

Meeting	OLC Board meeting	Agenda Item No. Paper No.	9 120.7
Date of meeting	26 May 2022	Time required	20 mins

Title	Board Effectiveness Update
Sponsor	OLC Chair
Status	OFFICIAL

Executive summary

In October 2021, the OLC Board reviewed a Board effectiveness update. This included considering the progress made against two external pieces of work. The update also included other Board effectiveness actions which had been completed by the Board since September 2020.

Since October 2021 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; and Committee effectiveness reviews (which are currently being carried out for both ARAC and RemCom). 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 provisional update on the Committee effectiveness reviews, recognising these are still in progress, along with revisiting past actions from the GIAA’s internal audit report on Corporate Governance and the recommendations it made (Appendix One). A provisional plan of Board effectiveness commitments for 2022 is also re-attached (Appendix Three).

In terms of Board appraisals:

Feedback from Board members is reassuring and demonstrates that the Board is on its own performance improvement trajectory, one that includes increasing self-discipline and is aided by Board meetings with a clear focus and set of asks. The Board is considered to be collegiate and committed to the importance of collective decision-making. It has demonstrated its clear and tangible commitment to EDI. New Board members are high calibre and making sound and thoughtful contributions and there is a Board culture of “healthy challenge”. LeO has a much stronger Executive in place; and the Board has turned the corner with some of its key stakeholders. In person meetings have been welcomed and have presented the Board with an opportunity to better understand what each can contribute.

Points for learning and future reflection

- 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 needs to be carefully maintained.
- The Board would like to experience more of the end-to-end customer journey, including the different stages of the journey and what the customer sees. This should include the impact of interventions on quality, in terms of customer experience and outcome.
- Consideration should be given to whether the views expressed within the Board are sufficiently diverse.
- The Business planning cycle and the weighting of Board commitments in quarters 3 and 4 is doable but challenging for the Board.
- The composition of the Board papers has improved however there is still room for improvement to make the reports shorter with better use being made of the Executive Summary.
- The structure of Board meetings has improved and further improvements can be explored.

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 will consider the option of carrying out an externally commissioned Board effectiveness review. This will take place in the middle of 2022 and when budget considerations can be more fully assessed.

Recognising the journey the Board is on, future Board Effectiveness Reviews could focus on a framework of four areas:

- (i) Foundations
- (ii) Focus
- (iii) The Board in action
- (iv) Performance improvements

More information on each of these areas is included in Appendix Four and to aid discussion with the Board

Recommendation/action required

Board is asked to note and discuss the Board effectiveness update.

Board Effectiveness Update

1. Introduction

- 1.1 In October 2021, the OLC Board reviewed a Board effectiveness update. This included considering the progress made against two external pieces of work, namely the main conclusions along with a draft action plan relating to a Board effectiveness review which had been externally facilitated by Ed Nally in March 2019; and the seven relevant recommendations relating to Board effectiveness from an Independent Review completed in October 2019 by Ron Barclay Smith.
- 1.2 The update also included other Board effectiveness actions which had been completed by the Board since September 2020. These were:
- Holding two externally facilitated half day Board seminars dedicated to Board development.
 - With the support of the LSB appointing three new Board members and holding meaningful and well-received induction sessions.
 - Revisiting and closing the relevant actions from the Independent Review.
 - Committing to attending Inclusive Leadership training as part of the organisational-wide commitment to EDI.
 - Carrying out a review of the OLC's Remuneration and Nominations Committee, resulting in revised Terms of Reference.
 - Reviewing and updating the membership of all Board Committees.
 - Appointing a new Board Sponsor for EDI.
 - Re-establishing the OLC's Performance and Quality Task and Finish Group.
- 1.3 Since October 2021 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; and Committee effectiveness reviews (which are currently being carried out for both ARAC and RemCom).
- 1.4 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 provisional update on the Committee effectiveness reviews, recognising these are still in progress, along with revisiting past actions from the GIAA's internal audit report on Corporate Governance and the recommendations it made (Appendix One). A provisional plan of Board effectiveness commitments for 2022 is also re-attached (Appendix Three).

