

MINUTES OF THE PHSO BOARD MEETING
TUESDAY, 21 JANUARY 2014
15th floor, Millbank Tower
9.30am – 4.40pm

EXECUTIVE CHAIR:

Dame Julie Mellor DBE, the Ombudsman

EXECUTIVE MEMBERS:

Helen Hughes, Chief Operating Officer
Mick Martin, Executive Director Operations
Mike Procter, Executive Director Business Transformation
Sally Sykes, Executive Director External Affairs and Strategy

NON-EXECUTIVE MEMBERS:

Peter Freedman
Sharmila Nebhrajani
Sir Jon Shortridge KCB
Helen Walley

IN ATTENDANCE:

Anne Harding, Legal Adviser (item 8)
Joy Higgins, Secretariat Manager (minutes)
Graham Payne, Director of Finance, Planning and Performance
Sue Thomson, Head of Executive Office
Jennifer Evans, Investigator (observer)
Carolyn Godden, Business Support Officer (observer)

The Chair welcomed Mick Martin, new Executive Director Operations, to his first Board meeting in post.

1. **Minutes, matters arising and action points of the closed session of the previous meeting - 28 October 2013**
 - 1.1 See separate, restricted, minute of the closed session.
2. **Annual Business Plan Framework for 2014-15**
 - 2.1 Aims were discussed and agreed for the business plan framework.

3. **Minutes, matters arising and action points of the previous meeting - 28 October 2013**
 - 3.1 The minutes of the meeting on 28 October 2013 were agreed as an accurate record and would be published on PHSO's intranet and website (**action: Secretariat Manager**).

4. **Report from the Chief Operating Officer**
 - 4.1 The COO drew the Board's attention to two issues in the report: staff engagement; and the budgeting, delegation and performance management review.
 - 4.2 The Board noted that the COO had appointed Grant Thornton, PHSO's internal auditors, to carry out a review of the risk that PHSO's approach to budget setting, delegation, accountability, monitoring and control in the context of broader organisational change and the devolved accountability model expected within the organisation.
 - 4.3 The Board discussed the issue of staff engagement and how best to re-engage staff and demonstrate that things were being done differently. The Board agreed that staff *involvement*, rather than just engagement, was key. It was felt that the restructure needed to be completed before staff could be expected to fully engage.
 - 4.4 The ED Business Transformation updated the Board on the progress of the restructure and said that approximately 95% of staff in the current phase of the restructure had been 'slotted' into posts in the new structure.
 - 4.5 The Board agreed that the Business Plan for 2014-15 needed to be transparent about what had been achieved in 2013-14 and what was still to do. The objectives for the next phases of the restructure needed to be very clear. The COO suggested that the underpinning HR change programme, including staff engagement and involvement - generally and around the Business Plan be picked up in a Business Plan workstream (**action: Mike Procter**).
 - 4.6 The Strategic Plan 2013-18 had outlined a vision for society but not for the organisation that would achieve that vision. This would be an ideal area of work in which to involve staff in through the planned all staff meetings (**action: ED Business Transformation and ED External Affairs and Strategy**).
 - 4.7 The Board noted the report.

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5. 2013-14 Period 9 (December): Operational Performance Report

- 5.1 The Chief Operating Officer introduced the suite of performance reports noting that now the senior structure had been fully staffed the 'Aims' for the corporate performance framework would be reviewed and submitted to the April Board meeting for approval . This would outline the purposes of each report, prevent duplication of reporting and adjust frequency (**action: ED Business Transformation**).
- 5.2 The ED Operations & Investigations circulated a comparison of PHSO case performance between the full year 2012-13 and the year to 31 December 2013-14. The ED highlighted the increase in investigations during those periods from 384 to 1,046, respectively. This directly responded to customer feedback which told us that is what our customers most wanted.
- 5.3 The ED outlined the immediate operational challenges: input exceeding output; and the current shortfall against the annual target of 2,000 investigations completed. He informed the Board of the initiatives underway to address the shortfall, including increasing capacity and productivity by doing things differently and streamlining processes. A number of pilot schemes were underway or scheduled for the coming months, which would have a positive impact on output this year and inform our future processes.
- 5.4 The Board welcomed the increase in the number of investigations and the fact that twice the number of people were getting resolution of their complaint. The Board noted that when deciding to take a case on for investigation we now looked for an *indication* of maladministration, rather than *evidence* of maladministration.
- 5.5 However, the Board expressed concern over the shortfall against the annual target and sought assurance that quality would not be compromised as a result of measures taken to increase productivity. The ED assured the Board that quality remained a focus and that quality sampling would be carried out between now and the end of the business year. The draft Quality Framework would be submitted to the March Board meeting for review (**action: Mick Martin**).

