

Meeting	OLC Board Meeting	Agenda Item Paper No.	4 134.2
Date of meeting	25 July 2024	Time required	10 minutes

Title	Performance Sub-Group update
Sponsor	Martin Spencer (PSG Chair)
Status	OFFICIAL

Executive summary

This paper provides the OLC Board with the key updates, actions and discussion points from the July meeting of the OLC Board Performance Sub-Group (PSG).

PSG focused on a review of performance against 2023/24 assumptions, with a view to assessing the accuracy of LeO's trajectory model and any changes that may be required to 2025/26 forecasting to improve accuracy.

Assumptions to be used in future modelling were agreed. These included:

- amendments to core demand calculations, splitting demand between early resolutions and investigations;
- including reallocations that occur as a result of longer term sickness;
- treating internal promotions in the same way as internal attrition to ensure the impact on investigations is recorded;
- reducing the time range where we calculate attrition to consider the continued improvements that have been experienced.

Modelling for unknown events that could affect trajectories, outside of normal assumption ranges, was also agreed, with "results to be reported to PSG.

Recommendation / action required

Board is asked to **note** the contents of the report

Equality Diversity and Inclusion

EDI implications	Yes
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PSG provides a summary and oversight of assumptions used across LeO, including in relation to LeO's customers and people. It therefore covers a wide range of areas with the potential to impact from an EDI perspective. These are considered routinely across business areas as appropriate.

Freedom of Information Act 2000 (Fol)

Paragraph reference	Fol exemption and summary
N/A	N/A

Chair's summary

The meeting was focussed around three key agenda points:

- ensuring our compliance with McPherson data modelling recommendations;
- review of actual performance against 2023/24 assumptions data;
- an outline of assumptions, including any amendments, removals and additions, to be used in calculating 2025/26 forecasts.

The PSG Chair reviewed data modelling for forecast purposes against eight McPherson recommendations, of which LeO is compliant with seven. The outstanding recommendations of giving assurance on our modelling in Annual Report and Accounts (ARA) will be progressed in the 2024/25 ARA. At that point the majority of forecasting, including warehousing the source data that underpins this, will have been digitised and assurance can then be given as to the robustness of the data.

LeO's Executive provided a summary of 2023/24 performance against the forecast assumptions; consideration of several key questions to assess the existing assumptions; any development or revision of these as we move into 2025/26 planning. This includes questions considered with PSG in previous years around confidence levels and optimism bias; any factors arising not included in previous years' assumption setting process; and any areas where assumptions may need to be developed.

Assumption	Assumption forecast (lower and likely)	2023/24 Actual	Within Range
Core Demand	6648 and 7209	6679	Yes
Attrition	43.21 and 52.69	35.8	Lower
Maternity	86.04 and 105.16	44	Lower
Sickness	86.37 and 105.59	91.59	Yes
Secondment	5	6.42	Higher
Reallocations	521 and 681	654	Yes
Reasonable Adjustments	23.8 to 32.4	29.4	Yes
Resolutions	7419 to 8128	7967	Yes
Investigator Productivity	3.42 – 3.8	3.53	Yes
Investigation Unallocated	2636 to 1784	3376	Higher

The discussion focused on areas where there had been significant deviance from assumptions and the volume of unallocated investigations at the end of the period, taking in changes and the rationale behind those changes, these were: core demand, Investigator attrition profiles, internal attrition profiles, and reallocations resulting from sickness.

Particular focus was drawn to three areas of LeO's modelling:

- Demand not reducing at the rate initially anticipated as a result of Scheme Rules Changes. 2023/24 had expected to deliver a 10% reduction in overall

demand, however only a 0.2% reduction was achieved. 2024/25 had expected to deliver 15% reduction. We are now starting to see reduction of 10%, with June in isolation delivering over the 15% predicted. This is a key driver for unallocated investigations reduction.

- Significantly improved investigator attrition profiles and levels of optimism to be carried into any new modelling. After a peak of established investigator attrition in the first half of 2023/24, attrition has fallen rapidly over the last 9 months, performing beyond best case scenario planning, a trend that LeO's Executive are cautiously optimistic will continue.
- The year end position of the volume of unallocated investigations and the effect this is having on 2024/25 is an important driver of future backlog levels. Ending the year 376 cases higher than expected has the effect of pushing all predicted ranges out by the same amount. PSG discussed LeO's plans to ensure that all efforts are made to reduce this delivery gap during 2024/25.

LeO's Executive will continue to monitor these areas, reporting back to PSG with future increased levels of detail and rationale at PSG in September, where first drafts of trajectories are delivered. Beyond these considerations PSG were assured that the remaining assumption discussed were accurate and were performing in line with expectations, had been thought through and were based on known data. Where changes are being sought, a clear rationale was explained and agreed as to why.

