

<b>Meeting</b>	OLC Board	<b>Agenda Item No.</b>	<b>7</b>
		<b>Paper No.</b>	<b>129.6</b>
<b>Date of meeting</b>	18 <sup>th</sup> October 2023	<b>Time required</b>	10 minutes

<b>Title</b>	<b>2024/25 Assumptions and Trajectories</b>
<b>Sponsor</b>	David Peckham, Head of Operations, Business Intelligence and Operational Transformation Martin Spencer – OCL Board Member
<b>Status</b>	Official
<b>To be communicated to:</b>	OLC Board

**Executive summary**

This paper provides an update for OLC Board on the emerging 2024/25 assumptions and trajectories including the the rationale behind the assumptions that have been used. This is based on Executive workings discussed with the Executive Team and the OLC Performance Subgroup.

When all is considered the proposed 2024/25 trajectory will see the following outputs;

	Closures			PAP		
	Likely	-	Lower	March 2025		
	Likely	-	Lower	Likely	-	Lower
Investigations	4401	-	3889			
Early Resolution	4027	-	3456			
Nudge	480	-	480			
<b>Total</b>	<b>8312</b>	-	<b>7825</b>	<b>1651</b>	-	<b>2466</b>

There are several factors to note that will have a significant effect on trajectories for 2024/25

1. LeO is seeing sustained increases in demand for its service across all areas of operations. The General Enquiries Team have seen an over 13% increase in customer contacts when compared to the same period last year (2022/23), 61,000 contacts from 54,000. We have also seen the number of customers completing Customer Application Forms rise by 6.1% in the same period from 4740 to 5046. We are seeing a 3.1% increase in demand from the assumed 7524 agreed in 2023/24 to 7764, this is the second year of increase with a 4.4% (324 cases) rise in 2022/23
2. We have historically experienced 5% (360) of cases at the assessment stage of the process. These do not require any investigation as they were withdrawn at that stage for a number of reasons; withdrawal from the process, premature etc. The improvements in

the Early Resolutions Team now mean that this no longer happens and these cases require a full investigation. We have removed this assumption for 2024/25.

3. We are still unclear as to the effect Scheme Rule, time limit changes will have on the volume of cases requiring investigation, or the positive effect that younger cases and removal of the requirement for Ombudsman Decision could have.
4. The Executive, in agreement with the SG, have assessed 800 – 1000 as the aim for acceptable levels of service. This volume of cases is required to ensure that operational workflows are maintained with the minimum amount of disruption to customers and service providers.
5. The 2024/25 starting FTE and PAP figures have a significant implication for the overall trajectory so predicting March 2024 end position is critical to the 2024/25 trajectories. 2023/24 trajectories currently indicate that FTE numbers are on track but PAP start figure is outside of that used for PSG meeting. PAP is currently tracking for a 2024/25 start figure of 3000 cases.
6. Entering 2024/25 with a PAP of 3000 cases would mean that an acceptable level of service would no longer be achieved in March 2025. The estimated time to achieve this aim would be September 2025.

PSG met 19 July 2023 to review 2023/24 to date and set the tone and parameters for 2024/25 trajectories. This early input from PSG has been critical in determining the underlying appetite for optimism bias going into the process and was a key lesson reviewing 2023/24 trajectory setting process.

The tone and parameters agreed with Executive and PSG were that;

1. LeO could be cautiously optimistic but not complacent.
2. The process should mirror that of 2023/24 as it was deemed a success.
3. We should be aiming for an acceptable level of service of approximately 800 -1000 cases by March 2025 in a likely scenario.
4. Wherever possible assumptions should be based on known previous year's performance.
5. When deviating from previous years performance a clear rationale as to why.
6. The current suite of assumptions was agreed, with the exclusion of an assessment to investigation reduction and an inclusion of a new secondment assumption.
7. Agreed to split Front End Team from Investigations to improve accuracy in this area.

After further Executive review we also included an Overtime and Secondment assumption to build in LeO's commitment to using experienced staff to drive productivity, and to better represent experience of internal movements.

**Recommendation/action required**

Board is asked to note the assumption setting process and to approve and agree direction on trajectories before acceptance into Budget and Business Plan consultation.

