

SENSITIVE

PARLIAMENTARY AND HEALTH SERVICES OMBUDSMAN (PHSO) BOARD MEETING

Open Session (Day 2)

Tuesday 26 July 2016, 12:15pm-4:00pm

Room 15.8, 15th floor, Millbank Tower, London SW1

CHAIR:

Dame Julie Mellor DBE, the Ombudsman

NON-EXECUTIVE MEMBERS:

Elisabeth Davies

Alan Graham

Dr Jane Martin

Ruth Sawtell

Sir Jon Shortridge KCB

Dr Julia Tabreham

Helen Walley

EXECUTIVE MEMBERS:

Alan Doran, Chief Executive

Gill Kilpatrick, Executive Director of Finance and Governance

Rebecca Marsh, Executive Director of Operations and Investigations

Alex Robertson, Executive Director of External Affairs and Strategy

APOLOGIES:

None

ATTENDEES:

Amanda Campbell, Chief Executive (from 1st October 2016)

Adam Hawksbee, Principal Private Secretary to the Chair

Alexandra Jones, Interim Director of Governance

Lisa Rae, Interim Board and Committee Clerk (minutes)

Amanda Nicholls, Communications Co-ordinator (observer)

Amanda Smith, Reviewer (observer)

Anneyce Wheatcroft, Investigator (observer)

1. Chair's Introduction

1.1 The Chair welcomed members and outlined the agenda.

2. Minutes and Matters Arising from the previous meetings:

2.1 The Board agreed the minutes of the meeting held on 26 April 2016. The Chair signed the minutes, noted that the minutes of the Joint Board (PHSO/LGO) meeting held on 20 June 2016 had been agreed and noted the matters arising and that there were no further updates.

3. Chair's Report to the Board (Board/2016-07/P6)

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- 3.1 It was noted that PHSO has endorsed their commitment to a joint statement on Public Ombudsman Service reform. The joint statement would be ready for September and be included in letters to new Ministers.
- 3.2 The Board noted the content of the report and the verbal update.
- 4. Interim Chief Executive's Report to the Board(Board/2016-07/P7**
- 4.1 The Chief Executive introduced his report and acknowledged the workload demand, the hard work undertaken by PHSO, pay concerns for Project Officers and the sense of uncertainty about the future.
- 4.2 It was noted that weekly meetings take place with the Trade Unions, minutes of which are available, which should help improve relationships.
- 4.3 The main points raised in discussion were:
- i) although staff acknowledged an effort had been made to engage with them there were still concerns about performance related pay;
 - ii) it is understandable during this period of change that there is low staff morale, however, Non-Executives still expressed concern;
 - iii) as the Investors in People meeting is just a catch up PHSO cannot lose its status;

Gill Kilpatrick left the meeting

- iv) that sustaining morale is a serious management challenge;

Helen Walley left the meeting

Gill Kilpatrick re-joined the meeting

- v) morale should be captured and reported using the dashboard format

Helen Walley re-joined the meeting

- 4.4 Following discussion the Board agreed to:
- i) recognise the progress on staff engagement;
 - ii) note that a list of Trade Union concerns would be reported to the Board
 - iii) note the continuing dialogue with Trade Unions;
 - iv) note and understand staff concerns;
 - v) note that employee relations are a matter for Executives and that the statements and actions of Non-Executive Directors would support this;
 - vi) welcome Trade Unions and staff representatives as observers at Board meetings and the staff awayday;
 - vii) Non-Executives only using ombudsman.org email addresses;
 - viii) note that the Metropolitan Police assessment was now closed and there is no criminal case to answer; and
 - ix) note the progress addressing the break in and vulnerability.

5. Business Case: Meridio Replacement Project (Board/2016-07/P8)

- 5.1 Rebecca Marsh introduced this paper which set out the business case, including rationale, to support the replacement for the current system, Meridio. Meridio would be out of support soon and due to the risk implications the best option is to replace it with the most effective document system.
- 5.2 The Board were informed that the Technology Board and Executive Team had been fully involved.
- 5.3 The main points raised in discussion were:
- i) if this is off the shelf does this need to be customised and if so what are the risks;
 - ii) implications for timing, relationship with CMS and convergence/future reform;
 - iii) option 2 did not include cost; option 4 did not show depreciation;
 - iv) that the paper did not have the required assurance in part 5.

