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Meeting	OLC Board Meeting	Agenda Item No.	7
		Paper No.	148.5
Date of meeting	29 July 2026	Time required	15 Minutes

Title	Chief Executive's Report
Sponsor	Phil Cain, Chief Ombudsman
Status	OFFICIAL
To be communicated to:	Members and those in attendance

Executive summary
Quarter 1 of 2026/27 demonstrates that LeO has maintained strong operational delivery and made significant progress against its strategic objectives despite sustained and growing demand pressures. Compared with the position reported at the end of 2025/26, the organisation enters the new financial year with improved workforce stability, shorter customer journey times, stronger delivery of its impact agenda and the successful mobilisation of its transformation programme, whilst continuing to manage record levels of incoming complaint demand. Demand remains the organisation's most significant challenge. LeO received 4,029 new complaints during the quarter, over 30% higher than the equivalent period last year, continuing the sustained growth trend seen during 2025/26. As a result, the unallocated investigations queue has increased and pressure on capacity and waiting times remains significant. However, operational performance has remained resilient despite these pressures, with 2,327 complaints resolved during the quarter, representing a 14.8% increase on Quarter 1 2025/26. Investigator productivity remains above target, and quality measures continue to perform strongly. Encouragingly, customer journey performance has improved materially compared with the position reported at the end of 2025/26. Combined customer journey time reduced to 222 days and remains below target, while more than three-quarters of cases continue to be resolved within twelve months. This suggests that the operational improvements delivered through Lean, and particularly the embedding of the Phase 3 operating model, are beginning to deliver tangible benefits for customers and organisational performance. The quarter also marks a transition from planning and design into delivery across several strategic priorities. LeO launched its consultation on proposed changes to Scheme Rules, case fees and publication of decisions; completed the Model Complaints Resolution Procedure Call for Input; published six Public Interest Decisions; and expanded its programme of stakeholder engagement across regulators, representative bodies and local law societies. Work has also continued to develop LeO's growing influence through insight and learning activities, including AI-related research, learning products and sector-facing

guidance. Collectively, these activities demonstrate increasing maturity in LeO's role as an independent voice for improvement across the legal services sector.

Workforce indicators provide further evidence of organisational stability. Staff attrition remains significantly below target at 8.1%, supporting operational resilience and reducing one of the key risks highlighted during previous reporting periods. Progress has also been made in strengthening leadership resilience through implementation of the new executive structure, including the appointment of the Chief Operating Officer alongside that of the Deputy Chief Ombudsman role. Sickness absence remains above target and continues to require focused management attention, particularly in relation to long-term and mental health-related absence.

The organisation's financial position remains stable, with a forecast underspend of £89,000, within the Board's approved tolerance. Unit costs have reduced significantly compared with the previous year and the Quarter 1 position provides positive value for money assurance across economy, efficiency, effectiveness and equity measures. This has enabled the Executive to begin directing resources towards priority investments including leadership capacity and transformation activity. Efficiency savings of c.2% have been utilised to fund the leadership structure and new roles in Learning and Insight.

The most significant strategic development during the quarter has been the mobilisation of LeO's transformation programme. Following approval of the business case, procurement for specialist support is now underway, recruitment activity is progressing and governance arrangements are being strengthened through proposals for a Board Transformation Sub-Group. At the same time, the Executive has undertaken a comprehensive review of the strategic risk framework, streamlining strategic risks and issues to focus oversight on the organisation's most significant challenges: sustainably managing demand and successfully delivering transformation.

Overall, Quarter 1 demonstrates an organisation that is performing strongly, delivering improvements for customers, strengthening its external impact and moving decisively into the delivery phase of Vision 2030. While sustained growth in demand continues to place considerable pressure on capacity and waiting times, LeO is better positioned than it was at the end of 2025/26, with improved organisational stability, clearer strategic focus and the foundations now in place to deliver long-term transformation and service improvement.

Board is asked to note the report and the positive progress made during Quarter 1, whilst recognising that managing increasing demand and successfully delivering transformation remain the organisation's two most significant strategic challenges.