6. 2013-14 Quarter 3 Business Plan Update Report

- 6.1 The Board reviewed the report and discussed the workforce data, noting that sickness levels had declined and that staff turnover was currently higher than the public sector average. The Board requested periodic feedback on themes arising

from exit interviews (action: ED Business Transformation). Workforce metrics would be submitted to a future Board meeting (action: ED Business Transformation).

- 6.2 The Board was informed that the overspend forecast at the time of writing the paper was now no longer expected.
- 6.3 The Board noted the progress report and requested that the Strategic Risk Report accompany the performance reports at future meetings and that the suite of reports have a covering document outlining the aims for Board input (action: ED Business Transformation).

7. 2013-14 Quarter 3 Strategic Performance Evaluation

- 7.1 The report outlined performance against the strategic objective measures. The Board reviewed performance by strategic aim and discussed levels of awareness of our service.
- 7.2 Going forward, the Board agreed to receive a twice-yearly assessment of outcomes delivered against strategic objectives with comparative information covering previous year, current year and future expectations or targets as relevant (action: Mike Procter).

8. Setting out the future of our Review Service

- 8.1 The Chief Operating Officer introduced the paper which outlined the recent review of the purpose and how we deliver our Review Service. Our approach to reviews was being considered because of current restructuring; to reflect the change in approach of doing more investigations and providing an opportunity for complainants to comment on draft reports; the need to develop better measures of customer satisfaction for reviews where complainants are not happy with the decision made and this significantly impacts traditional satisfaction ratings. Evidence is that the uphold rates of external and internal reviewers are the same and external reviews do not lead to greater customer satisfaction. The Board's contribution to how the Service was being developed was sought.
- 8.2 The Board noted that there was no requirement for PHSO to review its own decisions and discussed the impact that investigating more complaints would have on demand for reviews - would they reduce as such a high proportion of reviews previously were about decisions to decline to investigate complaints, or would the number of review

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requests for complaints 'not upheld', after investigation, increase? This would not be clear until we had a full year of data excluding cases under the old approach. The Board also discussed the practices of other Ombudsman services and the views of the Public Administration Select Committee. It was agreed that PHSO should be in line with best practice in this area.

8.3 After a full discussion, the Board developed a set of aims for review activity which could be used to develop our approach going forward.

Purposes:

- To do what we expect others to do - put things right where we have been at fault and use learning to improve our services
- To manage customer expectations better, including closure of a case with a 'hard stop' - being clear when we have reached the end of the process.
- To reassure Parliament that there is a robust approach to complaints about us
- To minimise the costs and likelihood of judicial review
- To be able to design staffing to be fit for new purposes

For whom and how will they benefit:

- Consumers have confidence in the quality of our decision making and our impartiality and are more likely to achieve closure at the end of an investigation
- Staff feel supported in dealing with complaints about us and able to be open and welcoming of complaints
- Board are assured we are putting things right when we need to and are learning from our mistakes and improving our service and have the information to scrutinise and challenge our approach
- Bodies in jurisdiction are confident we are impartial

Deliverables:

- A new approach to complaints about our service and reviews of our decisions conducted by internal resources only
- Mechanism for involving external reviewers in our own quality sampling for both service complaints and reviews of decisions and, on an exceptional basis only in service complaints
- Staffing proposals
- Monitoring, evaluation and learning mechanisms in operation at all levels
- Measures of success

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Measures of fitness for purpose:

- Fewer unhappy customers (recognising the uphold rates will always have a significant bearing on measures of customer satisfaction)
- Evidence of realistic expectations, shorter review times and definite closure of cases
- New feedback mechanisms to measure efficacy of approach e.g. measure quality through outcomes, time taken and service received
- Separate approach and monitoring of complaints about our service and reviews of decisions
- Seen to be impartial, evidence based and responsive by bodies in jurisdiction and complainants
- Evidence of learning, leading to insight and action to improve our service
- Can demonstrate we are doing what we expect others to do
- Visibly influenced by complainants, bodies in jurisdiction, staff and other stakeholders

In addition, the Board was interested in further information on the practices of other Ombudsman services and the rationale behind those practices (**action: Legal Adviser and evidence compiled for PASC**).

- 8.4 The Board considered the current criteria for reviewing our decisions, which had been introduced earlier this year, and agreed that they should remain and be reviewed after a full year of operation in April 2014 (**action: Legal Adviser**).

9. Harmonising processes with the Local Government Ombudsman

- 9.1 At the joint LGO/PHSO Board workshop on 22 July 2013, it was agreed that LGO and PHSO should jointly explore the possibilities of working more closely together in future. The ED Business Transformation updated the Board on progress towards harmonising casework processes and back-office functions with the Local Government Ombudsman since the workshop.
- 9.2 Work was not sufficiently developed to present firm proposals on harmonisation to the Board and the ED recommended the establishment of a Joint Steering Committee to oversee a joint action plan.
- 9.3 The Board discussed and agreed the proposal, subject to an amendment to the Joint Committee terms of reference so that it would make *proposals* to the two Boards

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where board authority for decisions is required under each organisations governance framework.