[Clerk: following the Board meeting I spoke with ICT colleagues who confirmed that all assurances up to Board level had been received]

- 5.4 In response it was noted that:
- i) the recommended option is a standard product entirely compatible with CMS;
 - ii) some off the shelf add ins would be required;
 - iii) no new software is required to be written;
 - iv) LGO had been involved at the Technology Board stage;
 - v) Sharepoint is already used in other parts of PHSO.
- 5.5 Following consideration the Board agreed the preferred option (4) the procurement and implementation of Records Management add-ins to existing SharePoint software held by PHSO with the costs as set out below:

Total Resources *£20k pa*

Resources broken down by year:

Capital *estimated at £200k*

Capital broken down by year:

2016-2017: £200k

Depreciation broken down by year

Non-financial costs (staff time etc.)

Benefits Realisation

Total financial benefits *£14k pa once Meridio is switched off*

Lunch break

6. Internal Communications and Engagement Update (Board/2016-07/P9)

- 6.1 The Executive Director of External Affairs and Strategy introduced his paper which set out the progress and plans for upcoming internal communications and engagement activity and noted that there is a good proactive staff engagement programme.
- 6.2 The Board queried the effectiveness and value for money of the staff event and were informed that it is important to get staff together as we are on a split site. The event would have a clear purpose and senior leadership commitment. He would receive a paper on the content in two weeks.
- 6.3 The Board noted the progress and plans for upcoming internal communications and engagement activity.

7. Overview of Q1 performance (Board/2016-07/P10)

- 7.1 The Executive Director of Finance and Governance introduced this standard suite of papers on the overall organisation performance, the Executive Team's view on performance and the impact on the achievement of our strategic objectives. They highlighted that this was the first HR report, the importance of looking at performance to ensure targets can be achieved, managing risk and having a coherent approach.
- 7.2 The main points raised in discussion were:
- i) that PHSO is working at full executive and organisational capacity;
 - ii) deploying CMS will have an impact on productivity;
 - iii) there are two aspects to the Queue Project - how many and how long. There is a need to understand how the Queue is performing with weekly or daily monitoring and looking at seasonal peaks/troughs;
 - iv) that in Annex B (Board/2016-07/P10), section 4 gave precise figures against things which could not be forecast and that there is potentially a knock on effect next year;
 - v) reporting was still against the existing quality standard and that until it had finished being aligned with the Service Charter the Red/Amber Green/ system would be used;
 - vi) that a high risk not identified on the risk register is management stress;
 - vii) the cover paper needs to highlight finance and risk register;
 - viii) at what level of risk is it highlighted to the Board;
 - ix) the risk register needs to reflect risk and mitigation more clearly;
 - x) external risk factors need to be acknowledged and recognised, such as, reputational risk.
- 7.3 In response it was noted that:
- i) there are various levels of risk - including project and executive, gradually working up until it hits the strategic risk register;

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- ii) Board feedback would be reflected in the monthly register as well as the next register to the Board.

7.4 Following consideration of the suite of papers the Board:

Annex A: End of Year Financial Position for 2015/16

- i) noted the financial position for PHSO for the Financial Year 2015/16, including the Parliamentary Supply Estimate totals.

Annex B: Financial Performance Report to end of May 2016

- ii) noted the forecast for the financial position at the end of the May 2016 and considered actions needed in respect of any budget pressure areas;
- iii) noted the virements enacted as detailed in Section 4 of the report to enact the reallocation of funding to extend the Queue Project;
- iv) noted that bids will be requested to maximise the available headroom in line with corporate priorities; and
- v) noted the position of PHSO spending plans against the respective HM Treasury control totals laid out in Section 6 of the report.

Annex C: Corporate Performance Report to end of May 2016

- vi) noted content.