Recommendation / action required	
Board is asked to Note the report	
Equality Diversity and Inclusion	
EDI implications	Yes

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This 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.	
Freedom of Information Act 2000 (Fol)	
Paragraph reference	Fol exemption and summary
Pay and grading review	S.36(2)(b)(ii), and S.43(2). Disclosure would be likely to inhibit: (i) the free and frank provision of advice, or (ii) the exchange of views for the purposes of deliberation S.43(2) Disclosure would likely to prejudice the commercial interests of any person.
Governance and External Engagement	S.40(2). Personal Information.
ICT Operations and Development	S.31(1)(a) Disclosure would be likely to prejudice the prevention or detection of crime S.43(2). Disclosure would likely to prejudice the commercial interests of any person
Operational	S.31(1)(a). Disclosure would be likely to prejudice the prevention or detection of crime.
Transformation and development	S.43(2). Disclosure would likely to prejudice the commercial interests of any person
Data, reporting and insight	S.36(2)(c). Disclosure would be likely to prejudice the effective conduct of public affairs
Procurement and commercial activity	S.43(2). Disclosure would be likely to prejudice the commercial interests of any person.
Cyber security	S.31(1)(a). Disclosure would be likely to prejudice the prevention or detection of crime.
Value for Money (VfM)	
Quarter 1 provides positive value-for-money assurance across the 4Es of economy, efficiency, effectiveness and equity. LeO has maintained financial control within the Board's approved tolerance, with a forecast underspend of £89,000, equivalent to -0.42% of budget, while continuing to manage sustained demand pressures and above-plan complaint volumes. The quarter shows that resources are being controlled carefully, operational productivity remains strong, customer journey performance is improving, and available capacity is being redirected towards the priorities most likely to improve long-term sustainability, including the new senior leadership structure, transformation activity and the development of insight and learning capability. At the same time, the statement should be read in the context of continuing pressure on the unallocated investigations queue, increased demand entering the system, and sickness	

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absence remaining above target, all of which will require continued Executive and Board oversight during the year.

Performance against LeO's strategic objectives

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

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks. Strategic Issue 01: Backlog Strategic Issue 02: Sector-led demand Strategic Issue 03: Performance Trajectory Strategic Issue 04: Key person dependency Strategic Risk 01: Leadership Resilience

LeO's performance

Quarter 1 of 2026/27 has seen LeO maintain strong operational delivery despite continuing demand pressures across the scheme. A total of 2,327 complaints were resolved during the quarter, a 14.8% increase on the same period in 2025/26, while demand remained at historically high levels, with more than 4,000 new complaints received. While throughput has remained robust, the volume of incoming work continues to outpace closures, creating ongoing pressure across the wider system.

The quarter has also seen the continued embedding of the Lean phase 3 operating model. Early indications suggest that the model is supporting improved flow through the organisation, enabling cases to be resolved more efficiently while maintaining a focus on quality and customer outcomes. Although the full benefits will take time to emerge, there are encouraging signs that the changes introduced during 2025/26 are beginning to deliver greater stability in operational performance.

Demand and system pressure

Demand remains the organisation's most significant operational challenge. During Quarter 1, LeO received 4,029 new customer complaints, more than 30% higher than in Quarter 1 2025/26. While this was below the record 4,361 complaints received in Quarter 4 2025/26, complaint volumes remain substantially above historic levels and

continue the sustained increase seen over the past year. This ongoing demand continues to place pressure on queues, waiting times and overall system capacity, despite continued operational delivery.

The unallocated investigations queue increased to 3,074 cases by the end of the quarter. While this reflects the continuing imbalance between demand and available investigative capacity, it also reflects the organisation's strategic focus on resolving more cases earlier in the customer journey through the Lean phase 3 model. As this operating model matures, delays are increasingly expected to be concentrated at the front end of the process rather than within investigations.

Demand is also being influenced by a significant proportion of customers approaching LeO before they are eligible to do so. More than a quarter of enquiries received during the quarter were premature, generating additional pressure on operational teams and highlighting the continuing importance of customer education and demand management activity.

Productivity and workforce stability

Investigator productivity remained strong throughout the quarter, with established investigators achieving productivity of 6.2 cases. Though a marginal reduction on Quarter 4 (6.4), due to transition to Lean phase 3 operating model, this represents a positive start to the year and suggests that the operational changes introduced over the last twelve months are becoming increasingly embedded.

Workforce stability remains critical to sustaining performance. Staff turnover and attrition have remained broadly stable and LeO continues to benefit from lower levels of Investigator churn.

Customer journey

Customer journey measures continue to present a mixed picture. Combined customer journey time stood at 222 days during the quarter, reflecting the impact of sustained demand and the pressures created by growing queue volumes. Waiting times within the unallocated investigations queue remain a significant contributor to overall customer experience and continue to be an area of focus.

However, performance against longer-term journey measures remains encouraging. More than three-quarters of cases were resolved within twelve months and only a small proportion remained open beyond two years. This suggests continued progress in tackling older cases and preventing the build-up of the longest-running work, despite increased demand entering the system.

