

<b>Meeting</b>	OLC Board	<b>Agenda Item No.</b>	2
		<b>Paper No.</b>	120.1
<b>Date of meeting</b>	26 May 2022	<b>Time required</b>	15 minutes

<b>Title</b>	<b>Executive Report</b>
<b>Sponsor</b>	Paul McFadden, Chief Ombudsman
<b>Status</b>	OFFICIAL

<b>Executive summary</b>
<p>LeO made a strong start to the year in terms of operational performance despite seasonal challenges in April. Building on the record high closures in March we delivered 714 closures in April. The PAP reduced for consecutive months, was 5.6% below Business Plan forecast and is now forecast to reduce on a sustained basis and be ahead of forecast at the end of 2022/23.</p> <p>Early resolution initiatives continue to deliver significant success with 415 customer outcomes delivered. Early resolution customers continue to experience substantial reductions in total journey time, experiencing a 28% shorter journey time than low complexity case average – 37 days from the point LeO receives all paperwork.</p> <p>Progress continues on significant priority people-related activity, including progress with the implementation of the new HR structure. Attrition continues to be a challenge and a significant business priority and the people paper provides some context to this.</p> <p>The first round of localised recruitment for our Cardiff Hub is complete with strong interest in investigator roles and number of people also shortlisted for key corporate roles. Work is also progressing in parallel to review other identified sites in England to support our regional hub strategy and align with the locations of those recruited through national recruitment.</p> <p>The consultation on the Scheme Rules review is complete with responses positive and supportive of the proposed changes. A paper is provided for Board to consider and approve the final proposed changes and the content of the final submission to LSB.</p> <p>Board will note updates on stakeholder and external engagement, quality and service, finance and risk &amp; governance, including on year-end financial position and updates on risk and assurance mapping. This includes a summary of GIAA’s annual opinion for 2021/22 which provided a moderate opinion, a marked improvement on the limited opinion in 2020/21 and positive assessment of the stability and progress achieved over 2021/22.</p>
<b>Recommendation/action required</b>
OLC is asked to <b>NOTE</b> the paper.

## Executive Report

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### Performance and People

We have made a strong start to the year in terms of performance despite seasonal challenges that we were aware we would face in April. Building on the record high closures in March we delivered 714 closures in April and reduced the PAP for consecutive months, with the PAP remaining below forecast.

This was against a Business Plan target of 772 and represents a 7.5% variance. Although below forecast for closures, this closure rate continues to give us confidence in our performance stability. We knew that April was an ambitious target as a result of seasonal pressures and a reduced number of working days but were committed in our Business Plan to aiming for an ambitious target to start 2022/23. We are also mindful of the fact that implementing further new initiatives and the associated movements of people (as we have done over quarter 4 primarily in relation to FET) also come with the risk of volatility and pressures in terms of balancing resource. A longer term perspective is important in assessing our stability and sustained progress and we remain confident of continuing to meet overall forecast targets.

We continue to reduce the PAP, remain ahead of forecast in terms of the PAP size and are forecasting the PAP to now reduce on a sustained basis. At the end of April the PAP was at 5646, 5.6% below Business Plan forecast. We also remain ahead of forecast overall in terms of the forecast PAP end point for 2022/23.

Further detail is provided in our performance paper but key points for the OLC Board to note include:

- Second highest performance for outcomes since modernising LeO in 2018 - only surpassed by March's performance;
- April 2022 closures are 24% higher than April 2021 and achieved despite April having the least amount of working days in 2022/23 (19) as well as increased annual leave;
- 415 early closures through early initiatives by the Front End Team.
- The PAP reduced for consecutive months and is 5.6% below forecast (5981) which also puts us ahead of our year end position.
- Quarter 1 Forecast shows that LeO will achieve a closure total of 2215, a 27% increase on quarter 1 last year.
- 28% shorter journey time achieved for low complexity cases in the early initiatives – 37 days from point LeO receives all paperwork
- FET and BAU combined productivity for established investigators of 8.57.

LeO is beginning 2022/23 in a much stronger position than seen in 2021/22, with new ways of working now fully incorporated as business as usual and a full complement of investigators in place.

The people paper provides an update on priority people-related activity, including the recruitment process for the new permanent HR structure. The restructure continues to put significant pressure on the HR function. To support during this interim period a temporary senior HR consultant has been engaged to specifically focus on working through the high volume of complex employee casework and is working closely with LeO's managers to develop and enact action plans to resolve issues. A full HR policy review and rewrite continues.

