

<b>Meeting</b>	OLC Board Meeting	<b>Agenda item Paper number</b>	6 134.4
<b>Date of meeting</b>	25 July 2024	<b>Time required</b>	15 Minutes
<b>Title</b>	<b>Chief Ombudsman Executive Report</b>		
<b>Sponsor</b>	Paul McFadden, Chief Ombudsman		
<b>Status</b>	OFFICIAL		
<b>Executive summary</b>			
<p>Quarter 1 2024/25 saw strong closure performance, exceeding upper forecasts with a 9.7% year on year increase. Unallocated Investigations have increased, in line with forecasts, but are slightly outside of the expected range. This is as a result of additional cases carried over from 2023/24 and underlying demand remaining higher than forecast. Demand is starting to reduce, although the longer-term demand trend remains high. Strong closure performance continuing into Quarter 2 will see cases waiting reduce in line with forecast.</p> <p>Investigator attrition saw a further welcome reduction, reducing beyond upper case scenarios. If sustained this will help reduce unallocated investigations shortfalls, although will may be slightly offset by higher rates of sickness.</p> <p>Customer journey time, wait times and quality and service indicators remain stable. The number of complaints resolved in under 90 days increased year on year and continues to be a clear focus of improvement. Investigation wait times reduced but remain high and out of tolerance as we close older cases and continue our focus on the number of unallocated investigations in the longer term.</p> <p>In the first quarter of the new strategy period, LeO has continued building stronger strategic relationships with the sector as we develop resources and plans for growing LeO's impact. Sector engagement is increasingly focused on a consistent message around the importance of a positive complaints culture and using complaints as opportunities for learning and improvement. We continue to engage with regulators on a range of issues and are developing options for more coordinated strategic engagement with regulators and professional bodies.</p> <p>Effective prioritisation continues to be necessary in view of the resource pressures on a developing learning and insight team, including those arising from the protracted annual report and accounts process.</p> <p>2024/25 strategic risks and issues are laid out for consideration at July's Board meeting alongside discussion and approval of OLC's risk appetite. A key risk movement in the quarter relates to management of budget variance, with delays in confirmation of pay remit bringing risk of developing end year underspend.</p>			
<b>Recommendation or action required</b>			
The Board is asked to <b>Note</b> the report.			
<b>Equality, diversity and inclusion</b>			
Does this paper have EDI implications?		Explanation	

Yes	The Chief Ombudsman's report provides a summary of activity and performance across all areas of LeO's strategic and operational focus, including in relation to LeO's customers and people and specifically updating on LeO's EDI activity. The report, therefore, covers a wide range of areas with overarching relevance to LeO's EDI focus and the potential for EDI-related impacts. These are considered routinely across business areas as appropriate.
<b>Freedom of Information Act 2000</b>	
Paragraph reference	Exemption and summary
No	

## Performance against LeO's strategic objectives

### Strategic objective for LeO's service: LeO resolves complaints fairly and effectively, providing an excellent customer experience

Relevant strategic risks and issues	<ul style="list-style-type: none"><li>• Strategic Issue 01: Backlog</li><li>• Strategic Issue 02: Staff attrition</li><li>• Strategic Issue 03: Operations staff attrition: Investigators</li><li>• Strategic Risk 01 – Performance trajectory</li><li>• Strategic Risk 04 – Scheme Rule changes</li></ul>
-------------------------------------	--

#### LeO's Operational Performance

Strong resolution performance has continued into 2024/25, with Quarter 1 resolutions (2045) exceeding upper expectations and representing a 9.7% increase on the same period in 2023/24.

Unallocated Investigations are outside of the expected range at 3495. Had 2023/24 not ended higher than expected performance would have been within expected ranges (3071– 3344). Forecasts showed unallocated investigations rising across Quarter 1 before falling in Quarter 2 due to the flow through of schemes rules cases and as we brought new starters up to desired outputs. With strong closure performance forecast to continue Quarter 2 will see cases waiting reduce in line with expectations.