Overall assessment

Quarter 1 demonstrates continued operational resilience in a challenging environment. Resolution volumes remain strong, productivity has been maintained and quality measures continue to perform well. The transition to the Lean phase 3 operating model is beginning to show positive signs and provides a foundation for future improvements in throughput and customer outcomes.

At the same time, demand continues to grow at a rate that continues to place significant pressure on waiting times and capacity across the system. While operational changes are helping LeO respond more effectively to these pressures, sustained demand growth means that improving customer experience and reducing delays will remain a key challenge during the year ahead. Continued focus on productivity, workforce stability and operational adaptation will therefore be critical to maintaining performance and delivering the improvements customers expect.

Board-level assessment: The Quarter 1 position provides assurance that the operating model is beginning to support improved resilience and customer outcomes, while confirming that demand and capacity remain the principal issues requiring continued oversight.

LeO's customers' experience

Quality and Service

The sustained improvement in the quality of casework in the Investigations cohort continues to reflect the impact of insights derived from quality assurance reviews, the work of operations colleagues and changes to ways of working and processes. There remains more work to do to align performance in those teams with the high standards seen in the Early Resolutions and Ombudsman cohorts, but the sustained improvement is encouraging.

LeO has now transitioned to the new provider of its external customer satisfaction survey, with surveys for casework concluded in Quarter 1 currently underway and results due to be reported in Quarter 2. The data provided this quarter represents the final report from the previous provider. It shows consistently strong performance among customers, both consumers and service providers, who are satisfied with the outcome of their complaint, while satisfaction remains low among customers who were unhappy with the outcome. This differential is reflected across other ombudsman schemes, and the outputs from the new satisfaction surveys are expected to provide additional insight to support further improvement.

Quality, customer satisfaction and feedback from customer service complaints remain integral to LeO's assessment of the impact of Lean. They will also be important indicators of the impact of changes delivered under Pillars 1 and 2 of scheme transformation, as well as the eventual outputs of the wider transformation programme.

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

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks. Strategic Risk 04: Failure to deliver impact Objective
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During the first quarter of 2026/27, LeO continued to deliver against its impact objective, with a strong focus on targeted stakeholder engagement, consulting on key changes which support better complaint handling and LeO's plans for transformation, and using LeO's insight and experience to inform improvements across services and complaint handling in the legal sector.

The sections below provide further detail on activity undertaken to support the three aims of LeO's strategic impact objective.

Building LeO's profile and impact as an independent voice for improvement

Strategic engagement

A key focus during the quarter was supporting the Chief Ombudsman and Chair of the Office for Legal Complaints in their respective programmes of stakeholder engagement across the legal services and ombudsman sectors.

This included a series of meetings with chief executives, chairs and senior leaders from regulators, professional bodies and other ombudsman schemes. These discussions provided opportunities to strengthen relationships, share insight on

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emerging issues and explore areas of common interest, including rising demand, consumer protection, complaint prevention and transformation.

In May, LeO was invited to attend the Law Society's Regulatory Processes Committee meeting. Discussions focused on the significant increase in demand experienced by LeO in recent years, how we are currently dealing with that demand, and LeO's Vision 2030 ambitions and the need to transform to ensure the long-term sustainability of the scheme.

In June, three of LeO's Executive Team attended the Ombudsman Association's conference which provided the opportunity for LeO to engage and network with colleagues across the Ombudsman community. Sessions focused on topics relevant to all schemes, including the growth of AI and increasing levels of demand.

Transparency and learning – Public Interest Decisions

As part of LeO's ongoing commitment to transparency and driving learning across the sector, LeO published six Public Interest Decisions during the quarter. Each decision highlighted recurring issues and practical learning points for service providers, supporting improvements in complaint handling and service delivery.

The cases all spanned conveyancing and litigation and demonstrated consistent patterns of poor service. They highlighted where failures to provide clear advice, carry out essential checks and manage cases effectively led to tangible and, in some instances, irreversible consequences for the individuals involved.

Publication was supported by targeted stakeholder communications to maximise reach and impact.

Consultations

During the quarter, LeO responded to, or prepared responses for, two consultations, alongside running its own MCRP Call for Input and launching a comprehensive consultation on Scheme Rules, Case Fee and publishing decisions proposals.

In June, LeO submitted its response to the Solicitors Regulation Authority's 2026/27 Business Plan and Budget consultation. The response highlighted the strong alignment between the priorities and challenges facing both organisations, particularly around increasing demand and the transformation. It also emphasised the value of closer collaboration, including around more effective sharing of data and insight to identify emerging risks.

LeO also prepared a response to the Civil Justice Council's consultation on the reform of Part III of the Solicitors Act 1974. The proposals included transferring responsibility for lower-value solicitor-client costs disputes from the courts to LeO.