Attrition rates across the business continues to be a key challenge and a key business priority. The people paper provides further detail on this including a number of factors likely to be impacting on attrition, such as job market conditions and the impact of continued focus on operational performance variation and an update on the external pay benchmarking exercise to evaluate LeO salaries competitiveness, which has now assessed and benchmarked operational roles.

### **Regional Hub Strategy**

Work continues to progress our Regional Hub Strategy. A separate paper provides Board with a fuller update on plans and progress to date.

The first Regional Hub will now be piloted in Cardiff with plans in place to utilise MoJ estate. The first round of localised recruitment is complete, with assessment centres scheduled. We received high numbers of applications for investigator roles (104) of which 39 have been selected and invited to the assessment centres. There has also been interest for the corporate roles, with 12 applicants invited for interview.

Work is also progressing in parallel to review other sites and align this with locations suited to the geographical locations of staff recruited through national recruitment.

### **Scheme Rules Review**

The consultation on the proposed Scheme Rules review closed on 13 April, with 24 responses received in total from across the range of regulators, professional bodies, consumer organisations, service providers, the general public and LeO staff. The responses were broadly positive and supportive of the intention of helping LeO improve the overall customer experience by resolving cases quickly and with minimal formality and achieving the right outcome at the first appropriate opportunity. The consultation responses also reinforced LeO's commitment to ensuring that the proposed changes would not disproportionately impact or disadvantage any group(s) of LeO's customers.

LeO met with OLC Board Members at an extraordinary meeting on 27 April to discuss the responses to the consultation and agree what changes would be pursued. Board sought a range of assurances around how LeO would ensure that the proposed rules would be applied fairly and consistently and asked that LeO set in place a reporting framework to give them ongoing assurance around the impacts of the changes once implemented. A paper is provided for this Board meeting to approve the final proposed

changes and the content of the final submission to the LSB which will then be considered at the LSB's July Board meeting.

In June, we will be writing out to all stakeholders and those who responded to the consultation summarising the key themes we have taken from the consultation and outlining the next steps. We have already started looking into the practicalities of how we will implement the changes, assuming they are approved by the LSB. This will not only look at changes to our systems, processes, guidance and templates but will also ensure that we have a clear plan in place to communicate the changes our staff and all our external stakeholders.

### **Service Improvement, Quality and Legal**

Quality and customer satisfaction reporting for Q4 shows broadly stable performance against the key metrics when compared to recent quarters. Internal quality reviews continue to identify instances of delay, lack of progression and poor communication within our casework - a consistent theme related largely to frustrations with the PAP and associated waiting times - although it should be noted that, for the majority of cases reviewed the service delivered are at or above the required standard.

Performance against customer satisfaction metrics continue to show that satisfaction with the outcome of the substantive investigation is still the biggest factor in determining satisfaction with the service provided by LeO. The themes identifiable from those customers who express dissatisfaction with our service again reflect lack of progression and communication. Again this must be balanced with the fact that we also receive extensive positive feedback from customers on the way their investigations were progressed and how the investigator engaged with them throughout.

The key focus for the quality team, with operations teams, over the coming quarter will be developing a framework that provides assurance around quality related to front end initiatives. We have recently offered a six month internal secondment opportunity to a team leader from operations whose principal focus will on helping to develop that assurance framework.

We have also had a positive response to the recruitment of a permanent quality manager and quality officer in the Cardiff hub – interviews for those posts are currently being scheduled. Assuming the recruitment is successful, once a permanent Quality Manager is in place work can start on the comprehensive formal review of our existing quality framework to ensure that it provides Board and other stakeholders with an appropriate level of assurance around the quality and standard of our casework across all initiatives.

The service complaints adjudicator's annual report is being presented to Board at this meeting and what comes across clearly from that is the level of confidence and assurance that LeO and Board can take from the work being done by the internal service complaints team. Although we continue to receive around eight new service complaints each month the proportion of those that need to be escalated through the service complaints process is very low. The adjudicator reflected very positively on the way the team handle service complaints and the way that feedback on and learning

from service failings is fed back into the business. The team is now fully resourced and in a period of relative stability and as such is making steady progress in reducing the number of customers waiting for their service complaint to be investigated and as a result wait times for service complaint investigations are starting to reduce back towards more manageable levels. The key themes and trends being identified through upheld service complaints continue to relate to issues around case progression, delays at the start of the LeO's process and poor communication.