Insight and Impact work was also discussed in the context of the potential (though difficult to quantify and subject to many competing factors and collaborations) positive affect on future demand as interventions take effect, balanced against the operational resource required to deliver the intelligence led approach needed to have a lasting impact on the sector in 2025/26 and beyond. As the early part of LeO's 2024-27 strategy builds capability in this area, LeO's Executive will establish the most appropriate approach and time for these to be included in future forecasting.

It was agreed that the most up to date data should be used for modelling purposes. All assumptions, other than attrition (see agreed assumptions for 2025/26) will be modelled on the previous 12 months data, with the date range being August 2023 – July 2024 to allow time for draft trajectories to be delivered to LeO Executive, before assurance is sought at PSG in September.

Agreed assumptions for 2025/26

The review of assumptions concluded that the accuracy of LeO's assumptions is generally high and data led. However, there are areas where amendments to the assumptions would add further rigour and accuracy. These are outlined below.

Core Demand

In its current assumption, core demand represents the total number of complaints that meet scheme rule requirements and have been assessed as in jurisdiction by the General Enquiries Team, before a Senior Ombudsman review. This is skewing the unallocated investigations positions as almost half of these cases are resolved at

Early resolutions and never go in into the backlog. This results in early resolution closures on paper being taken from the backlog, distorting the output.

To be able to deliver more accurate demand assumptions for investigations we agreed to split this into two assumptions for 2025/2026 to help understand and forecast the specific demand on investigations and early resolutions separately.

Investigation demand will look at how many cases did not meet the criteria for an early resolution and were therefore added to the backlog of unallocated investigations, awaiting an investigation to commence.

The new assumption, Early Resolution Demand, will focus specifically on cases that fit the criteria for an early resolution and will not proceed to Investigations.

Attrition

Since October 2023, we have seen a marked reduction in investigator attrition, beyond that which has been expected (8.6 vs an expectation of 23.95 for the period October 23 to end of March 24). As attrition is one of the most important drivers of trajectories it is proposed we move from the previous approach to setting the forecast level for this assumption, which would have seen use the August 2023 – July 2024 actual figures. Instead, we will look to use the average over the last 10 months to July 2024, LeO has a two months' notice period for Investigators, it is also proposed that we use a forward look of July and August 25 known resignations to accurately determine attrition.

Sickness

Our assumptions were higher than forecast which in turn has a negative impact on delivery. This was in part due to issues collecting the most accurate data from Ciphre, LeO's HR system. The introduction of a HR Systems Business Partner to the HR Team has resolved these challenges, and we expect more accurate direct accurate reporting. No changes are proposed to the methodology here; however, we do expect this to need to be an estimation on a smaller shorter data set to ensure accuracy.

Reallocations

Whilst we delivered within ranges for reallocations, this was due to Investigator attrition exceeding best case scenarios over the second half of the year. On review, it was established that almost half (245) of all reallocations were because of long term sickness. It is proposed for 2025/26 reallocation assumption is amended to include both Attrition and Sickness in the calculation. The detail of proposed ratios is still being calculated and will be available for first draft of trajectories in September.

Secondment

Investigators who leave investigations for a new role within LeO are currently recorded as secondment or not at all if it is a permanent role. Internal promotions have the same effect on trajectories as investigators leaving LeO. To improve accuracy, it is proposed that Secondment is renamed Internal Promotion. This would result in Internal movers being calculated in the same was as attrition.

Investigator Productivity

We found that investigators performed at the lower end of 2023/24 productivity ranges, after discussion it was agreed that the ranges will remain the same as there are still several improvements to be delivered in performance throughout 2024/25 including; changes to scheme rules and the requirement for an Ombudsman decision, changes to LeO's Quality and Feedback model, Improved performance support through enhanced HR policies and changes the way that Ombudsman deliver support.

Testing for the unknown

As in previous years, extreme testing of trajectories was also discussed to include the three areas that have the biggest potential impact: core demand; attrition; and Investigator productivity. Testing will be completed on an individual assumption basis in isolation and as a cumulative effect of all three.

Next steps

Operations Management Team alongside Business Intelligence will develop a full tested trajectory for the period 2025/26 considering feedback and direction from PSG, the Executive Team and taking account of resource and budget setting with the Head of Finance and Chief Ombudsman. This will then form further engagement with PSG in September and ultimately form a significant part of our response to the LSB's budget acceptance criteria and our Business Plan consultation in the Autumn.

A robust assurance process will be undertaken to develop, test and verify the outputs and expenditure required to deliver on proposals. This includes assessing the latest underlying data and the assumptions used and any known future events or factors that could affect the data. All assumptions, where possible, will be made using actual data from August 2023 to July 2024, ensuring we are using the most up to date intelligence.

The Executive Team will review and agree any required amendments. This amended first draft will be presented to PSG in September in preparation for review at OLC Board in October. It is expected that a final draft will be delivered to PSG in November before a final version of the Budget Acceptance criteria submission is presented to OLC Board in January for approval.