Annex D: Q1 Strategic Risk Register

- vii) noted content.

Annex E: Q1 HR Report

- viii) noted content.

8. Update on Financial Management and Governance Improvement Plan (Board/2016-07/P11)

8.1 This paper provided a management view of the key financial issues and assurance to the Board that the action plans in place will improve financial management and governance at PHSO.

8.2 The Executive Director of Finance and Governance highlighted the updates in section 3 and informed the Board that an Interim Director of Finance would be joining PHSO sometime this week.

8.3 The Board noted the content of the paper including the progress made in strengthening the control framework (Annex A (Board/2016-07/P11) with Internal Audit Rating) and the verbal update.

9. Proposed Finance Code (Board/2016-07/P12)

9.1 The Executive Director of Finance and Governance advised the Board that the existing Finance Code is not fit for purpose. The redraft had been considered by the Management Team and Executive Team.

9.2 The Board welcomed the significant development in financial management that the code represented. It concluded however that the current draft did not reflect the executive responsibility for action to enable the Accounting

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Officer to fulfil her personal responsibility and for providing assurance to the Accounting Officer on actions taken and the results of those actions. The Board also sought assurance about implementation and monitoring arrangements including compliance. Specific comments were also made as follows:

- i) Table at 3.1.2
 - a. levels need to be either +£1 or -£1 e.g. level 1 up to £2,999; level 2 from £3000 up to £9,999;
 - b. Have staff been consulted on the monetary levels (small limits can paralyse);
 - c. too many levels
- ii) Section 5.1 needs to include single tender action;
- iii) Section 7.4 why are we using cheques when they are not very secure;
- iv) pages 19 & 20 refer to the Managing Director/Deputy Ombudsman when it should be Chief Executive;
- v) Appendices 2-4: people listed - is this post or person who has responsibility - if the former, then names should be omitted, the preference was for posts to be included;
- vi) Appendix 4: GPC Holder
 - a. role and name columns -populated details have been transposed;
 - b. rationale as to why these particular people are GPC holders/just general rationale;
- vii) References to policies confusing/not consistent - Section 6
 - a. Headed Gifts and Hospitality but this is part of the Conflict of Interests policy
 - b. 6.3 Whistle blowing just a cursory mention not in keeping with precis at 6.1 & 6.2;

9.3 The Board agreed to

- i) approve the Code in principle subject to the above comments reflected in the update;
- ii) that the update should be presented to the 29 September Audit Committee meeting for comment and endorsement.

10. Review of 2015-16 Annual Report and Governance Statement (Board/2016-07/P13)

10.1 The Executive Director of Finance and Governance introduced her paper which set out the key points of context to the draft Annual Report (Annex A to Board/2016-07/P13). The paper and draft were considered by the Audit Committee at its meeting held on 19 July and based on comments received the Governance Statement would be relooked at.

10.2 The Audit Committee Chair was invited to recap the Committee discussion of 19 July on the Governance Statement. It was noted that NAO had been very positive about the Annual Report and Accounts and stated that there was significant improvement this year, highlighting the completeness and timeliness. There was no reason that they would not be signed off, however,

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the Committee had expressed concern over the Governance Statement. Although the narrative statements were good, clear and logical, certain issues were not addressed. Understandably key statistics were missing due to work in progress, but there were gaps and omissions so the Statement did not reflect the true position.

Gill Kilpatrick left the room

10.3 It was noted that a technical meeting would be held to consider the figures and the invitation to join the Committee meeting was extended to all Non-Executive Directors.

Gill Kilpatrick re-joined the meeting

10.4 The main points raised in discussion were:

- i) inaccuracies such as Julia Tabreham being included as an Audit Committee member;
- ii) no reflection in the report that service standards had not been met;
- iii) review the tone as the Director's Report should be on behalf of the Director to provide assurance to the Ombudsman and not Parliament;
- iv) what are the overall take home messages;
- v) it needs to enable the reader to understand the importance of the work of the Committee prior to Board presentation;
- vi) it needs to be an honest account of what happened and the actions taken to address issues;
- vii) casework outcomes were included in previous years and should be in future years;
- viii) the table at page 21 needs treatment in the narrative;
- ix) what do we mean by investigation, what are we measuring;
- x) comments from the Committee Chair, Committee Secretary and NAO had been passed to the Board Chair in her role as Accounting Officer as she would have ultimate sign off.