2. Board appraisals

- 2.1 Annual Board reviews were carried out in February and March 2022 and have subsequently been shared with individual Board members and the LSB. In keeping with last year, the focus of the self-reflective piece was on four areas which were identified on the basis of previous Board development themes:
- (i) Collegiate working and collective decision-making
 - (ii) Board behaviour and self-discipline

- (iii) Supporting the Non-Exec/Exec distinction
- (iv) Working together and knowing other Board members

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

Collegiate working and collective decision-making

2.3 The Board is considered to be collegiate and committed to the importance of collective decision-making. This is not about all Board members agreeing all of the time but is rather about ensuring divergent views can be clearly and constructively expressed and listened to and indeed how this divergence ultimately strengthens the calibre of decision-making. The arrival of the new Board members has been universally welcomed and has been seen as bringing coherence, further strength, depth and resilience to the Board.

“I think that the Board works cohesively and respectfully, thanks in part to the early Board bonding event and a genuine commitment of all Board members to improving LeO with eyes facing firmly forward, with the past used for context”.

“The Board is very collegiate. Whilst I felt concerned about the initial integration of new non-executive members, the team working sessions really helped me and I am completely happy with how we all work together collectively”.

“The Board now works exceptionally well as a forum for the frank exchange of - sometimes very different - perspectives. I always feel able to contribute my views and feel that they are heard and considered. But I recognise that we are making decisions as a group and am very comfortable to accept and support collective decisions – even when they don’t fully reflect my own views.

“The collegiate working has definitely improved. While I have always been clear and direct in expressing my views/ recommendations, I have always accepted and supported other good ideas/ suggestions coming from other members. There is mutual respect within the board members”.

Board behaviour and self-discipline

2.4 The Board has demonstrated its clear and tangible commitment to EDI and this featured in all review discussions, where the benefits of the inclusive leadership training were noted. It is showing itself to be a values-led Board and with a drive that stems from its shared commitment to the Legal Ombudsman, how much its work matters, and how much scrutiny it is under. There is a clear recognition that the Board is also on a journey, one that includes increasing self-discipline and is aided by Board meetings with a clear focus and set of asks.

“Under Dale’s leadership the EDI Board Sponsor role has developed at pace; important that Dale’s sponsorship role is not at the expense of a full Board commitment to EDI and I’m reassured by Dale that she feels fully backed by the OLC Board”.

“Board behaviour and discipline is excellent. We are improving all the time with a timetable of meetings which reflects our business cycle (which we will do with Remco meetings) including consultation timetable on the business plan”.

“Board members listen to each other and are willing to change position”.

“Board meetings, Board workshops and Committee meetings are all conducted respectfully, collaboratively and with very high standards and levels of discipline and respect for others”.

“The dynamics of the Board have changed with new members joining but, if anything, this seems to have further improved Board discipline”.

“I think we are finally securing the right balance between an aggressive focus on securing the best value for money, while protecting the fundamentals of the scheme. The agenda for the board is set with clear focus now and that helps us as a board to get involved in much more productive discussions and to concentrate on important items”.

Supporting the Non-Exec/Exec distinction

2.5 Board members are alert to and mindful of the distinction between the Board members and the Executive, and of the need to provide challenge in a supportive way which does not undermine the work of individual members of the Executive. The quality of papers coming to the Board continues to improve, as does the quality of Executive input, and these are seen as being key factors in enabling the Board to occupy the right space. Again, this is a work in progress. February’s workshop on performance reporting was particularly praised, recognising that whilst this was an opportunity to reflect on what reporting is currently in place and what we want to achieve through better reporting, it was also a chance to consider the relationship between the Executive and Non-Executives more widely. At the workshop this was described as reframing the relationship as an ‘adult to adult’.

“As a Board, we’ve been able to step back into a proper “Board space” – which wasn’t always possible in the past”.

“Whilst fully understanding the context which has led to greater involvement of the Board with activities that would normally sit squarely with the executive, I do think that it is time to “rebalance the ship””.

