oversight;
- they should be sufficiently flexible to avoid over-escalation and allow management action time to impact; and
- they should allow both timely management team and Board conversations to understand cause and facilitate appropriate interventions

Appendix 1 also outlines the point at which escalation to the next level would occur and when the ongoing performance against tolerances would normally be reported to both Management Team and Board. The table has both sets of tolerances shown, in order to give visibility and context for Board's input, although only Board level tolerances will be reported on in future.

3. Next steps

Following the challenge sessions on the 17th April, the detailed delivery plans, which underpin the business plan deliverables, will be finalised. These will form the basis for a number of the agreed performance measures and thus the tolerances will be assessed against them.

Subject to Board's initial feedback on the tolerances:

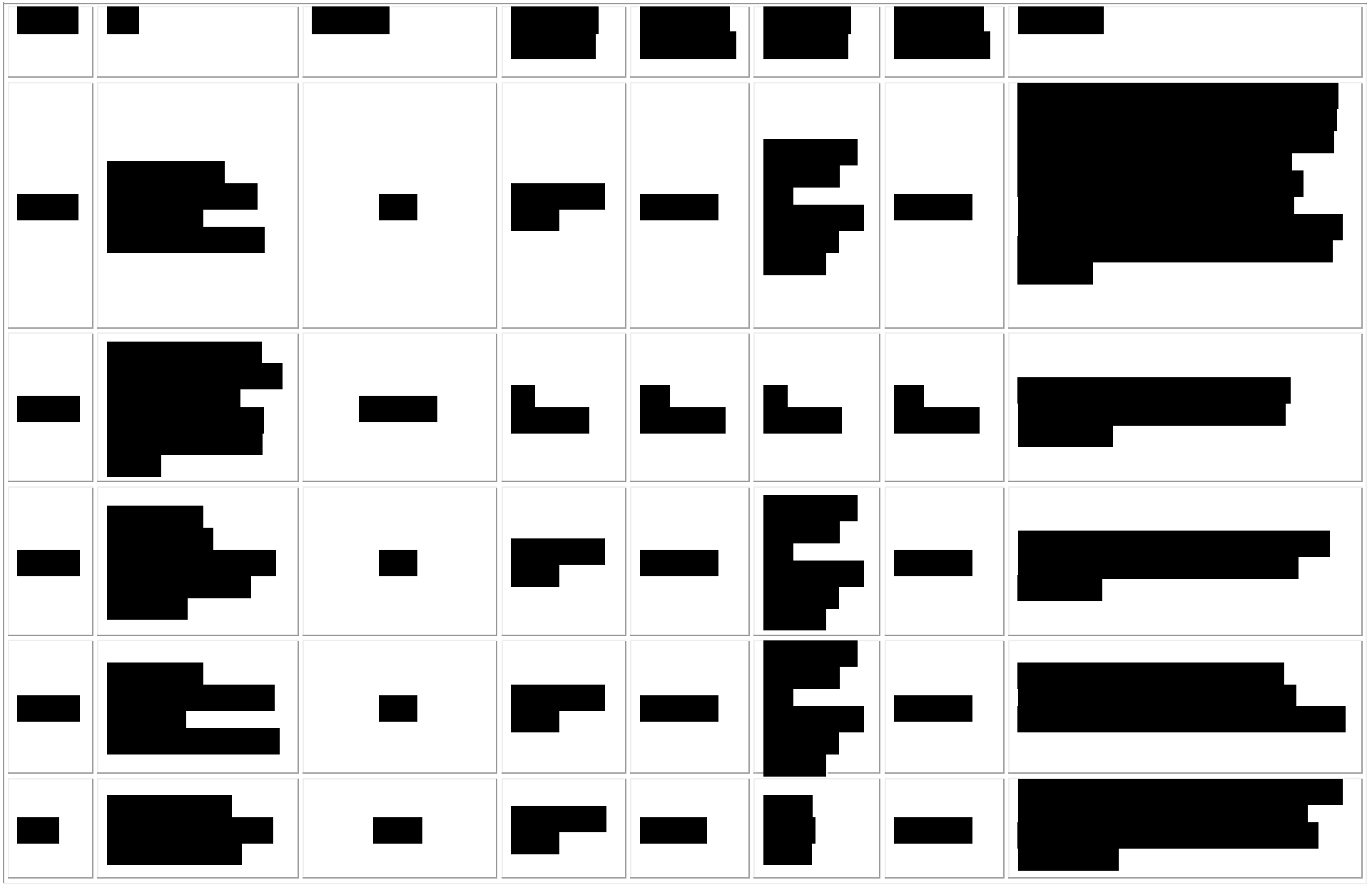
- centralised monitoring of the KPIs and strategic performance measures, as set out in **Appendix 1,** will commence to help test and refine the final tolerances, alongside the business plan delivery monitoring; and
- tolerances will cascade down to personal performance objectives for Operations Managers and other owners of each KPI and strategic performance measure.

On breach of a tolerance being confirmed, a short report will be produced to share immediately with management team or Board, as per the escalation requirements, using the template in **Appendix 2**. For Board, the Board Secretary will share the report, which will also then form part of the relevant standing items at the next meeting, or if the Chair deems it a more urgent issue, a teleconference may be called.

Appendix 1 – draft KPI tolerances

External KPIs **FoI Exempt S.22**

[redacted]



[redacted]

Appendix 2 – KPI tolerance exception report

Tolerance exception report to the OLC	
Date	
KPI	
Tolerance breached	
KPI owner	
Description of breach:	
Cause of breach:	
Proposed remedial action to bring performance back in line:	