Meeting	OLC	Agenda Item No. Paper No.	9 88.9
Date of meeting	4 June 2018	Time required	10 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. 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 developed initial proposals for tolerances for the new KPIs and strategic performance measures, beyond which any variations will be reported to the OLC. An initial draft was discussed at the OLC meeting in April, and it was agreed that final proposals would come to the June OLC meeting for approval. This paper explains the key changes made to address feedback from April Board, and sets out at **Appendix 1** a final set of tolerances for external KPIs and strategic performance measures, and the escalation points, for Board approval.
Recommendation/action required
Board is asked to **APPROVE** the proposed KPI tolerances for 2018-19.

1. Introduction

In April 2018, the OLC discussed draft KPI tolerances which set escalation points at which deviation from required performance levels (against external KPIs and strategic performance measures) would be reported to Board.

Board provided feedback on the initial proposals, which the executive has considered and sought to address.

2. KPI tolerances

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

The following principles have been 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 aim of this approach is to allow the Management Team time to address concerns about performance before escalation to the Board. We have also used some tolerances which look at the frequency of breaches over a six month period as a secondary measure that identifies where management action has not achieved sustainable improvement.

3. Feedback from April Board

The main issue highlighted in the Board's feedback was concern about the frequency of reporting, and potential risk of significant time lags between performance issues occurring and escalation to the Board. The context for this feedback is the focus and priority we are giving to improving operational performance.

To address this, and recognising Board's point that these issues may mean that 2018-19 is an anomalous year, we are proposing to provide Board with a short tabular report

against each KPI either in the Board papers or by correspondence as dates dictate. This will allow Board to identify areas they need to keep an eye on, provide additional assurance about performance and ensure Board can support improvement in a timely manner. This will be an information report, rather than an escalation report; the former provides assurance whereas the latter would require Board input and discussion

The table below summarises Board feedback and how it has been built into the final proposals.

Feedback	**Response**
Frequency of reporting tolerance breaches is not sufficient, particularly for timeliness statistics (with concern about reporting breaches in three consecutive months or three months out of six). More generally, quarterly reporting may be insufficient during 2018-19 which is an anomalous year given the extent of the performance challenge facing LeO.	For 2018-19 only, the executive will produce a short monthly summary of performance against tolerances for all KPIs and strategic performance measures and share this with Board, either in the performance paper or by correspondence. This addresses the concern that some of the tolerances may not be reported to Board for several months. We have retained the triggers for escalation to Board, either where performance is more than 10% outside timeliness KPIs for more than two consecutive months or twice in a four month period (indicating that remedial action has failed to sustain improvement). We will review and report breaches of timeliness and legacy KPI tolerances each month on a rolling basis to minimise risks associated with quarterly breach reporting to Board.
Ownership of escalation needs to be clear	**Appendix 1** now states the owner of each KPI who is accountable for escalation against the tolerances.
There needs to be a clearer rationale for those indicators deemed unsuitable for use of tolerances	We have added further, more specific explanation to relevant KPIs and strategic performance measures in Appendix 1. And in some cases, we have added new tolerances.
There may need to be a red line trigger point for KPI performance at which there would be immediate reporting to Board	The monthly report against all tolerances aims to avoid the need for ‘red line’ trigger points during 2018-19.

4. Next steps

Subject to Board approval of the proposed tolerances, we will commence monthly reporting against them for all KPIs and strategic performance measures in the July Board paper on performance, and monthly thereafter either as an appendix to the performance paper or by correspondence.

Appendix 1 – draft KPI tolerances

External KPIs

			Escalation to:				
			Management team		Board		
KPI ref/ owner	**KPI**	**Measure**	**Proposed tolerance**	**Regular reporting frequency**	**Proposed tolerance**	**Regular reporting frequency**	**Rationale**
CEQ2a (CD)	% of cases concluded within target for that category of case	**Legal Low** – 60% within 90 days; 85% within 180 days; 99% within 365 days **Legal Medium** – 30% within 90 days; 80% within 180 days; 90% within 365 days **Legal High** – 0% within 90 days; 30% within 180 days; 85% within 365 days **Legal all complexity** 26% within 90 days; 72% within 180 days; 90% within 365 days **CMC (all)** – 60% in 90 days, 90% in 180 days, 100% within 365 days	10% off target in any category	Monthly	10% off target for more than 2 consecutive months or 2 months out of 4, in any category	Monthly	Informed by the forecasting and capacity modelling tool, we have applied management judgement to ensure sufficiently stretching measures, particularly for 90 day low complexity performance. The tolerance for this KPI is set to take account of the fluctuations and the time for management intervention to demonstrate improvement. The 2 months in any 4 tolerance aims to identify where improvements in performance have not been sustained. Legal all complexity includes all cases concluded after 1 April, irrespective of business process or CMS system. For complete transparency - this includes cases in the legacy team, cases concluded in old CMS and cases concluded in the new CMS