Our new Legal Manager, who joined LeO in March, is making significant progress in developing a strong working relationship and feedback loop with operational teams. Work is already in progress to ensure that learning relating to the key themes of legal challenges is being fed back into operations teams and that individual and organisational approaches to decision making are addressed accordingly so as to mitigate the risk of future challenges.

### **Delivery of 2022/23 Business Plan**

As we moved into 2022/23 detailed plans have been put in place across the organisation for the implementation and execution of Business Plan deliverables. This includes a full Programme plan and deliverables table outlining the high-level projects to be completed for 22/23 and a Project Roadmap providing detailed information on all projects, their defined scope and clarity and transparency on roles, responsibilities and ownership of delivery and assurance. Board will continue to be updated including through regular quarterly reporting on progress against all priorities and deliverables.

### **Finance**

The finance paper provides the year end position (subject to audit) which is an overall underspend of £728k. This is of course driven by staffing underspends (£648k) and reflects the reporting throughout 2021-22. Non staff costs were underspent by £80k as a result of a historic rent adjustment of £50k and a service charge rebate of £35k.

The finance team are working closely with the external auditors on the annual audit, the auditors having commented that they are pleased with progress and the volume of requests that we have responded to. No areas of concern have been raised so far.

Preparation for 2022/23 reporting has commenced alongside the year end work, with our principal budget and forecasting tool being set up for 2022/23, and meetings with budget holders set up for June. To give Executive a clearer oversight of any expenditure issues, a monthly Executive Finance meeting will also take place. Tracking of budget and potential underspend / overspend is being monitored as a strategic risk.

We have reflected on recent discussion at ARAC and the March Board around reporting and escalations on financial tracking. This is currently largely dependant on the cycle of meetings. We report to ARAC on a regular basis and did update ARAC on the emerging 2021/22 underspend at an early stage in June 2021. To enhance this moving forward, however, we are proposing that quarterly financial reports will be provided to Board out of committee, with escalations to Board between reports / meeting where forecasts are out of tolerance or where we assess that Board should be made aware. We are finalising the detail and will seek comments from the ARAC Chair on this approach.

Board will recall that the Budget and Business Plan provided for a 2% inflationary pay award for all staff. MOJ guidance on ALB pay remit was subsequently published on 20 April which confirmed that ALBs are able – with MOJ approval - to make average pay awards up to 2%, with an additional flexibility to pay up to a further 1% (totalling up to 3%) to address specific workforce priorities. Our intention is to proceed with a 2% award but we continue to monitor this and wider inflationary and cost of living pressures.

## **Risk, Audit & Governance**

GIAA provided their internal audit Annual opinion and report for 2021/22 at the May meeting of ARAC, providing a moderate opinion on the framework of governance, risk management and control. This is a marked improvement on the limited opinion provided in 2020/21 and is an overall rating which was in line with some 85% of organisations audited, providing further evidence of stability and progress achieved over 2021/22. The opinion noted strong controls found across the areas of their work, reflected in majority moderate and substantial rated opinions, and stating:

*‘During 2021/22, the Office for Legal Complaints (OLC) has continued to establish a stable leadership structure leadership structure that has injected motivation and confidence across the organisation. Our audit work has identified numerous improvements, implemented by the executive team and management, during the year in key areas of operational performance, corporate governance and strategic change.’*

Recommendations across audits identified a need to strengthen controls, governance and assurance structures in some specific areas and identified weaknesses in the maintenance of up-to-date documentation of policies and guidance, along with providing adequate training and effective assurance reporting. These were common findings across the areas of audit although mostly in areas already identified by the Executive or which action was planned. This included the final audit report on recruitment and the draft report on payroll (still pending confirmation) which were both given limited status. All recommendations will be an area of continued focus.

Implementation of the 2022/23 Internal Audit Plan has commenced with the GIAA audit of Budget and Business Planning currently at fieldwork stage and taking evidence from the OLC Chair, ARAC Chair, Chief Ombudsman and key Executive and Management Team colleagues central to the process.

A number strategic risks and issues have reduced in rating on assessment by the Executive Team and were discussed at the May meeting ARAC. This includes reduction for the first time in the rating of the strategic issue and risk related to the pre-assessment pool (PAP) backlog and delivery against performance forecasts. Although the strategic risk and issue both remain categorised as high and continue to be monitored and tracked as such, the rating has reduced given the stability in performance, the positive impact of early resolution initiatives on closure levels and sustained reductions in the PAP.