While LeO is supportive of efforts to reduce pressures on the court system and create more accessible routes to redress for consumers, our response noted that any potential transfer of responsibilities would require detailed consideration of funding, resourcing, implementation arrangements, and the specialist skills and expertise needed to undertake this work effectively. As a result, LeO's response made clear that it could not commit to any of the specific proposals without further discussion and assessment of the operational and financial implications.

Scheme Rules, Case Fees and Transparency Consultation

In June, LeO launched a consultation on proposed changes to its Scheme Rules, case fee arrangements and the publication of ombudsman decisions. The consultation represents an important milestone in LeO's wider transformation programme.

The proposals build on LeO's ambition to create a more transparent and effective complaints system, including plans to publish ombudsman decisions in full to improve transparency and support learning across the legal sector. The consultation also explores changes to case fee arrangements intended to encourage earlier and more effective complaint resolution, alongside amendments to the Scheme Rules to ensure the framework remains fit for purpose as the legal services landscape continues to evolve.

The launch was supported by targeted stakeholder communications and engagement activity to help raise awareness of the proposals and encourage participation in the consultation process. The consultation closes in early September.

Local law societies

As part of efforts to strengthen engagement with the profession, LeO wrote to local law societies across England and Wales in April to open new channels of communication and better understand how the organisation can support solicitors and firms at a local level.

Through follow-up conversations, LeO has explored opportunities to contribute to local training programmes, share insight and learning from complaints, and participate in conferences and events. This targeted approach supports LeO's ambition to increase

awareness of effective complaint handling and ensure that learning from complaints is reaching those who can use it to improve services for consumers.

As part of the initial engagement, LeO also highlighted the Model Complaints Resolution Procedure (MCRP) Call for Input and encouraged local law societies to share their views on the proposals.

Media

During the quarter, four news articles were published covering major organisational activity, including the launch of the consultation on Scheme Rules, Case Fees and publishing ombudsman decisions, publication of Public Interest Decisions, and launch of the 2026/27 Business Plan.

In June, the Chief Ombudsman and Chair of the Office for Legal Complaints were interviewed for Legal Futures, providing an opportunity to discuss the demand pressures facing LeO, plans to transform the organisation, and wider deliverables intended to improve complaint handling and service standards across the legal services sector – such as the MCRP and LeO’s learning and insight programme more generally.

An edition of LeO News, LeO’s newsletter, was also published and included a round-up of key developments in the final quarter of 2025/26 and in the first two months of 2026/27.

Using LeO’s experience to help legal service providers improve their complaints handling

MCRP – Call for input

The MCRP Call for Input closed on 19 May, and a total of 19 written responses was received from a broad range of interested parties, including regulators, professional bodies, individual service providers, consumer organisations and other stakeholders.

Since the consultation closed, LeO has been undertaking a detailed review and analysis of the feedback received to identify areas of support, opportunities for refinement and any issues requiring further consideration. The findings from this engagement are informing final amendments to the model and supporting materials ahead of the planned launch at the end of July.

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Alongside the formal consultation process, LeO delivered a programme of stakeholder engagement to support awareness and understanding of the proposals. This included dedicated discussions with the Law Society, Bar Council and Society of Licensed Conveyancers, providing an opportunity to explain the objectives of the MCRP, explore how it is intended to support improvements in first-tier complaints handling and gather views from key representative bodies. Feedback from these discussions has also helped shape the final approach.

Conferences

During the quarter LeO continued to share learning and insight through participation in a range of conferences, forums and sector events. Attendance included Collaboration Network webinars and conferences, the Today's Media annual conference, a Westminster Insights Complaints Handling Forum, the Association of Costs Lawyers annual conference and the Devon and Somerset Law Society annual conference.

Many of these events focused on understanding where complaint handling and service delivery can break down, exploring emerging trends and risks, and identifying practical steps that organisations can take to improve outcomes for consumers. Through presentations, panel discussions and stakeholder engagement, LeO shared learning from complaints, highlighted common causes of dissatisfaction, and promoted initiatives such as the Model Complaints Resolution Procedure as part of its wider aim to support continuous improvement across the legal services sector.

Sharing learning and insight to improve legal services and help prevent complaints

In furtherance of LeO's work to share insights from its casework to support improved service standards and complaints handling across the legal sector, key delivery areas in Q1 2026/27 included the following:

Annual overview of complaints 2025/26

Work progressed on the Annual Overview of Complaints 2025/26, with analysis and drafting bringing together the key themes seen over the course of the year in LeO's casework. This has included developing supporting case studies to illustrate the practical impact of complaints, highlight common issues across service areas and

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support sector-facing messaging on good complaint handling and service standards. LeO plans to publish its annual complaints data in summer 2026.