#### **Demand for LeO's service remains higher than expected but is starting to reduce.**

Year on year demand increased at the start of Quarter 1 but decreased in both June and July. The overall affect was a 10% decrease against a forecast decrease of 15%. The reductions in June and July gives confidence that scheme rule changes are taking effect and will start to minimise the impact of demand on unallocated investigations, although the longer-term demand trend remains high.

We will continue to assess the demand trend into 2024/25 and work to understand the drivers and potential mitigations, with an increased focus on the impact that insight and impacts work could have. This includes seeking opportunities for focused interventions and insight-sharing that could improve first tier sector complaints handling.

#### **Downward trend in attrition**

Investigator attrition saw a further welcome reduction, reducing beyond upper case assumption scenarios. Historically, new recruitment has sought to minimise the impact of high attrition but lower attrition means that productive investigator numbers grow with new starts becoming productive in Quarter 3 and increasing overall outputs. This additional capacity will go some way to reducing unallocated investigations shortfalls carried into 2024/25, although some of this will be offset by higher rates of sickness.

### **Delivering an efficient and proportionate service**

LeO is confident that forecast performance levels will continue throughout 2024/25 but continues to explore several initiatives to increase efficiency and output. The lean process review has identified a number of initial areas of focus with assessment now turning to prioritising those areas with most potential and the resources required to develop and implement these as we consider options for a fuller review.

A low complexity pilot has seen continued success, delivering a 30% increase in productivity and 51% reductions in end-to-end customer journey time when compared to a normal low complexity case.

LeO's new Quality and Feedback model, alongside a new Quality Framework, aims to implement better support for new starters, whilst reducing the volume of checks required by an Ombudsman. This will free time to concentrate on decisions to resolve cases, without a loss in quality.

### **LeO Customer Experience**

#### **Customer journey time**

Customer journey time and wait times have remained stable in Quarter 1, despite pressures on the queue of unallocated investigations. Across early resolution and investigations, 41.5% of cases were resolved within 90 days. Although this represents a reduced proportion of cases year on year, the number of cases resolved within 90 days has increased when comparing periods. This reflects a Quarter 1 focus on resolving older cases, the proportion of investigations increasing to 53% from 47% in 2023/24.

The average time of early resolution closures was 50 days which remains within the expected 60-day expectation.

Investigation customer journey times have reduced from 297 to 295 days, remaining high as a result of older cases closing. Delivering a more efficient process to reduce investigation customer journey and wait times remain a priority focus.

#### **Quality and Service**

Quality of service and outcomes have been broadly consistent over the last few quarters. Performance within the investigator cohort remains below target levels but is showing signs of steady improvement, increasing by over 10% between quarters.

The new quality framework will increase capability to undertake deep dives on specific areas of concern or risk, all of which will help enable a proactive approach. Further, the new framework will enhance insight into outcomes and provide clarity on whether issues relate to the actual outcomes or the process followed to reach them.

Reporting deadline constraints mean that customer satisfaction scores are always historic – current scores relate to cases closed in Quarter 4. Performance where customers are dissatisfied with the outcome of an investigation remains below target, although this metric continues to remain volatile due to varying response rates.

### **Implementation of new Scheme Rules**

All of the new Rules are now firmly embedded into LeO's processes. Although some old scheme rules cases are still being processed we more new scheme rules cases are flowing through to investigations with changes focused on investigation and Ombudsman efficiencies now being used more frequently. It remains too early to assess the impacts of those changes, but we will be monitoring them to see whether anticipated improvements in efficiency are achieved.

As noted above, new complaints received reduced in Quarter 1 by 10%, which provides confidence that the anticipated impacts of time limit changes are having impact.