LeOs proposed risk appetite and tolerances were also discussed at the May ARAC meeting with some further refinement requested to ensure consistency in setting of tolerance levels and measures. This will be shared at a future meeting of Board. A revised and comprehensive Assurance Mapping Framework, detailing the various forms of assurance undertaken across OLC and LeO, was presented to ARAC and

demonstrated the significant assurance that is in place and the work that had been ongoing to improve and address governance and assurance under the leadership of the Head of Programmed Management and Assurance. This was the first assurance mapping undertaken for some time and one which was significantly more robust in nature. As a result, a number of gaps were identified by the Executive Team across a range of areas, including a significant number of policies overdue for review and dating back for a considerable number of years. ARAC was assured by the transparent approach taken to assessing and identifying these gaps and by the Executive Team assurance on plans in place to progress toward addressing these in the coming period.

### **Stakeholder engagement and enhanced public reporting**

A primary focus of the stakeholder engagement and reporting has been on LeO's end-of-year performance position and the approved OLC Business Plan for 2022/23 along with the summary of consultation the Scheme Rules Review. The Business Plan was published on 31 March, outlining LeO's performance trajectories and priorities for the next financial year. The final plan was shared widely with stakeholders and a launch session took place on 6 April for LeO's people, facilitating questions on the vision and implementation of LeO's continued recovery journey over the next 12 months.

Alongside the launch of the Business Plan we provided comprehensive briefing on LeO's performance for the Justice Minister, Lord Wolfson. This focused on the end year position and the significant progress made in Q4 of 2021/22, including the positive impact the Front-End Team and the early resolution initiatives have had on case closures and customer journey times. Further updates will now be provided to MOJ as we await the appointment of a new Justice Minister following Lord Wolfson's resignation.

The Chief Ombudsman and Deputy Chief Ombudsman met with the Law Society's Regulatory Processes Committee in May which provided an opportunity to update on overall progress and the Scheme Rules Review. The Committee fed back positively on LeO's progress and stabilisation and the scheme rules review and welcomed continued engagement.

The Stakeholder Challenge and Advisory Group also met in May, with discussion on the 2022/23 Business Plan, operational performance, the April and end year position and progress with FET/early resolution initiatives. Positive feedback was received on progress with areas of focus including retention and the appropriate balance between early resolution and investigation closures, with clear and reassuring input provided on key points of challenge by the Operations Managers. Significant positive feedback was received from the members of the group representing the legal sector with two members commenting on a significantly changed and improved perception of and relationship with LeO as a result of the early resolution initiatives as this has been introduced. We are following up on this to better understand this positive impact.

A key aim of engagement for 2022/23 is to strengthen relationships with key regulators. Operational liaison meetings have been established with the SRA and BSB. These meetings will continue to take place quarterly and are attended by both operational and

corporate colleagues. The meetings provide an opportunity for regular information sharing and also discussed opportunities to better support ongoing work around misconduct and ongoing competence.

Another key aim is to establish relationships and increase our engagement with the wider consumer, advocacy and advice services sector. We have engaged with Which, MSE and Citizens Advice with initial meetings set up to establish insight each has into legal services, identify areas of mutual interest, scope for working together. Our plan for later in 2022/23 is to scope the potential for a consumer and advocacy sounding board 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.

We are reviewing how LeO reports performance externally and how LeO can continue to increase transparency and ensure enhanced levels of reporting and engagement. External Affairs and Business Intelligence colleagues are working to establish a regular externally focused performance report which will be available on LeO's website and shared more widely with stakeholders to provide a monthly or quarterly update on performance.

The OLC Chair and Chief Ombudsman met with Chris Hodges (Centre for Socio-Legal Studies at University of Oxford) and Professor Stephen Mayson (UCL author of the independent review into the regulation of legal services) to update on the changes and progress LeO has made over the last 12 months and to help OLC/LeO monitor policy developments in the legal services and Ombuds sectors. Discussion with Professor Mayson focused on a range of recommendations in his report related to OLC/LeO including on redress for the unregulated sector.

The OLC Chair and Chief Ombudsman have continued to engage with the LSB and MoJ on a regular basis, including with MOJ policy colleagues and through the LSB/OLC 4-way meetings. The latest meeting with the MOJ policy included further discussion on the potential for progressing changes to the legal framework to facilitate outsourcing and greater delegation.