AI research

Q1 also saw continued work on a package of work LeO is conducting on the use of AI in complaints. This includes a commissioned survey of a representative sample of adults in England and Wales, together with a dip-sample review of 100 complaints to LeO to better understand where AI may be appearing in consumer journeys, service delivery or complaint handling.

This work is helping LeO build an evidence base on the potential opportunities and risks linked to AI use in legal services, and will support future guidance, insight and sector engagement. At this stage, LeO expects to publish the results of the research in September 2026.

Spotlight series

During Q1, work has focused on developing the next Spotlight release on AI, complementing the research described above. In an experimental evolution of these key publications, the AI Spotlight will have two parts, containing guidance for both consumers and service providers, including a draft prompt tool to support improvements in AI-assisted complaints. LeO plans to release this Spotlight alongside its package of research on AI later in the year.

Learning Platform

LeO has continued to develop its digital Learning Platform during the quarter, including analysing the results of a targeted pilot of content on Residential Conveyancing. The findings of this pilot were generally positive and will be used to inform future development.

Operational insight capturing

Work continued to strengthen the quality and breadth of operational insight captured at the earliest opportunity. This included progressing new data capture for tier one complaint handling and mandatory fields, helping LeO identify emerging themes and potential sector risks more consistently by identifying root causes. This will improve the organisation's ability to use complaint data proactively and ensure learning is captured in a way that supports both internal decision-making and external impact activity.

Data sharing

LeO continued to share data relating to motor finance in external forums and directly with service providers accountable for the largest volume of complaints accepted to LeO in this space. LeO continues to monitor these types of complaints and any developments in the wider sector. LeO also received a number of data requests from the SRA and provided insight into complaints received by LeO to support their internal investigations of firms.

Board-level assessment: Activity during the quarter demonstrates LeO's growing role as an independent voice for improvement, with particular progress on consultation, transparency, learning and insight. Continued focus will be needed to ensure this activity translates into measurable sector impact and complaint prevention.

3. Updates on strategic enablers and supporting strategies

3.1 People and culture

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks. Strategic Issue 04: Key Person (single point of failure) Strategic Risk 01: Leadership resilience
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People Performance

Attrition (Target 19%)

Staff attrition remains well below target, closing Q1 at 8.1% against the 19% benchmark. This represents a 5.3 percentage-point improvement year-on-year and a modest improvement from the Q4 closing position of 8.3%. Monthly attrition increased slightly during the quarter, peaking at 1.2% in May before easing to 0.9% in June, but the overall trend continues to indicate stronger retention and a more stable workforce.

Highlights:

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- **Corporate** shows the most dramatic turnaround in the full-year figures, with attrition falling further to 6.4%, down from 21.2% twelve months ago, and now well below target.
- **Operations Management** maintains the lowest attrition at 4%, well below the 19% target, demonstrating strong leadership retention.
- **Ombudsmen** attrition has seen a month-on-month fall, closing the quarter at 2.5% - its lowest position in over 12 months.
- **GET** shows the highest attrition, marginally falling from its Q4 position of 14.3% to 13.7% this quarter.
- **Investigator** attrition has risen slightly from 11.9% in March 2026 to 12.1%.

Sickness Absence (Target 11 days per FTE)

Sickness absence remains above the 11 days per FTE target and continues to be an important area of management focus. The rolling 12-month rate increased from 14.19 days at the end of 2025/26 to 15.23 days by June 2026, reflecting the cumulative impact of long-term absence and indicating that further sustained action is required to bring absence back within target.

There are, however, early signs of improvement in the in-period position. Sickness reduced from 1,542.00 days in Q4 to 1,082.25 days in Q1 of 2026/2027, and working time lost reduced from 8.01% to 5.67%. While this remains high, the reduction suggests that closer management attention, earlier intervention and ongoing support are beginning to have a positive impact.

Long-term sickness remains the main driver, accounting for 61.4% of Q1 sickness days, with mental-health-related sickness increasing as a proportion of absence to 44.6% for the quarter. This reinforces the need for continued targeted action, particularly around wellbeing, early support, and consistent management of longer-term cases.

Action is focused on reducing absence through a combination of preventative support and strengthened case management. This includes earlier engagement with colleagues who are absent or at risk of absence, more consistent use of return-to-work conversations, occupational health input where appropriate, wellbeing support through existing employee support routes, and closer monitoring of absence trends by People and Culture and operational leaders. Particular focus is being given to long-term and mental-health-related absence, ensuring that colleagues are supported appropriately while also enabling managers to take timely and consistent action.

