

Meeting	OLC Board	Agenda Item No.	4
		Paper No.	121.3
Date of meeting	30 June 2022	Time required	20 minutes

Title	Executive Report
Sponsor	Paul McFadden, Chief Ombudsman
Status	OFFICIAL

Executive summary
<p>LeO's strong start to the year continued in May with 811 monthly closures against a Business Plan target of 788, delivering 58% more closures than May 2021. We continue to reduce the PAP and remain ahead of forecast (5301 at end of May, 8.5% below Business Plan forecast of 5793). The Front-End Team (FET) and other early closure initiatives achieved an outstanding total of 459 customer outcomes in May and again outperformed an already ambitious target by 70%.</p> <p>Plans for the recruitment a new Chief Operating Officer will now commence following receipt of MOJ Permanent Secretary approval on 27 June. Transitional leadership arrangements are being put in place ahead of Sandra Strinati's departure on 13 July.</p> <p>Pressures on the HR team continue to be managed, with temporary resource engaged to support the progression and management of complex [REDACTED] casework. Our HR tea continues to focus on a wide range of priorities including recruitment, the ongoing review of HR policies and the development of a new leadership and management development programme for current and aspiring managers.</p> <p><small>FoI Exempt s.40</small></p> <p>The first round of localised recruitment for our Cardiff Hub is complete with 13 Investigators appointed and in post on 27 June. Interviews for some wider corporate posts are progressing with mixed results. Good progress continues to be made on assessing the potential for a second regional Hub in Leeds.</p> <p>The Performance and Business Insight Team continue work to move the offline reporting process into the automated digital platform of Power BI and reshape what LeO presents on performance. A new top level dashboard showing key performance metrics has been designed and shared with the Performance & Quality Task & Finish group. Further internal and external engagement on this has been planned. This work will be supplemented in the short term by enhanced performance information available on LeO's website over the coming weeks as we seek to further increase awareness of LeO's recovery journey and performance position.</p> <p>The Scheme Rules review was submitted to the LSB Executive on 8 June in advance of consideration at July's LSB Board meeting. Work continues on the preparation for implementation of changes on approval.</p>

We have had a very positive start to 2022/23 Internal Audit Plan with GIAA's first completed audit reporting a Substantial rating on Budget and Business Planning. This assessed that effective governance arrangements and structures are in place, underpinned by effective forecast modelling, and with a small number of lower priority recommendations.

The Finance Team have been focused on the annual accounts and external audit, which has gone smoothly with no adjusted misstatements for the second consecutive year. The audit completion report makes two low risk recommendations, both of which are currently being addressed.

Recommendation/action required

OLC is asked to **NOTE** the paper.

Executive Report

Performance

LeO's strong start to the year continued in May with 811 monthly closures against a Business Plan target of 788. This was the second highest performance for customer outcomes since modernising LeO in 2018, delivering 300 more closures (a 58% increase) than in the equivalent month in 2021. May 2021 Business Plan closure target was set at 520 which highlights the significant shift in performance expectation and delivery.

We continue to reduce and remain ahead of forecast in terms of the PAP. At the end of May the PAP stood at 5301 against Business Plan forecast of 5793, 8.5% below Business Plan forecast. This was reduced from 5646 at the end of April. We also remain ahead of forecast overall in terms of the forecast PAP size at the end of 2022/23.

The Front-End Team (FET) and other early closure initiatives achieved an outstanding total of 459 customer outcomes in May and again outperformed an already ambitious target by 70%. This demonstrates the benefit of LeO's organisational focus on early resolution and proportionality which has dramatically increase closure rates and reduce customer journey times.

Whilst in a strong position this early in the year there is no complacency as we move forward. The operational leadership continue to focus all efforts on ensuring that this is achieved and that we maintain progress and momentum to reduce the PAP for the fifth consecutive month. Emerging performance for June will be available when the OLC Board meets on 30 June.

People related activity

An Executive search campaign for a new LeO Chief Operating Officer has been prepared and ready for launch as we awaited the required MOJ Permanent Secretary approval of the business case to recruit. This approval was received on Monday 27 June and we will now be moving quickly to advertisement. The Chief Ombudsman will update Board more fully on the latest position at the June Board meeting, including on the transitional arrangements being put in place ahead of Sandra Strinati's departure.

The recruitment and transition to a new structure continues to put significant pressure on the HR function with some temporary recruitment engaged to help mitigate in the interim. A temporary senior HR consultant has been engaged to support with the management of a high volume of complex, [REDACTED] cases and to work closely with LeO's managers to develop and implement action plans to resolve a number of issues. Considerable progress has been made in this regard with a number of resolutions achieved recently across a range of issues, including flexible working requests, grievances and absence. FoI Exempt s.40

A comprehensive review and rewrite of HR policies continues. Following the approval of some key policies by the Executive and RemCo, HR colleagues have held briefing sessions with all line managers to support them in the implementation of the new policies, which go live from July 2022.