“I have enjoyed contributing to the working group on revision of the scheme rules and found the discussions very constructive and fruitful, allowing for a range of views and good problem solving with executive colleagues. But I feel we should still be vigilant about the use of Board working groups outside the main meeting to ensure we don’t cross the non-exec/exec boundary”.

“The quality of exec papers is improving hugely based in reliable data which demonstrates clear exec thinking. This helps to make Board discussion much more focused and productive and in turn helps us develop an appropriate ‘critical friend’ relationship. Execs should feel and I think do feel enabled to challenge back to Board and to steer us based on previous discussions – aided by the Chair”.

“I offer my feedback and suggestions in a way which invites the executive to consider it and offer challenge in a constructive way to further understanding and broaden thinking”.

“It is clear that executive team has gained more confidence now and trust the board. Them getting more involved in discussions and asking more and more questions are signs of that”.

Working together and knowing other Board members

- 2.6 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 find the Board workshop sessions very helpful not least because they give us all time to properly consider key strategy issues".

"Staying overnight has meant some of us have been able to spend more time together, which inevitably speeds up effective group dynamics. I've particularly enjoyed getting to know some of our newer Board members".

"Even when faced with significant challenges and real pressure – with the right leadership – groups can function well".

"I respect and value the opinions and different perspectives from other members and that will help us to come to a more rounded conclusion".

"I am a great believer in having occasional informal dinners or suitable gatherings to break the ice and allow the board members to meet each other in an informal environment".

Points for learning and future reflection

- 2.7 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 needs to be carefully maintained.
- Decision-making is a collective requirement and whilst Sub Groups and Committees present a much needed opportunity to drill down into more detail, those who do not have the opportunity to do this should not be left feeling marginalised in any way.
 - Further thought will be given to the way the Board currently receives Committee updates.
- 2.8 The Board would like to experience more of the end-to-end customer journey, including the different stages of the journey and what the customer sees. This should include the impact of interventions on quality, in terms of customer experience and outcome.
- Consideration is already being given to the value of using our July Board seminar to spend more time reflecting on customer satisfaction, including for example what LeO does to gather this. Consideration is also being given to how the Board is better sighted of examples of case work.
- 2.9 Consideration should be given to whether the views expressed within the Board are sufficiently diverse.
- Whilst not an issue expressed across the Board, further consideration will be given to this, both as part of a future external Board effectiveness review and in terms of what this might mean for future recruitment needs.
 - For example, is the Board 'ready' to appoint a development candidate in the new financial year? Annette Lovell and Lis Bellamy's second terms of office come to an end, broadly towards the end of 2022/23.

- 2.10 The Business planning cycle and the weighting of Board commitments in quarters 3 and 4 is doable but challenging for the Board.
- Whilst necessary and working well the importance of early notification of meeting dates and minimising ad hoc meetings was reinforced.
 - There is also a recognition that, as other organisations move from remote working, diaries might become less flexible. 2023 dates will be required as soon as possible.
 - The Chair will revisit the issue of Non-Executive Board remuneration and look again at the benchmarking carried out this time last year with the LSB.
- 2.11 The composition of the Board papers has improved however there is still room for improvement to make the reports shorter with better use being made of the Executive Summary.
- Further consideration will be given to whether what the Board wants of the Exec is sufficiently clear, including by summarising Board discussions and key action points.
 - Is there the opportunity to consider having a specialist board tool such as Board Pack or Board Intel to give better flexibility to read, annotate and put stickers on certain key sections for reference in meetings.
- 2.12 The structure of Board meetings has improved and further improvements can be explored.
- Feedback on external engagement carried out by both Chief Ombudsman and OLC Chair should continue to be shared.
 - Greater staff interaction at Board meetings should be encouraged and to ensure staff are clear about their role. This could include a Board pre-briefing with the Chair and invitations tied into specific Board agendas.
 - A short reserved/closed agenda where only the Chief Ombudsman attends so that the Board can have open discussions as required (NB. This has already been actioned and was trialled at March's Board meeting. It will also be factored into future Board agendas).
 - Strategic alignment and direction across the business is key and may require more of the Board's time being spent on more strategic issues.