10.5 Following consideration the Board agreed to:

- i) note the report;
- ii) that there would be a redraft of the sections discussed which would take into account the comments above and those of the Audit Committee.

11. Report: Audit Committee

11.1 The Chair of the Audit Committee informed the Board of the following highlights from the meeting held on 19 July 2016 not covered elsewhere on the agenda:

- i) Legal Compliance matters had been discussed immediately prior to the meeting;
- ii) he would continue to monitor progress and update the Committee on the Effectiveness Review from March 2016;
- iii) that the Committee had been comforted due to the actions taken around resourcing and control issues;

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- iv) recommendations on IT security and workforce from the internal audit had been taken onboard;
- v) the overall rating for the Annual Internal Assurance Statement due for the Annual Report had been slightly lower than expected;
- vi) 7 of the 11 internal reports would not be delivered until the year end;
- vii) 2016/17 - 12 reviews had been scheduled in accordance with the plan and phased in from last year. The Committee had queried management capacity. Key areas of potential weakness focus on four priority areas including the Customer Service Charter, staff engagement and Internal Communications;
- viii) Concern over how BCP is to be developed as it is people as well as data;
- ix) No issues to report on fraud and regularity;
- x) Single tender discussion focussed on improvement/enforcement and embedding of compliance and process.

11.2 The main points raised in discussion were:

- i) alignment of internal audit with the Quality Committee;
- ii) that the Committee was aware to be mindful of other business needs when phasing and timing activities;
- iii) the action log could be tidied up as some actions had been superseded.

11.3 The Board:

- i) noted the minutes of the meeting held on 19 May 2016
- ii) agreed the proposal for Committee name change to the Audit Risk and Assurance Committee (Board/2016-07/P14); and
- iii) agreed the changes to the Committee's Terms of Reference as set out in the paper (Board/2016-07/P14).

12. Report: Quality Committee

12.1 The new Committee Chair informed the Board that at the time of the meeting held on 2 June 2016, Peter Freedman was still Chair. The Service Charter was still in draft form. Discussion had been held on aligning service and process with the Charter. The Committee were revising their Terms of Reference as these had been developed prior to the Service Charter.

12.2 The Board noted the minutes of the meeting held on 2 June 2016.

13. Communication to staff

13.1 The Executive Director of External Affairs and Strategy advised the Board that based on the meeting, the following areas would be fed back to staff:

- i) assurance of the senior structure/prioritising and the importance of how we do our work;
- ii) challenge and supporting work - leadership, continuity, management/governance and staff support;
- iii) the importance of engagement with staff;
- iv) key decisions, for example, Meridio.

14. Review of the Meeting

- 14.1 Although there was less time in the afternoon session than allocated due to the quality of the papers the Board did not feel rushed. The Board welcomed succinct verbal summaries which put huge issues into context.
- 14.2 However, the Board felt that papers could still be further improved as there was repetition across papers.
- 14.3 The Observers were reassured by the level of scrutiny and governance which they were not aware took place, that the Board was echoing what the staff were saying, and now had a better understanding of the role of the Board. They felt that the Board profile could be raised through activities, such as, blogs, 60 second interviews and forums at all staff events.

15. Board Forward Programme (Board/2016-07/P15)

- 15.1 The Board commented that the Plan should incorporate next year's meetings and did not include the Annual Report and Accounts sign off meeting.
- 15.2 Subject to the above comments the Board agreed the Forward Programme.

16. Any other business

- 16.1 There was no other business.

17. Date and location of next meeting
Monday 5 September 2016 - London
Monday 24 and Tuesday 25 October 2016 - London

An extraordinary Board meeting to be called to sign off the Annual Report and Accounts following the Audit Committee meeting to be held on 19 September 2016

The meeting closed at 4pm