Overall, Q1 shows some short-term improvement from Q4, but the rolling position remains above target and will take time to improve given the impact of longer-term

cases. Reducing sickness absence therefore remains a key priority within the People and Culture Plan, with continued focus on wellbeing, leadership capability, proactive absence management and organisational resilience.

Delivery of the People & Culture Plan

Pay and Grading Review

The pay and grading review remains a key priority within the People and Culture Plan and is central to LeO's ambition to build a fair, transparent and sustainable reward framework that supports a high-trust, high-performance culture.

During Q1, a range of design options were considered, with a recommended performance-related pay approach, 'The Matrix', approved by the Remuneration Committee as the preferred model for progression. The approved approach is intended to provide a clearer and more consistent link between pay progression, individual contribution, capability and organisational outcomes. It also supports the wider shift away from automatic or uniform progression arrangements towards a model that is more closely aligned to performance, development and the delivery of LeO's strategic priorities.

Current activity is focused on validating the modelling work underpinning the preferred option, ensuring that the financial, workforce and equality implications are fully understood before implementation recommendations are finalised. This includes testing assumptions, reviewing role and grade data, assessing affordability, and ensuring that the model operates consistently and transparently across the organisation.

[REDACTED]

[REDACTED]

These are being mitigated through clear governance, ongoing Remuneration Committee oversight, detailed validation of the financial and workforce data, equality impact assessment, and continued engagement with Staff Council ahead of wider colleague communications.

Leadership Structure

Work has continued on the review of LeO's leadership structure, with the aim of ensuring that senior leadership capacity, accountability and decision-making arrangements are aligned to the organisation's current operating pressures and future strategic ambitions. This work responds directly to the strategic risks around leadership resilience and key person dependency, and is intended to create a clearer and more sustainable leadership model as LeO prepares for transformation and the next strategic period.

During Q1, the leadership structure work moved into implementation, with the appointment of David Peckham to the role of Chief Operating Officer following a competitive internal recruitment process. This represents an important step in strengthening executive capacity and operational leadership at a critical point for the organisation. Alongside this, Steve Pearson's repositioning as Deputy Chief Ombudsman has been confirmed as part of the core Executive, providing clearer senior accountability for ombudsmanry, service quality and the continued development of LeO's professional leadership model.

Together, these changes are intended to strengthen leadership resilience, reduce reliance on individual postholders and create clearer ownership for key organisational priorities. They also support the successful mobilisation of transformation activity by ensuring that delivery capacity, assurance, people leadership and operational accountability are more clearly balanced across the senior structure.

Next steps include recruiting an Interim Director of Operations to backfill David Peckham's two-year secondment, bringing the Senior Leadership Team together as a collective leadership group, realigning the functions and portfolios of the Executive Directors, and initiating the Senior Leadership Team development programme. This next phase will focus on embedding the new leadership model, clarifying roles and decision-making accountabilities, and ensuring the senior leadership cohort is equipped to lead delivery, transformation and culture change consistently across the organisation.

Equality, Diversity and Inclusion

LeO's EDI work made a strong start to the 2026–27 delivery year, progressing a broad programme aligned to strategic priorities for workforce inclusion, customer accessibility and organisational culture. During the quarter, workforce, customer and

social mobility diversity analysis was completed, providing an updated evidence base to inform future priorities and support targeted interventions.

Workforce Inclusion and Culture

During Q1, LeO celebrated Pride Month through a range of colleague-led activities coordinated by the LGBTQ+ Network, including participation in Birmingham Pride, a Pride-themed quiz and wider awareness raising across the organisation. LeO also celebrated colleagues' contributions through the inaugural Staff Networks' Awards and supported Carers Active April and National Carers Week with activities promoting wellbeing and greater understanding of caring responsibilities.

The organisation also significantly expanded its network of Mental Health First Aiders, increasing provision from two trained colleagues at the start of the year to 31 by the end of the quarter. This investment strengthens access to early wellbeing support across operational and corporate teams and supports colleagues through organisational change.

To inform development of the next EDI Strategy, the EDI team delivered 18 engagement sessions with colleagues, staff networks, operational leaders and the Executive Team, ensuring the next phase of the strategy reflects organisational priorities and colleague feedback.

Governance and External Engagement

The EDI Steering Group met during the quarter to review priorities for the 2026–27 Action Plan and welcome [REDACTED] as new Executive sponsors. The EDI team also attended external events, including participation in the National Collaboration Network's Vulnerability Week, to strengthen partnerships and identify emerging good practice that will continue to inform LeO's approach to equality, diversity and inclusion.