### **Strategic objective for LeO's impact: LeO's independent voice and experience lead to improvements in legal services**

Relevant strategic risks and issues	Strategic risk 6 : Insufficient resource to deliver impact objective
-------------------------------------	--

The first quarter of the new strategy period has seen LeO continue to signal its ambitions around impact and learning and insight outcomes in the sector. Effective prioritisation has been required in view of the resource pressures on an as-yet incomplete team, including those arising from the protracted annual report and accounts process, but progress is being made in developing relationships and establishing clear plans.

#### **Engagement with the Legal Services Board (LSB) and Legal Services Consumer Panel (LSCP)**

In July, a delegation from the LSB visited LeO's Birmingham office. The session focused on promoting understanding of LeO's service, including improvements made to customers' experience, and progress and plans around growing LeO's impact. The LSB reflected on how helpful the meeting had been in developing their understanding of LeO's ways of working, its improvement journey and culture and pending plans around greater transparency of LeO data and insights. The visit was an important precursor to further conversations at the OLC-LSB Board to Board meeting in July.

This engagement followed the LSB's [publication](#) in May of its final requirements on first-tier complaints handling. A stakeholder complaints 'coalition' has been established, setting out a key role for LeO in taking this programme forward. Conversations continue with LSB about firming up next steps with the Chief Ombudsman attending a meeting of the LSB and regulators in September to outline LeO's plans to align with the LSB's framework and assess key priorities for the sector in improving complaints handling.

LeO have also continued positive engagement with the LSCP, as another key partner in supporting better outcomes. In June, a meeting with the Panel around the potential for future collaboration was followed by a meeting between the new LSCP Chair and the OLC Chair and Chief Ombudsman.

## **Regulatory and sector engagement**

LeO sector engagement is now focused on a consistent message around the importance of a positive complaints culture and complaints as opportunities for learning and improvement. This included a panel discussion at the Sole Practitioners' Group annual conference around reducing the "burden of regulation". LeO acknowledged the particular resource pressures facing sole practitioners (who make up around a quarter of SRA-regulated firms and a sizeable proportion of complaints to LeO), while underscoring the importance and benefit of good complaints handling and the insights and opportunities complaints provide.

LeO continues to contribute to a range of sector-wide forums and networks, including a project to develop AI solutions to support consumers with legal needs to engage with legal providers, a regulatory information-sharing initiative, and a regulatory research forum. LeO also responded to the Competition and Markets Authority's recent consultation on draft guidance on consumer protection for unregulated providers of will-writing, online divorce and pre-paid probate services – highlighting LeO insights from complaints in these areas about regulated providers.

LeO has continued to engage with the SRA on high profile cases, including where there is potential for complaints to be escalated. This includes around the failure of Axiom Ince and SSB. LeO has now written to people affected explaining that cases are on hold pending the outcome of SRA investigation. We are also engaging with SRA and the Law Society to ensure effective communication with both firms and consumers in view of the ongoing implications of the *Belsner* case; as well as the transfer of clients from some high profile closed firms. The overriding objective is to ensure a joined-up approach to ensure consumers receive clarity about options for seeking redress and a fair and timely outcome from LeO if they need one.

## **Delivery and resourcing – progress and priorities**

We will soon complete recruitment for priority learning and insight posts. These roles will provide welcome additional capacity to support work on impact ambitions, including on transparency and complaints handling best practice. This will be supported by additional dedicated Ombudsman resource, recognising that LeO's work to influence standards and frameworks in the sector must be underpinned by credible expertise and experience of real-life complaint resolution.

In the meantime, LeO has sought to capitalise opportunities for increasing the impact of existing data and insights, and to improve visibility. These include collaboration with Legal Choices on a video and commentary on the importance of a positive complaints culture to sector-facing media; and recording and promoting existing webinars to access on demand and ensure LeO maintains its training offer to the sector.

We will shortly engage with the sector, via regulators, to emphasise the importance of effective investigations and preventing complaints and to share sector-specific data for 2023/24. Plans are also in place to publish high-level complaints data on a quarterly basis – rather than just annually – a simple yet meaningful increase in transparency that emphasises the sector's role in reducing demand for LeO at source. Relevant teams within LeO are working together to better capture the

impacts of existing operational interventions with service providers, as we evaluate the impact of future investment of resource into such targeted support.