**EDI implications**

**Yes**

The paper updates on a full range of assumptions where there are clear EDI implications assumptions are affected by maternity, sickness, reasonable adjustments and recruitment. As assumptions go to the heart of operational delivery, EDI implications are mitigated in policies and procedures that govern delivery and management of people.

Freedom of Information Act 2000 (Fol)	
Paragraph reference	Fol exemption and summary
N/A	N/A

## Overview

We have approached this process in the same way we have done previously, with a full and ongoing review process, including monthly assumption review meetings to assure current assumptions are correct and set at the right appetite level.

For the purposes of assuring Board, this paper will concentrate on areas where there is significant difference to previous years, deletions of established assumptions or creation of new assumptions. PSG have tested the detail that sits behind all assumptions and is assured that this detail is at the right level. The significant changes are:

1. Attrition – Increased.
2. Productivity - Decreased.
3. Assessment to Investigation reductions – Removed.
4. Overtime – Created.
5. Secondment – Created.

Since PSG on 18<sup>th</sup> September 2023, LeO’s Business Intelligence team have further tested key assumptions to ensure accuracy. This further testing has led to one amendment that not been discussed at PSG.

As LeO grapples with absorbing increased demand across all operational areas it has become clear that the ambition to deliver an acceptable service of 800-1000 cases is unachievable within the 2024/25 period and has subsequently been reassessed. Acceptable performance is now estimated as being achieved September 2025.

## Assumptions

Assumptions have been built for all known areas that could affect outcomes. A working days adjustment has been included to amend the final monthly outputs to better represent real life outputs. For December we have assumed as per previous years that the period between Christmas and New Year are non-working days.

### **N.B. Known data is from April 2023 – July 2023**

It is also important to note that the year start figure for both in post FTE and PAP volume is critical for the position in which we start 2024/25. As we still have seven

months to complete in 2023/24, close monitoring of this figure is vital. Indicatively we started 2023/24 300 cases worse than expected as the predicted start figure was off by this amount. For this reason, we have been conservative with both figures at a closing March 2024 PAP of 3000 and closing FTE figure of 115.

There are several factors that could positively affect trajectories that have not been calculated as there is no known or limited data on these, including:

- Improvements in case quality as Scheme Rule time limit changes take affect and cases become newer.
- Scheme rule 5.7 changes.
- Scheme rule 5.20 changes which should, in time and towards the end of 2023/24, reduce customer journey times further and free Ombudsman resource to add value to investigator knowledge and quality, improving speed and accuracy of investigations.

### **Core demand, removal of Assessment to Investigation assumption and scheme rules time limit considerations**

It is too early to determine the extent to which Scheme Rules are influencing core demand. The data that we have so far is that circa 27% of cases will not be eligible post 1 October, when normal service is resumed via LeO's complaint checker, LeO's automated customer application filtering. We will see some of this 27% apply for discretion, though it is unknown at present how many. It is envisaged that this number will be low.

We can see from known data that underlying demand for the service has increased above the predicted 627 per month to 647 in 2022/23. The prediction for 2023/24 assumed there would be a 5% drop off between Investigation Assessment and Investigation Acceptance stages of our process (approximately 360 cases). This allowed for factors such as withdrawals and premature complaints etc. This was a pre Early Resolution measure. Since the introduction of Early Resolution, , this figure has now improved to a negligible amount <0.5% for this reason, the assessment to investigation assumption has been removed.

This reduced core demand to 595 cases per month that required investigation or Early Resolution intervention. With the increase in core demand to 647 coupled with the removal of this assumption, this would mean that predicted real demand (which will require investigation or Early Resolution intervention) will be approximately 630 cases higher in 2023/24.

To put this into context, this is an additional full team of 12 investigators, 1 Team Leader and 2 Level 1 Ombudsman of required extra resource.

The assumption in 2023/24 was reductions in cases requiring investigation would increase over each quarter from Q2 at 5% and 10%, reaching 15% by the end of 2023/24 for a likely scenario. A 15% assumption is carried into 2024/25 for the entirety of the year for a likely scenario. This takes demand adjusted for Scheme Rules time limit changes to 6600 cases.