Board-level assessment: The People and Culture position provides assurance on workforce stability and leadership resilience, particularly through lower attrition and implementation of the revised leadership structure. Sickness absence and the effective implementation of pay, grading and EDI priorities remain important areas for continued oversight.

3.2 Relationships and collaboration

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks.
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In Quarter 1, LeO continued to engage actively across the sector through a programme of planned and regular discussions with key partners. This included policy-focused catch-ups with the Solicitors Regulation Authority and the Bar Standards Board, and focused discussions with FOS and the FCA around motor finance claims.

Work in support of our senior-level strategic engagement, and broader relationship-building, is set out in more detail in section 2 above.

Board-level assessment: Relationship activity during the quarter supports LeO's strategic aim of strengthening collaboration with regulators, representative bodies and wider ombudsman partners. The focus for the remainder of the year will be converting these relationships into practical insight-sharing, prevention and transformation benefits.

3.3 Systems and intelligence

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks. Strategic Risk 06: Enterprise strain from transformation demands
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ICT Operations and Development

During Quarter 1, ICT maintained stable operational service delivery while progressing the 2026/27 digital transformation agenda. [REDACTED]

[REDACTED]

The quarter focused on building delivery momentum across key transformation priorities, including improved data management, AI and automation opportunities, [REDACTED]

[REDACTED]

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ICT also continued to support wider organisational change through business partnering, project governance and technical input into operational improvement activity. The overall position at the end of Quarter 1 is stable, with several major initiatives mobilised for delivery or procurement activity in Quarter 2.

Operational

ICT sustained support for core technology services and business applications throughout the quarter. Service delivery was maintained during June despite reduced team capacity, demonstrating resilience within the function.

Key operational activity included [REDACTED]
[REDACTED]
[REDACTED]

Transformation and development

The Digital Transformation Programme moved into its next phase, with activity focused on enabling more efficient service delivery, strengthening integration between business systems, improving digital services and preparing for wider AI-enabled working practices.

Work progressed on the Evidence Bundling pilot, [REDACTED]
[REDACTED]
[REDACTED]

Data, reporting and insight

Progress continued on strengthening data management capability, including [REDACTED]
[REDACTED]
[REDACTED]

Procurement and commercial activity

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Overall assessment

ICT Operations and Development ended Quarter 1 in a stable position. Core services were maintained, delivery momentum was established across the transformation portfolio, and the foundations were strengthened for improved data capability, AI adoption and modernised digital services during the remainder of 2026/27.

Cyber Security

Over the past three months, LeO has maintained a stable cyber risk position with no evidence of material incidents impacting service delivery; [REDACTED]

Recent simulated exercises demonstrated that while technical controls remain effective, [REDACTED]

[REDACTED] activity has prioritised strengthening awareness, embedding behavioural controls, and exploring enhanced real-time intervention tools to reduce risk at the point of action. Alongside this, governance and control maturity has improved through continued enforcement of secure access practices, and active management of information assets and data retention obligations.

Forward activity is focused on [REDACTED]

[REDACTED] to provide ongoing assurance that cyber risk remains understood, actively managed, and within tolerance.

Board-level assessment: The systems, data and cyber position provides assurance that core services remain stable and that digital priorities are moving into delivery. Cyber security, live procurement and the pace of digital change will continue to require close governance and appropriate information handling.

3.4 Value for Money, resources and governance

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks. Strategic Risk 2 - The risk that actual spend against the approved budget falls outside the $\pm 1\%$ tolerance at the end of the year
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Budget Variance and unit cost analysis update

The latest outturn forecast shows an underspend of £89,000, equivalent to -0.42% of budget and within the approved $\pm 1\%$ tolerance. The Executive will continue to monitor the variance closely throughout the year. Where appropriate, action will be taken to maximise use of the 2026/27 budget. This may include bringing forward suitable 2027/28 activity where it supports delivery and helps reduce funding pressure next year.

Total unit cost is 21% lower than the 2025–26 year-end position. This reflects corporate vacancies and new roles with extended start dates, as well as delayed projects and application licences that had to be suspended in the prior year, resulting in lower application licence spend than budgeted. The resulting savings and other efficiencies identified by the Executive will now be utilised to support the new Senior Leadership Team structure and the transformation project.

Cost per early resolution decreased by 16%, driven by a slight increase in early closures and the planned resource transfer to other front-end operational areas. Cost per investigation has increased by 19%, driven by a 13% decrease in the number of investigated case closures.