A list of key external meetings and events attended by the Chief Ombudsman and LeO Executive colleagues is provided at Annex A along with a forward look of meetings currently scheduled across 2022/23.

### **Learning, insight and impact**

As part of our commitment to the transparency agenda, we continue to review our approach to the publication of Category 1 Ombudsman decisions. This includes a review and re-set of the criteria, process and sources for identifying Category One cases, establishing a procedure to ensure that such cases are spotted at an early stage, and strengthening relationships with the main regulators to ensure that referrals are received for suitable cases. As we review and assess the criteria and current process, initial meetings have been held with the three main regulators to review a process for referrals. We will also be seeking to establish an OLC Board Category One committee to whom recommendations for publication can be made.



**Key External meetings and events attended by the Chief Ombudsman and LeO Executive – April to May 2022**

<b>Date</b>	<b>Meeting / Event</b>	<b>Purpose</b>
05 April 22	Manchester Law Society – Council members	L2 Ombudsman complaints handling presentation to Council members
06 April 22	Business Plan launch session with staff	To enable staff to ask questions and provide feedback on the published Business Plan for 2022/23
06 April 22	Lord Wolfson report submitted	To provide an update to the Justice Minister on the progress and recovery of LeO during 2021/22.
12 April 22	LSB/OLC 4 way	Regular meeting between OLC/LSB Chairs of the Board and Chief Ombudsman/Executive
28 April 22	ADS Review meeting	Meeting with the LSB to review the Agreed Data Set and performance reporting going forwards.
29 April 22	Today's conveyancer podcast	Recorded an interview podcast on conveyancing complaints and trends
29 April 22	SRA/LeO Operational Liaison catch-up	Quarterly meeting to discuss better information sharing and opportunities to work together on joint issues
09 May 22	CMS engagement call	CMS wanted to speak to us regarding a paper they were researching on law firm advertising
10 May 22	Bristol Law Society	Complaint handling workshop delivered to Bristol Law Society members. 61 booked on.
10 May 22	Meeting with Stephen Mayson	Meeting to update on LeO's improved performance and mutual catch up on Ombudsman issues.
10 May 22	Regulator Processes Committee	Attendance to update on LeO's performance, recruitment and retention, new initiatives and the Scheme Rules review
11 May 22	LeO/BSB operational liaison meeting	Meeting to discuss better information sharing and support for the BSB's review into ongoing competence.
13 May 22	Meeting with Chris Hodges	Meeting to update on LeO's improved performance and mutual catch up on Ombudsman issues.

19 May 22	Challenge and Advisory Group	Regular CAG meeting with members on LeO performance and operational delivery
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## **Forward look**

The following provides a forward look of meetings currently scheduled or planned for 2022/23. Further meetings will be added and updated once confirmed:

<b>Date</b>	<b>Meeting</b>	<b>Purpose</b>	<b>Online/in-person</b>
25 May 22	Liverpool Law Society annual compliance conference	Complaint handling presentation	In person
09 Jun 22	Legal-eye conference	Attending to run a stand and answer questions, no speaking slot. In Birmingham.	In person
1 Jul 22	Bi-Annual meeting with the SRA	Chief Ombudsman (LeO) and Chief Executive (SRA) bi-annual meeting.	Online
w/c 4 Jul 22	Catch up meetings with regulators	Regular meetings with the regulators (dates tbc)	Online
24-26 Jun 22	SPG business growth summit	Short presentation	In person
1 July	Bi-Annual meeting with the SRA	Chief Ombudsman (LeO) and Chief Executive (SRA) bi-annual meeting.	Online
4-5 July	Catch up meetings with regulators	Regular meetings with the regulators (dates tbc)	Online
13 July	MoJ visit to LeO	MoJ visit to LeO to see how the organisation is operating under its new initiatives	In person
07 Oct 22	Notary Public Regulatory Conference	Presentation	In person
19 Oct 22	CLSB Board Meeting	Chief Ombudsman to attend the Cost Lawyers Standards Board to provide an update on LeO and its progress	Online
01 Nov 22	Bar Council Complaint Handling Seminar	Potentially a focus on vulnerable customers following our overview of complaints publication	Online
02 Nov 22	SLC Conference		In person

08 Nov 22	SRA COLP/COFA Conference	Present in a lunchtime breakout session and run a stand	In person
22/23 Nov 22	Legal Ex	Speaking slot as usual	In person