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 has been distributed to all ARAC and RemCom members and feedback requested (included as Appendix . Feedback on the self-assessment forms has been collated via Betty Liu, the Executive Support Assistant, in order to ensure appropriate distance for the Committee Chairs.
- 3.3 ARAC has reviewed the findings of its Committee effectiveness review and has discussed what this means for the Committee going forward. A suggested action plan will be brought back to its June Committee meeting. Findings from RemCom will be collated in advance of its June Committee meeting.

3.4 Provisional 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 Significantly this review has found that ARAC is fulfilling its terms of reference and applying a consistent approach to the scrutiny of its areas of responsibility. The risk of the Committee not providing robust assurance to the Board through complacency or of failing to identify risks to LeO has been mitigated through this review process.

4. Board effectiveness review

4.1 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.

4.2 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.

4.3 In keeping with best practice the Board will consider the option of carrying out an externally commissioned Board effectiveness review. This will take place in the middle of 2022 and when budget considerations can be more fully assessed (see Appendix Three).

4.4 Recognising the journey the Board is on, future Board Effectiveness Reviews could focus on a framework of four areas:

- (v) Foundations
- (vi) Focus
- (vii) The Board in action
- (viii) Performance improvements

4.5 More information on each of these areas is included in Appendix Four and to aid discussion with the Board.

Appendix One: GIAA Internal Audit on Corporate Governance

The GIAA report on Corporate Governance was published in February 2021 but significantly it was based on evidence gathered in 2020. In reviewing the report ARAC identified that a number of the outstanding recommendations had already been addressed.

Some aspects of this report speak to the Executive rather than the Board function. For completeness, all four recommendations are included below.

Recommendation	Action update (May 2022)
<p>The Board and executive establish clarity of terminology of the organisation and the scheme between OLC and LeO and ensure that this is communicated to all staff and stakeholders.</p>	<p>Terminology is now consistently used in corporate publications – such as the Annual Report and Business Plan – and the working style has been updated to avoid misleading or confusing use of ‘we’.</p> <p>This has also been raised with the MoJ in the context of the review of the Tripartite protocol and the OLC MoJ Framework document (both of which are due to be reviewed again).</p> <p>Consideration should be ongoing.</p>
<p>Documented governance frameworks should be amended to include:</p> <ul style="list-style-type: none"> • A timetable for submission of management information/papers, including chase mechanisms for late papers; and • A quality review/assurance of the management information/papers prior to presentation at the Board/committee meeting. 	<p>Completed – OLC Board has consistently remarked on improvements in the quality of Board papers throughout 2021 and 2022.</p>
<p>The frequency and scheduling of each Board/committee meetings should be reviewed to ensure it provides for appropriate reporting to and from the Board.</p>	<p>Completed for 2022 – Board meeting dates for 2023 will shortly be circulated with the Board.</p>

<p>A formal review of all issues, recommendations and planned actions to enhance Board effectiveness is undertaken to:</p> <ul style="list-style-type: none">• Establish all outstanding actions;• Document all actions to be taken by named action owners by target dates; and• Report the progress of all issues, recommendations and planned actions.	<p>Completed – in September 2020; October 2021; and May 2022.</p>
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Appendix Two: Questionnaire on Committee effectiveness

ARAC Effectiveness Review 2022

As part of the Board effectiveness programme for 2022, OLC Board Committee members are being asked to complete this self-assessment form. Please share your completed responses with Betty Liu by **Tuesday 19th April**. Feedback will then be collated into a single report to be discussed at May's ARAC 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 Audit and Risk 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? Does the committee give sufficient attention to risk management and governance matters? Does the committee spend sufficient time with both internal and external auditors to get their feedback?	
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	