Value for Money Assurance

Taken together, the Quarter 1 position provides positive value-for-money assurance across the 4Es. Performance has been delivered within the approved financial tolerance, with the forecast underspend supporting continued in-year control and enabling the redirection of resources towards priority investment, including the new Senior Leadership Team structure and transformation work.

- **Economy:** Resources are being managed within agreed tolerance despite demand pressures, with new complaints above the Business Plan assumption. Savings from vacancies, delayed start dates and lower IT development and licence spend are being redirected to priority areas, supporting affordability and reducing future funding pressure.
- **Efficiency:** Productivity remains above target, with established investigator productivity at 6.2 cases per productive FTE per month against a target of 6. Total unit cost is 21% below the 2025–26 year-end position, and cost per early resolution has reduced by 16%, reflecting improved case flow, planned resource transfer and the early benefits of the Lean operating model.
- **Effectiveness:** Customer journey time has reduced to 222 days, below the 250-day target and the lowest level recorded, indicating improved end-to-end case progression. The increase in cost per investigation reflects fewer

Link to previous CO report

investigated case closures and will continue to be monitored as the new operating model is embedded.

- **Equity:** Continued focus on early resolution, customer journey time and refreshed performance metrics supports fairer and more transparent access to service outcomes. Low staff attrition supports continuity of service, while sickness absence remains above target and continues to require management focus, particularly regarding wellbeing and mental-health-related absence.

Overall, Quarter 1 provides assurance that resources are being managed economically and redirected towards priority outcomes, while operational changes are starting to improve throughput and customer journey times. Continued monitoring will remain important as the Lean operating model embeds, refreshed metrics are introduced and sickness absence remains above target.

Relevant strategic risks and issues	Strategic Risks are under review, so this is assessed against current not proposed strategic risks. Strategic Risk 4 - Failure to Realise Strategic Transformation Outcomes (Vision 2030)
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Risk Assurance and Governance

During the quarter, the Executive Team completed a review of the Strategic Risk Register as part of its ongoing commitment to maintaining a focused and proportionate strategic risk framework. Following this review, it was agreed that Strategic Issues SI.01 *Unacceptable Queue of Cases*, SI.02 *Absorbing Increasing Sector-Led Demand*, and SI.03 *Failure to Deliver Business Plan Improvements in Customer Experience* would be consolidated into a single strategic issue, SI.01 *Inability to Sustainably Manage Demand Within Current Operating Capacity*. This change reflects the interconnected nature of these challenges and provides a more streamlined strategic view of the organisation's capacity and demand pressures. As a result, the number of Strategic Issues has reduced from four to two.

The Executive Team also agreed that SR.03 *Accommodation Risk* and SR.05 *Staff Attrition* should be de-escalated from the strategic register and managed through established business unit risk management arrangements. This reflects the improved position in both areas, including increased workforce stability and the continued management of accommodation requirements through existing lease arrangements. Consequently, the number of Strategic Risks has reduced from six to four.

Subject to Board approval at the July 2026 meeting, the Strategic Risk Register will comprise two Strategic Issues and four Strategic Risks, providing a focused set of six strategic entries aligned to the organisation's most significant risks and challenges. Scheme Transformation Review has been incorporated into the register for 2026/27. This will be supported by dedicated programme risk management arrangements and governance structures to provide oversight of transformation delivery across all phases of the programme.

These changes form part of a broader review of the organisation's strategic risk management approach, ensuring that Executive and Board oversight remains focused on the risks and issues that could have the greatest impact on the successful delivery of organisational objectives and the 2027–2030 strategy.

Internal audit activity remains on track, with all agreed management actions progressing in line with planned implementation dates. The Executive continues to work closely with GIAA in preparation for the thematic review planned for Q3. A discussion is scheduled for 30 July to review the proportionate plan, coverage in readiness for this to start in Q4.

Scheme Transformation Review

The Scheme Transformation Review continues to progress in line with the agreed mobilisation plan. Following approval of the business case, the procurement process for specialist support is now live, with tender submissions due by 31 July 2026. Recruitment activity is also underway to strengthen programme capability and establish the foundations for successful delivery.

To ensure governance arrangements remain aligned to the scale and significance of the programme, the Board is separately asked to consider a proposed governance refresh, including the creation of a Board Transformation Sub-Group (BTSG). Together, these activities represent an important step from programme initiation towards detailed discovery, design and delivery planning, while ensuring appropriate oversight, assurance and accountability are in place from the outset

Board-level assessment: The Quarter 1 governance and VfM position provides assurance that financial control remains within tolerance, strategic risks are being sharpened and transformation mobilisation is progressing. The Board's continued focus should remain on sustainable demand management, transformation delivery and the controls needed to maintain assurance as the programme moves from mobilisation into delivery.