KPI ref	KPI	Measure	Proposed tolerance	Regular reporting frequency	Proposed tolerance	Regular reporting frequency	Rationale
CEQ1a (CD)	% customer satisfaction with service at the end of the process (those satisfied with outcome)	85%	-5% in one reporting period	Quarterly	-5% over two reporting periods	Quarterly	This is a strategically significant measure hence the relatively tight tolerance. However, the consideration of the satisfaction of customers within the legacy team should be taken account of when reporting against tolerance, to reflect the expected impact in 2018-19 of legacy cases and timeliness issues that affected LeO in 2017-18. The escalation takes account of both lag time and the time for intervention to impact reporting
CEQ1b (CD)	% customer satisfaction with service at the end of the process (those dissatisfied with outcome)	15%					
CEQ6a (CD)	% of service complaints upheld at final stage of process	No target – trend measurement	No tolerance	Not applicable	No tolerance	Not applicable	Measure unsuitable for use of tolerance as this is not an area suitable for a hard target. As our evidence base matures, it may be possible to set tolerances in 2019-20.
RPS1 (MH)	% of stakeholders agreeing that LeO provides value-adding insight	No target	No tolerance	Annually	No tolerance	Annually	One-off annual survey unsuitable for use of tolerances.
CEQ7a (CD)	% of complainants satisfied with their outcome who would speak highly of LeO	80%	-10%	Quarterly	-10% over two reporting periods	Quarterly	The tolerance level reflects the nature of the survey and variation in sample size. However, the consideration of the satisfaction of customers within the legacy team should be taken account of when reporting against tolerance, to reflect the expected impact in 2018-19 of legacy cases and timeliness issues that affected LeO in 2017-18. The escalation takes account of both lag time and the time for intervention to impact reporting
CEQ7b (CD)	% of complainants dissatisfied with their outcome who would speak highly of LeO	10%	-5%	Quarterly	-5% over two reporting periods	Quarterly	

KPI ref	KPI	Measure	Proposed tolerance	Regular reporting frequency	Proposed tolerance	Regular reporting frequency	Rationale
IRE8 (EC)	Unit cost per case (all complexities) – *net of estates income and gross costs*	£1,484-£1,563 Legal; £1,137 CMC	> £100 over target - 3 month rolling monthly average	Monthly	> £100 over target - 3 month rolling monthly average	Quarterly	There is expected variation through the year, based on overhead apportionment, particularly in CMC where case volumes are more volatile, costs are lower and there are more fixed elements to maintain the critical mass to deliver the service.
PLC2a/b (MP)	Quarterly and rolling annual turnover rate	Rolling annual turnover <12%	>3% above rolling annual target	Monthly	>3% above rolling annual target for two consecutive quarters	Quarterly	Based on CIPD benchmark – this is a strategically significant measure hence the relatively tight tolerance for a measure which is partially outside LeO's control.
PLC3a/b (MP)	Average days per employee lost to sickness (all)	Below CIPD public sector averages (8.5 days per FTE)	> 9 days per FTE	Quarterly	>10 days per FTE	Quarterly	Tolerance based on CIPD benchmark for public sector bodies, which reflects our starting position. We will also compare ourselves to all sectors and over time intend to move to that benchmark.
PLC1a/b (MP)	Civil service and Pulse engagement index	>60%	<55% in any quarter	Quarterly Pulse index	<50% in any quarter	Quarterly	Allows lag indicator of staff engagement issues to be escalated.