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

Appendix Three: Provisional Board development and effectiveness plans for 2022

Month	Activity
January 2022	Inclusive Leadership Training
February 2022	<p>Board workshop: Performance Reporting <i>In February the Board held a workshop, looking at how LeO should be reporting on its performance. Whilst this was an opportunity to reflect on what reporting is currently in place and what we want to achieve through better reporting, it was also a chance to consider the relationship between the Executive and Non-Executives more widely. At the workshop this was described as reframing the relationship as an 'adult to adult'.</i></p> <p>Annual performance reviews of all OLC Board members (starts)</p>
March 2022	Annual performance reviews of all OLC Board members (finishes)
April 2022	Annual Board Committee effectiveness reviews (starts)
May 2022	Board update on Board effectiveness
June 2022	<p>Annual Board Committee effectiveness reviews (finishes)</p> <p>Refresh of skills audit (last completed in July 2020)</p>
July 2022	Board seminar
August 2022	Review of value and affordability of externally commissioned Board effectiveness review
September 2022	Board seminar

October 2022	
November 2022	
December 2022	

Appendix Four: Criteria for Measuring Board Effectiveness

Foundations

- We are clear what we are trying to achieve and have this front of mind when planning and making decisions.
- We know how well we are doing in achieving intended outcomes.
- We have information on quality of service, user, staff and stakeholder perspectives to help us make decisions and use it effectively when planning and making decisions.
- We have information on costs and performance and comparisons with similar organisations to help us make rigorous decisions about improving value for money.

Focus

- We are clear on the roles and responsibilities of Non-Executives and the Executive, the Chair and Chief Ombudsman.
- We each know what we are supposed to be doing.
- We take collective responsibility for our decisions.
- We focus on our leadership and stewardship functions.
- The work of Committees supports the Board.
- The Executive feel held to account.

Board in Action

Practicalities

- We are satisfied that we get meeting papers early enough.
- Board meetings are the right length and mix of formats.
- We are clear on the value sought from the Board for each agenda item.
- The number of Board meetings is appropriate to fulfil our roles and responsibilities.
- Format of papers are fit for purpose.

Values and Behaviour

- We know the values we expect Board members to demonstrate in their behaviour and actions.
- These values are reflected in our approach to decision making.
- We feel all are equal, valued and make an effective contribution.
- We feel respected, able to challenge and ask questions.

Informed, Transparent Decisions and Managing Risk

- Our meetings are productive and effective – the Chair conducts the meetings well and all members (Chair included) can express their views.
- We are clear on decisions to be taken by the Board and those to be taken by the Chair and Chief Ombudsman and by the Executive.
- We explain the reasons for our decisions to staff and stakeholders.
- The information we receive in board papers is robust and objective.
- Assessment of risk and planning of mitigation is robust and works well.

Engaging Staff, Customers and Stakeholders

- We are clear who we are accountable to for what and accountability relationships work well. We take action to clarify and strengthen these relationships.
- We are clear on how we want to consult the public and users.
- We are clear on matters on which we consult and involve staff and this is well communicated and followed in practice.
- We are clear on the institutional stakeholders that we need to have good relationships with and organise ourselves to take the lead in developing those relationships at senior levels.
- We have our finger on the pulse of how staff feel.

In order to assure information provided by the Executive we:

- Review, understand and where necessary challenge the available information.
- Understand the sources of the relevant information and assess its robustness.
- Interact directly with business leads, review plans, analysis and performance, challenge and commission further work when necessary.
- Undertake visits interacting with staff and customers – observing practice first hand / experience of what happens.
- Utilise technical / specialist expertise – to provide independent view of specific content.
- Use comparative data from other organisations to evaluate LeO practice and performance.
- Gain external feedback / professional insight on core areas of practice.

Development

Developing capacity and capability of the Board and individual Board members.

- We are clear on the mix of skills we must have.
- We develop our skills and update our knowledge.
- We review the performance of individual board members giving feedback on what we value most and what we would like other to do differently. We put into practice action plans for improving performance of the board.

Stakeholders perceptions:

- Delivery against OLC Strategy and Business Plans for the Legal Ombudsman.
- That LeO is held to account by the OLC Board.
- That the work of the OLC Board is visible to staff and is seen as adding value to LeO.
- NAO gives unqualified audits and holds up the OLC's governance statement and arrangements as examples of good practice.
- MoJ confident that the OLC oversees value for money and follows good governance practice.
- Seen as independent, authoritative and influential.