- 9.4 The Board further agreed the membership of the Board as the two Ombudsmen and Sir Jon Shortridge KCB who was a non-executive member of both Boards. Both organisations would need a senior responsible officer and the Board sought assurance that the project manager and budget would be built into the 2014-15 Business Plan (action: ED Business Transformation).

10. 2013-14 Quarter 3 Strategic Risk Report

10.1 The Board welcomed the Strategic Risk Register which had been further developed since the last Board meeting. The Board noted that an Operational Risk Register had been developed and was being managed and monitored by the Executive Team.

10.2 The Board discussed the content of the Register and made the following comments/decisions:

- Aim 1 - there were no aim 1 objectives during this phase of the Strategic Plan
- Aim 2 - the RAG ratings were agreed; staff morale and Operations leadership/management were added as causal factors; staff involvement was added as the mitigating action
- Aim 3 - the green ratings were agreed on an interim basis; proxy measures would need to be determined, eg number of people benefitting from systemic reports; influencing activities on the Parliamentary side were added as the mitigating action
- Aim 4 - the green ratings were agreed on an interim basis; influencing activities on the Parliamentary side were added as the mitigating action
- Aim 5 - the ratings were accepted; staff involvement was the mitigating factor
- 6 (overall) - the Executive Team would review whether this section was needed; if it was, it should be performance against strategic indicators (priority of aims should be: 2, 5, 3 & 4, 1) and rated amber
- Public confidence - noted that the red and green ratings were the wrong way around; causal risks needed to be expanded to include external factors, eg how critical PASC are going to be, campaigners etc
- Public funding - need to define value for money and determine the correct comparators; need more causal risks for spending review; and to add mitigating actions.

10.3 The Board thanked the team that had produced the report which had enabled them to focus on the risks facing PHSO.

11. PHSO's Funding Ambit

11.1 The Board reviewed and agreed the decision to amend PHSO's funding ambit in order to align it with our Strategic Plan. The Board noted that the Treasury had indicated the change would be accepted.

12. 2013-14 9-Month Budget Review and Proposed Budget Allocations

12.1 The paper before the Board summarised the outcome of PHSO's 9-month budget review exercise, the purpose of which was to confirm and assure the on-going effective use of PHSO's resource budget allocations.

12.2 The Board reviewed the 9-month position, the variances against budget and the proposed changes to allocations. The Finance Director informed the Board that the £24k additional income that was required at the end of month 9 had now been identified. The Board requested amendments to the format and presentation of the data for future reports (**action: ED Business Transformation**).

12.3 The Board discussed the level of reserve and were reassured that it was appropriate. The Board noted that voluntary exits already actioned had already been accounted for and there was an additional £100k set aside for any further exits agreed.

12.4 The Board agreed the proposed revised total budget allocations and delegated authority to the Chief Operating Officer to authorise local budget allocations.

13. Minutes of the Audit Committee - 7 November 2013

13.1 The minutes of the Audit Committee on 7 November 2013, including the closed session, were adopted by the Board.

13.2 The Board noted that the Audit Committee had recommended that KPMG be appointed as PHSO's internal auditors. The Chair asked whether any Board member had a conflict of interest. No interests were declared and the Board confirmed KPMG's appointment.

14. Board Membership

14.1 The Chair proposed that the Local Government Ombudsman Chair be invited to join PHSO's Board as a non-executive member. The Board agreed the recommendation (action: Head of Executive Office).

14.1 Board membership would be reviewed as part of the annual review of Board effectiveness scheduled for the last quarter of 2014-15 (action: Head of Executive Office).

15. PHSO Board Forward Programme and meeting review

15.1 The Board reviewed the forward programme of business and added the following items to the March meeting:

- Briefing on Operations productivity
- Complaints data
- Follow up on Fritchie recommendations
- Pay Committee terms of reference.

15.2 Once the Business Plan had been agreed the forward programme would be populated for 2014-15 (action: Head of Executive Office).

15.3 Board members reported that with the recruitment of permanent executive directors the board was beginning to function more as a unitary board with more balanced contributions from executive and non-executive directors. The risk discussion was the most substantive since the board started operating a year ago because the causal risks and mitigation plans were more developed. There were requests for shorter papers with greater clarity on what was sought from the board (action: Executive Team).

16. Any Other Business

16.1 There was no other business.

17. Review of the Meeting

17.1 Board members shared their view of the meeting and felt that the Board was working more cohesively. Non-executive members welcomed the fact the majority of papers were taken during the open session with only one item being taken in the closed session. Areas for improvement included greater clarity in papers of what

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the Board was required to do and the added value the Board could bring (action: Head of Executive Office).

18. Date of the Next Meeting

18.1 The next meeting would take place on Monday, 24 March from 2-5pm and Tuesday, 25 March from 9.30am - 4.30pm.