## Updates on strategic enablers and supporting strategies

### People and culture

Strategies relevant to update

People and EDI

#### People performance

The positive reduction in attrition has continued into 2024/25 and remains a key priority in this year's People Strategy. Ongoing people and operational process changes continue to improve employee value proposition, staff engagement and people culture and remain key areas of focus. Although LeO is alert to the risk of market forces beyond LeO's control, there is a cautious optimism that this trend will continue throughout 2024/25.

Conversely, sickness levels increased throughout the quarter, presenting an operational performance challenge and becoming a factor in assumption and forecast planning for 2025/26. The main reason continues to be mental health-related absence, presenting as a range of reasons including bereavement and personal issues, but also increased absence as a result of Covid, viruses and pregnancy-related issues. Absence management continues to be a key focus for HR with HR Business Partners working closely with managers to enable timely intervention on absence management and support, facilitated by improved reporting.

#### Delivery of the People Strategy

Extensive work has been undertaken on staff recruitment policy and practice, providing greater structure and rigour and an improved candidate experience. Currently work is underway to further improve the onboarding and induction process for new employees, which includes development of an onboarding portal and online core induction programme, to complement the improvements already made to investigator induction. This work is key to ensuring retention of new staff and achieving full productivity as early as possible.

The HR team continues work to identify and address gaps in system functionality and HR management reporting. This work also supports key priorities within the 2024/25 People Strategy action plan, including opportunities for automation/IT solutions to develop more streamlined, efficient ways HR processes.

Following the success of the traditional mentoring pilot, the programme has been expanded and opened out to the whole business. Seventeen colleagues have signed up as mentees, supported by a range of mentors comprising Board members, the Executive Team and middle managers.

Resource within HR remains a challenge, with a number of vacant roles remaining on the transactional side of the function. These roles are currently under review prior to implementation of a new recruitment campaign. In the interim, availability of temporary staff cover pending permanent appointment is being explored.

## Engagement with LeO's people

Following the detailed review of LeO's Staff Council and networks all representatives for the new-look Staff Council are now in place. Training to support colleagues in representative roles is scheduled and will be followed by a formal launch to promote the work and value of the Staff Council going forward.

Further analysis and engagement on the 2023 People Survey has taken place with staff networks and individual teams to obtain further feedback and insights. This will be completed by mid-July, after which findings will be assessed and used to inform People Strategy and ED&I Strategy action planning.

## Equality, Diversity and Inclusion

LeO's cycle of cultural and diversity awareness activities continued, including celebration of Pride month with LeO colleagues in attendance at Birmingham and Cardiff Pride events, marching with colleagues from the SRA. A well-received women's health event provided colleagues with access to the LeO's occupational health provider who ran a GP-led session to increase awareness of women's health issues.

Social mobility survey results were shared with the business. These presented a very positive view of OLC and LeO's senior leaders and management from a social mobility perspective. Consideration is being given to further work to assess and promote the importance of social mobility at LeO.

We partnered with the Business Disability Forum to run the first of three disability training sessions for line managers. The first session in the series covered Autism, and the next session in September will cover ADHD. A project to review the accessibility of LeO's website has commenced. This project will include procuring the services of an external organisation to complete some user testing by people with disabilities.

We have continued with our external networking activities seeking our best practices and strengthening our links with organisations that support vulnerable customers and silent sufferers.

## Relationships and collaboration

Strategies relevant to update	Knowledge and insight (in development)
-------------------------------	--

The engagement outlined above demonstrates LeO's commitment to building stronger and more strategic relationships to deliver on shared ambitions – with the importance of collaboration underlined by the LSB during their visit. LeO is continuing to engage with regulators on a range of issues and is developing options for more coordinated strategic engagement with regulators and professional bodies.