Work has begun on a new leadership and management development programme for current and aspiring managers. The focus for 2022/23 will be on people management training to equip managers with the skills to deal with performance-related issues. This will include sessions on effective appraisals, difficult conversations and handling investigations as well as effective recruitment and unconscious bias awareness.

Attrition rate continues to be a key challenge and a key business priority, standing at 26% in May, as it did in April. The external pay benchmarking exercise to evaluate LeO salaries competitiveness continues to progress across corporate roles, having already assessed and benchmarked operational roles. On completion of the corporate benchmarking exercise the full set of data will be analysed in detail, considered by the Executive team and shared with RemCo as an out-of-committee paper prior to its November meeting. The pay benchmarking findings will also be considered alongside a review of LeO's total reward and recognition strategy, which will be undertaken within an affordability and budget planning context.

Regional Hubs

Work continues to implement LeO's approach to regional hubs. Following the recent Cardiff recruitment campaign, 13 Investigators have been appointed and took up post on 27 June. Interviews for the Quality Manager and Quality Officer posts to be based in Cardiff are also pending. Recruitment for some wider corporate posts was unsuccessful and we will be looking to advertise these posts nationally.

The project team are working closely with operational leads to monitor the pilot and continue to review and identify lessons as we look to other potential locations. This includes the possibility of a Leeds Hub, a move which is progressing well with a site visit to the MOJ office space being planned.

Reporting Performance

The Performance and Business Insight Team continue work to move the offline reporting process into the automated digital platform of Power BI and reshape what LeO presents on performance. A new top-level dashboard showing the performance metrics key to LeO delivering success has been designed and shared with the Performance & Quality Task & Finish group. The visuals on how this is presented to the user and how this feeds into a digital version of the commonly agreed data set have also been developed and discussed with the group.

This will now progress through discussion with internal and external stakeholders, with a demonstration of Power BI being provided to OLC Board and LeO Executive colleagues over the coming weeks. The content of the top-level digital dashboard will be reviewed by the OLC Board at the July Board Seminar, with further engagement planned with the LSB and MOJ ahead of approval at the September Board meeting.

This work will be supplemented in the short term by enhanced performance information available on LeO's website over the coming weeks as we seek to further increase awareness of LeO's recovery journey and performance position.

Scheme Rules Review

The Scheme Rules review submission was sent to the LSB Executive on 8 June for their review in advance of July's LSB Board meeting. As approved by the OLC Board the key proposed changes relate to the reduction of time limits down to 1 year (with the application of ombudsman discretion to mitigate the risk of an adverse impact on access to justice); the introduction of a significance criteria to Rule 5.7(b) allowing an ombudsman to consider whether to dismiss a complaint if the impact on the customer cannot be shown to be significant; and the amendment to Rule 5.19 to determine whether an Ombudsman final decision is required.

The LSB Executive have requested some further information on the OLC submission in advance of the LSB July Board meeting with questions on the indicative criteria; on the time limits and significance test; on the impact of the changes on delivering against the regulatory objectives; and on tracking and monitoring. A response is being prepared for submission to the LSB by the end of June.

In the meantime, we continue to prepare for the implementation phase, assuming LSB consent to the proposed changes. A project team has been established and is undertaking the scoping and planning work required to make changes to internal processes, templates and guidance, through to data collection and reporting and enabling our case management system to support the revised processes.

Over the coming weeks we will be writing out to those key stakeholders who responded to the consultation to update them on progress and the content of our formal submission to the LSB.

Service Improvement, Quality and Legal

Work has started on reviewing the quality of cases closed under the new front end initiatives, the Quality Team working with operations teams to develop an approach to extending our quality assurance to across these initiatives.

The internally seconded interim Quality Manager has started in post with an immediate focus on the work on front-end assurance, whilst also carrying out a review of the variety of assurance frameworks in place across other Ombudsman schemes as part of the longer-term Quality Framework review. We are progressing interviews for a permanent Quality Manager appointment in Cardiff.

July's OLC Board Seminar we provide OLC Board with an overview of LeO's approach to quality assurance and customer satisfaction as part of the focus on LeO customer experience. Moving forward, this will align with our agreed future approach to quarterly reporting to the OLC Board on quality and service.

The level of demand for our service complaints team remains consistent with around 10 new service complaints being received each month. Although the team are currently able to keep pace with demand levels, historic periods of absence and instability have meant that we are not able to address new complaints as quickly as we would like. There is a risk that this could be exacerbated in the latter part of Q2 by the impending departure of one of our customer experience specialists.

The Legal Team continues to provide high levels of support to operational colleagues when it comes to both informal and formal challenges to Ombudsman decisions, requests for cases to be reopened, enforcement of decisions and responding to general legal questions. The positive impact created by the arrival of the new Legal Manager has been noted across the business. Recruitment is pending to bring in another qualified lawyer and to replace a soon to be departing paralegal.