Strategic Board performance measures

			Management Team		Board		
KPI ref	**KPI**	**Measure**	**Proposed tolerance**	**Reporting Frequency**	**Proposed tolerance**	**Reporting Frequency**	**Rationale**
CEQ2b (CD)	Median time to conclude a case (by case complexity)	Trend analysis	No tolerance	Not applicable	No tolerance	Not applicable	Both are new measures which are unsuitable for tolerances until we have baselined. Tolerances should be set in 2019-20.
CEQ2c (CD)	Age band analysis of open cases by case complexity						
CEQ2e (SP)	Legacy team remaining work in progress	Within 10% of plan	>10% off plan	Monthly	>10% off plan for more than 2 consecutive months	Monthly	Since clearance of legacy work is crucial to sustainable performance improvement, any consistent deviation above 10% should be escalated to Board. The Board tolerance takes account of time for management action to show impact, but is tight due to risk impact
CEQ2f (CD)	Current work in progress, both legal by case complexity and CMC	Within 10% of plan (at key stages)	> 20% variation to plan	Monthly	> 20% variation to plan for more than 2 consecutive months	Quarterly	Tolerance aims to give an early warning of significant deviation from delivery plan, based on economic levels of unallocated work (around 2 weeks). Work in progress measures unsuitable for use of tolerances.
IRE5 (CD)	Monthly/quarterly variance between cases accepted and closed, by complexity	Variance <5%	>10% variance	Monthly	>10% variance for more than 2 consecutive months	Quarterly	To avoid over-escalation, we suggest 10% as a reasonable threshold over a quarter, to take account of seasonal variation

KPI ref	KPI	Measure	Proposed tolerance	Reporting Frequency	Proposed tolerance	Reporting Frequency	Rationale
CEQ1c (CD)	% satisfaction (customer/service provider) at investigation stage	65%	>5% below target	Quarterly	>5% below target for two consecutive reporting periods	Quarterly	This is a key measure, hence the tight tolerance. However, the consideration of the satisfaction of customers within the legacy team should be taken account of when reporting against tolerance, to reflect the expected impact in 2018-19 of legacy cases and timeliness issues that affected LeO in 2017-18.
CEQ6b (CD)	Number of service complaints as a % of all cases and % service complaints upheld (Stage 1, 2 and 3)	No target	No tolerance	Not applicable	No tolerance	Not applicable	Trend measurement and regular reporting more appropriate than escalations
CEQ4a (CD)	% all cases assessed as meeting appropriate customer service principles	90%	>5% below target	Quarterly	>5% below target for two consecutive reporting periods	Quarterly	Quality of service is critical, so a tight threshold for escalation has been proposed.
CEQ4b (CD)	% all cases assessed as having a fair and reasonable outcome	95%	>5% below target	Quarterly	>5% below target for two consecutive reporting periods	Quarterly	Achieving a fair and reasonable outcome is fundamental to LeO's purpose so a tight tolerance is needed.
IRE7 (CD)	% of tasks and decisions sent back by Ombudsmen	<10%	>5% above target	Monthly	>10% above target	Quarterly	Send backs measure quality and are a form of waste, so will be escalated within 5 & 10% variance from target respectively

KPI ref	KPI	Measure	Proposed tolerance	Reporting Frequency	Proposed tolerance	Reporting Frequency	Rationale
RPS2 (MH)	% professional feedback plan delivered, % target attendees and % positive feedback	Green status	No tolerance	Quarterly	No tolerance	Quarterly	These metrics will be reported quarterly to Board and are not sufficiently significant to require tolerances
RPS4 (MH)	Klout social media score	>40	No tolerance	Not applicable	No tolerance	Not applicable	
RPS7 (CD)	% using legal services in last 2 years who had heard of LeO	Trend analysis	No tolerance	Not applicable	No tolerance	Not applicable	One-off annual survey unsuitable for use of tolerances.
IRE1 (NG)	% unplanned downtime (CMS, telephony and infrastructure)	<1%	>1%	Quarterly	>2%	Quarterly	We expect reliable IT performance so the tolerance is relatively narrow.
IRE9 (EC)	% variance against budget YTD and forecast outturn	<1%	>1.5%	Monthly	>2%	Monthly	We expect effective budgeting and forecasting to drive improved performance so the tolerance is relatively narrow.
PLC13 (MP)	MIND workplace well-being index	Bronze status	No tolerance	Not applicable	No tolerance	Not applicable	One-off annual survey unsuitable for use of tolerances.