LeO has also continued to seek collaboration and best-practice sharing opportunities with other Ombudsman and complaints handling schemes, including through our membership of the Ombudsman Association (OA). Members of LeO's Executive and wider team attended the OA's annual conference. With an overarching theme of "Impact and value in a time of limited resources", a relevant area of focus was the challenges of assessing impact and ability to influence systemic change. LeO



delivered sessions on delivering with limited resources and addressing and managing the impact of attrition, highlighting LeO's reputation as a supportive and influential Ombudsman scheme. LeO is also playing a lead role in the establishment of a new OA network focused on the use of technology.

LeO is also engaging with other schemes on knowledge-management arrangements, with a view to strengthening and developing LeO knowledge management and mechanisms for sharing this externally where appropriate.

**Systems and intelligence**

Strategies relevant to update	Technology and innovation (in development), knowledge and insight (in development)
-------------------------------	--

Three important initiatives focused on delivering efficiencies through technology were scoped during Quarter 1: a solution to capture enhanced EDI data at source to improve EDI insights; a review of manual data gathering processes across LeO to establish, design and deliver further digitised solutions that will bring efficiencies; a collaboration between LeO and GIAA to scope and replicate an AI platform that GIAA are currently using to deliver first draft reports using generative AI.

The AI reporting solution is being developed and piloted in relation to LeO's internal service complaints with a view to rolling out automated first draft reports of key elements of investigations. This will give LeO a platform to explore where AI can be used further in relation to investigation of lawyer complaints. An additional aim is to assess whether AI technology can support delivery of appropriate reports that would benefit LeO's transparency agenda.

Ongoing focus on LeO's cyber security arrangements has included roll out of a LeO-wide cyber security training program. This program uses short, engaging videos to connect with the audience, delivering important cyber security messages. Initial staff feedback is that these have been well received and will be a significant tool in raising awareness to drive down the cyber security risk.

**Value for Money, resources and governance**

Strategies relevant to update	Future ways of working
-------------------------------	------------------------

**2024/25 Budget Position**

The 2024/25 end of year forecast at the end of Quarter 1 was an end year underspend of £61k, within the MOJ tolerance level. At the May ARAC meeting the Head of Finance highlighted a high risk likelihood that this underspend will increase given announced delays announced with the Cabinet Office pay remit guidance, now expected late summer. If pay remit comes in lower than the 5% LeO has budgeted (looking likely on the basis the current rate of inflation (CPI) of 2.8% or lower) then estimates show a potential underspend against budget of between £135k and £336k. With the later pay remit guidance confirmation, this would leave a more limited period in which to implement mitigating actions to divert resources and ensure we are within the tolerance level at year end. We continue to monitor this and have identified potential areas of spend that would reduce this whilst adding most value if the pay award difference crystallises. LeO's scoring of the strategic risk on budget variance has been elevated as a result.

### **Risk Management, Audit and Governance**

2024/25 strategic risks and issues were provided to the ARAC meeting in May and these will be formally discussed and approved as part of the July Risk workshop.

Quarter 1 saw a reduction in one issue and one risk (SI03 BAU staff attrition and SR03 budget variance). Investigator attrition reduced for the fourth consecutive month but remains outside of tolerance in line the new risk appetite approach. This will likely come within tolerance in Quarter 2. The strategic risk GPA Birmingham Hub is currently outside of tolerance as the Executive await final costings and details against LeOs requirements.

The May ARAC meeting also considered the introduction of a new risk methodology approach to risk appetites and risk tolerances, a clearer and distinct description of risks and issues, and the addition of two new risks relating to demand and resource challenges to deliver the impact objective. A new risk system has now been developed with the integration of new risk tolerance and appetite process and we will be introducing a new control process including monthly control audits.

The GIAA audit plan is on track with the completion of the Corporate Governance audit in Quarter 1, which resulted in a welcome and reassuring substantial opinion with no recommendations. The ED&I internal audit is in fieldwork stage with the final report to be shared by October. The scoping for supplier payments audit will be undertaken by GIAA in July.