Annual Report & Accounts

The Chief Ombudsman and Executive Team reviewed and signed off the final draft of the Annual Report & Accounts on 16 June, subject to the audit completion report being received from NAO. The Annual Report & Accounts have now been shared with ARAC and Board for assurance on the accounts and final approval, before submitting to the Auditor General and in readiness for laying in parliament on 14 July.

Finance

The primary focus of the Finance Team over Quarter 1 has been on the annual accounts and external audit. As reported at the May meeting of ARAC, the auditors reported being provided with a good quality draft of the annual report and accounts ahead of the final audit fieldwork and a responsiveness to their enquiries over this period. The audit has gone smoothly with no adjusted misstatements for the second consecutive year a positive outcome which demonstrates the increased control and preparation introduced in 2020/21 has continued into 2021/22.

The audit completion report makes two low risk recommendations, both of which are currently being addressed. This compares with five high risk recommendations made in 2019/20.

We continue to ensure our focus on financial monitoring is robust and, as outlined at the May meeting of the OLC Board, we have proposed the introduction of quarterly financial updates with these now being provided to Board out of Committee after close each quarter. A comprehensive set of review processes and meetings, including a standalone monthly Executive Team finance meeting, have been set up for the year.

The May YTD actual expenditure is showing a £78k underspend on staff costs. The reasons for this are well understood and Board can be reassured that mitigating actions have already been taken such as successfully increasing the numbers of investigators recruited into the Cardiff hub. Additional underspends arising from investigator attrition and increased maternity leave will be addressed in the recruitment of investigators in Q3.

A more detailed summary of this and an end-year forecast position is being prepared and will be provided to Board in the quarter 1 monthly report.

Risk, Audit & Governance

The first GIAA internal audit of the 2022/23 Internal Audit Plan has been completed with the GIAA report on Budget and Business Planning very positively reporting a Substantial rating. GIAA have assessed that appropriate and effective governance arrangements and structures are in place to support the delivery of annual budget and business planning with effective forecast modelling in place to underpin this.

The Recruitment and Payroll internal audit reports for 2021/22 (reported on and discussed at the May Board and ARAC meetings) have been received and tabled at ARAC. Both reports had an overall rating of limited with recommendations and actions from both audits being followed up on to ensure these are effectively implemented and that weaknesses are addressed.

We now have the final version of the 2022/23 strategic risks and issues which have taken account of feedback from the May meeting of ARAC. Two new risks have been added: one relating to the potential de-stabilising effect of the scheme rule changes implementation and another relating to budget variance position caused by factors including the onset of inflation.

The latest assessment of strategic risks and issues by the Executive Team has left the scoring on most strategic risks and issues unchanged. The Chief Ombudsman has increased the scoring for the strategic risk on leadership resilience in response to the delays in launching Chief Operating Officer recruitment as we await MOJ approval for this recruitment. The strategic issue relating to the backlog of cases waiting to be worked has reduced as a result of the sustained reduction in the PAP in recent months. This will be monitored closely and reviewed at the end of Q1 2022/23 to see if this issue can be managed on an ongoing basis as a risk, should the activities/controls currently in place continue to see sustained reductions.

LeO are currently tracking 60 risks across business units. An exercise to update the risks logged in the register for 2022/23 has taken place, including a review of this year's objectives, to ensure we capture accurate/effective data. Some risks have reduced in scoring as a result of targeted meetings between the risk owners and the Risk Manager. This process is ongoing with further meetings planned to review business risks across HR, Finance and Commercial.

External & Stakeholder Engagement

We continue to maintain focus on increasing transparency of LeO's decisions. May saw LeO's Ombudsman complaint data being published on the Legal Choices website. The website aims to provide a consolidated website of information for the public, which includes information on regulated service providers and regulatory and Ombudsman decisions. This work supports the ongoing transparency agenda within the sector, of which complaints data is seen as an integral part of the objective data available to consumers.

Work continues to establish relationships and increase our engagement with the consumer advice sector. Initial meetings with Which?, MSE and Citizens Advice have been productive with some immediate suggestions on how we can better engage and provide information available to consumers. We continue to scope the potential for a consumer and advocacy sounding board – mirroring the service provider group which is a Business Plan Priority 3 objective – to act as a regular reference point for LeO in its service and ongoing or future changes to our approach, including for example around implementation of the scheme rule changes.

Wider LeO engagement since the May meeting of OLC Board included attendance at the annual Legal Eye Risk and Compliance Conference held in Birmingham, where the Deputy Chief Ombudsman addressed the conference on the importance of ensuring the complaints process is open and transparent. The Chief Ombudsman, Deputy Chief Ombudsman and a number of wider LeO Management colleagues also attended the Ombudsman Association Annual Conference, which included sessions focused on improving quality, early resolution, impact, changing the public perception of an Ombudsman and wider developments of interest across the Ombudsman sector and complaints handling more generally.