### **Investigator Productivity**

Early Resolution played a big part in the improvement of customer flow. This has ensured that the "right customer, right time, right process" approach has improved service and journey times, whilst reducing the backlog.

A consequence of this is the removal of what were seen as easier to resolve cases in investigation and a subsequent reduction in Investigator productivity.

For most other assumptions we have used known data to determine 2024/25 predictions. There have been a significant number of operational issues due to scheme rules changes, Ombudsman resource and higher than expected attrition that have affected Investigator performance that were outside of the normal. These issues will not be present in 2024/25, for this reason, we have not used the known Investigator productivity figures, as this would distort the assumption. Instead, we have taken the performance for the previous 12 months and used this as the likely scenario at 4.06. This is a reduction on last year and is in line with investigator feedback as to what is achievable in a post Early Resolution process.

Whilst this is the prediction it is not envisaged that this will be an investigator target, but a stretch target of some description being the normal. This is yet to be agreed.

### **Reallocations**

Reallocations have a significant affect on PAP reduction. For every case that is reallocated to a new investigator it means that a new case can not be started from the PAP. In Q1 2023/24 we reallocated more than 150 cases vs an assumption of 72.

For 2023/24, reallocations assumptions were a flat figure of 24 per month. Known data indicates that for each Investigator that Leaves LeO we reallocate on average 7 cases. For 2024/25 we have tied the reallocation figure to assumed attrition. With a 2 month lag. This lag allows for people working notice periods. By tying to attrition this accurately represents closer to real life.

## **New Assumptions**

### **Secondment**

To cope with increased team sizes, recruitment and training and the requirement of additional Ombudsman resource, Operations used several staff in seconded roles. This gave us the ability to fill resource gaps internally in a short term manner, but more importantly offer opportunities for staff to develop careers. We are expecting to do the same throughout 2024/25.

In a worst case scenario, there would be a moratorium on secondments. Whilst this would put additional pressure on supporting roles in the short term, underlying investigator delivery would be the priority.

### **Overtime**

Overtime has become an important tool to increase volume and respond to bottlenecks within our process. The utilisation of overtime as opposed to recruiting new staff and bringing them up to speed is more efficient and can give us a predictable short term improvement when deployed. Historically we have used overtime in response to underspends by having an allowance in this area we can be far more proactive in our approach to targeted interventions.

We have calculated that £300k of overtime gives the same productivity as six investigators as it is being offered to experienced Investigators and Ombudsman without the need to ramp up experience.

## Summary

Assumptions have been reviewed using the seven criteria set out in the Executive summary and tested at both PSG and Executive.

When all assumptions are factored in, this results in a trajectory range for PAP reduction and closures as follows.

### Closures (Pre Performance and Quality Group)

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
BAU	321 - 300	323 - 301	334 - 313	380 - 363	374 - 352	365 - 343	394 - 363	343 - 322	238 - 236	365 - 359	320 - 319	327 - 319	4401 - 3889
FET	316 - 291	316 - 291	301 - 278	346 - 319	316 - 291	316 - 291	346 - 319	316 - 291	226 - 208	331 - 305	301 - 278	316 - 291	4027 - 3456
Nudge	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	480 - 480
<b>Total</b>	<b>678 - 631</b>	<b>679 - 633</b>	<b>675 - 630</b>	<b>766 - 722</b>	<b>730 - 683</b>	<b>721 - 674</b>	<b>780 - 722</b>	<b>699 - 654</b>	<b>503 - 484</b>	<b>737 - 704</b>	<b>662 - 636</b>	<b>683 - 651</b>	<b>8312 - 7825</b>
WD Expectation	32.3 - 30.1	32.3 - 30.1	33.7 - 31.5	33.3 - 31.4	34.8 - 32.5	34.3 - 32.1	33.9 - 31.4	33.3 - 31.1	33.6 - 32.3	33.5 - 32.0	33.1 - 31.8	32.5 - 31.0	

### PAP (Pre Performance and Quality Group)

Year	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2024/25	2940 - 2950	2830 - 2900	2755 - 2906	2548 - 2777	2396 - 2707	2252 - 2645	2032 - 2516	1917 - 2483	2001 - 2621	1858 - 2547	1755 - 2502	1651 - 2466