Meeting	OLC Board Meeting	**Agenda Item No**.	6
		Paper No.	107.13
Date of meeting	28 September 2020		

Title	**PQ Task and Finish Group Update**
Sponsor	Rod Bulmer
Status	OFFICIAL
To be communicated to:	Members and those in attendance

| **Executive summary** |
| The attached paper provides an update on the PQ Task and finish group meetings held on 19 August 2020 and 16 September 2020 |

| **Recommendation/action required** |
| Board is asked to **note.** |

OLC Board 28 September 2020

Update on Performance and Quality Task and Finish Group

1. Background and context

Given the challenges faced in the prior year budget setting process the group was established as part of the budget learning review process headed by Elisabeth Davies.

As part of the Terms of Reference its purpose was defined as follows;

"*A Performance and Quality Board Committee or Task and Finish Group should be established immediately. Its primary function would be to enable the Board to assure itself of the robustness and integrity of the staffing delivery model and this could include bringing in an independent to review the model, looking at the correlation coefficient between predictions of the model and actuals. The assumptions behind the fast stream resolution process should also be tested and the Group could also assume responsibility for reviewing the KPIs. Ultimately the Group is about enabling the OLC and LeO to develop shared confidence in the model which underpins its work; to ensure predictions are realistic and to get a grip on performance and operational delivery*"

The Group has met on an ad hoc but frequent basis over the last 4 months. We have held 4 group sessions in addition to many more individual and smaller group sessions involving members of the management team and members of the Group, including the Chair.

2. Agreed priorities and Work plan

At the first meeting the following priorities were agreed.

1. Understand - issues of understanding the model construct, its assumptions and how it works
2. Improvement & Confidence (static) - activities associated with improvement and building confidence that the model is robust and works as a static budget setting and one-off reforecast tool (note: it will be from this model that any in year budget adjustment requests are defined)
3. Utilisation (dynamic) - activities that improve the model and allow it to become dynamic and therefore useable as a tool to dynamically reforecast and help inform ongoing decision making
4. KPIs - building the dataset and KPIs that provide the input and basis for all Board level internal and external reporting

5. Control & Governance - activities required to ensure the right control and governance around the model and changes

3. Current Position

The Group has made significant progress across a number of these areas and improvements have been made real-time and on an ongoing basis.

Given the agenda for the OLC Board meeting on 28th September it is appropriate that as Chair of the T&F Group I set out progress with the objective of providing the Board with a level of confidence and assurance as appropriate. In particular items 9 and 11 on this Board agenda base many of their findings and recommendations on the models that have been challenged and developed through this Group.

4. Progress to Date

4.1   Current Model

We have reached a point where we are satisfied and confident that the model is robust and works in terms of providing a forecast resourcing requirement against an agreed set of assumptions. The model has been back-tested against prior outcomes and forecasts are accurate to the actual outcome delivered within reasonable levels of confidence.

However, it should be noted that the model is demand and productive assumption driven and does not model the detail of the processes.

The assumption set underpinning the budget forecasts is now a subject for an agenda item within this Board meeting.

4.2   Forecasting Tool

The model is static and does not easily work as a forecasting tool. It can be re-run at regular intervals to produce updated static forecasts but it does not easily translate in to a forecasting model that dynamically updates as budgets and forecasts are updated with actual data.

The management team will be requesting funding for this work to be completed within the interim budget proposal they are due to submit.

4.3   Common DataSet

We have made good progress and have largely agreed the shape of a common dataset with the LSB and MOJ. This was discussed in a recent tripartite session attended by myself and Elisabeth Davies from OLC Board. For operational metrics we have agreed to a monthly cycle whereas for other metrics the frequency may be reduced.

4.4   KPIs

We have made good progress in adopting a "Balanced Scorecard" type solution for the Board level KPIs. This has resulted in some increased specificity of measurement of existing metrics plus the addition of new metrics in order to provide a true balanced picture of overall performance.

There is some outstanding discussion as to what is appropriate to share externally versus what is required for OLC Board for effective oversight.

The KPI suite is now a subject for an agenda item within this Board meeting.

4.5   End to End KPI

This specific metric has been the source of much debate at OLC Board but also with MoJ and LSB. We have now agreed a proposed definition for this metric and also how we believe this metric will develop over future years as our data capture becomes better.

The end to end KPI is now a subject for an agenda item within this Board meeting.

4.6   Targets and Actuals

Within the most recent T&F Group we looked at the specific targets and actuals for the first time against the revised KPIs. It was agreed that this is a discussion required at Board and any agreement should occur in that forum.

Targets are now a subject for an agenda item within this Board meeting.

4.6   Governance

Thus far we have not considered this in any detail. However, it is clear that the Task and Finish Group model has worked very effectively. In addition existing governance will need strengthening in order to maintain the robustness and integrity of the model.

5. Conclusions and Final Thoughts

I believe we have made significant progress over the last 4 months and we should now feel confident in our ability to provide Board assurance regarding the underlying modelling and basis for the budget.

We have also engaged MoJ and LSB in our process and we have moved the dial in terms of transparency.

However, there are a number of areas where I would flag continued concern to the rest of the Board.

5.1   Covid

It has been modelled to some degree but the impact on supply and demand remains a big unknown. Productivity levels in the last 3 months have been relatively poor and I do not yet feel confident that we have a grip as to the Covid impact on our underlying assumption set and performance. This is a high risk to our plans.

5.2 Model Limitations

The model is basic in its construct and we should not be left with the impression we have a robust forecasting model backing our operation. In particular, processes are not modelled and assumptions are therefore "aggregated" production assumptions. Perhaps more worryingly the model is not dynamic and hence any deviations of performance from assumed levels (Covid or otherwise) quickly renders the forecast inaccurate. It is clear to me that through much of the last 12 months we have received forecasts at OLC Board that have not been substantiated by the recent levels of actual performance seen.

5.3 From model to outcome

Having confidence that the model is accurate will quickly put a "laser like" focus on the detail of the assumptions and the outcomes we ultimately produce. In particular I would draw Boards attention to the following areas:

- How much "hope value" is embedded into the assumptions (i.e. improvements without a known plan)?
- Are the budget outcomes - short, medium, long term - good enough?
- Have we been radical enough in our thinking?
- Can we manage a business of this scale without a dynamic process led model with which we can inform actions and drive underlying productivity?

These items all feature as part of the agenda but I wanted to draw them out as they have emerged from the T&F Group and I believe warrant broader Board discussion