

<b>Meeting</b>	OLC Board	<b>Agenda item Paper number</b>	5 131.5
<b>Date of meeting</b>	30 January 2024	<b>Time required</b>	15 minutes

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

### Executive summary

Quarter 3 saw LeO return to performance levels in line with or beyond likely-case forecasts. Resolutions are now 69 cases short of forecast range, with Quarter 4 performance forecast to be comfortably within range. The investigation queue (pre-assessment pool) increased temporarily but has reduced across Quarter 3 and will reduce again across Quarter 4.

Impacting this, higher demand for LeO's service over the year remains a key risk and continues to counteract anticipated reductions from changes to Scheme Rule time limits. Quarter 3 saw a 3.4% reduction in demand against a forecast 10% decrease, although the annual position remains a 2.1% year to date increase. LeO continues to absorb the increases against forecast and continues to monitor the position as we analyse the drivers of demand.

Attrition also continues to be monitored as a key area of risk and was the focus of an Executive Team workshop in January. While investigator attrition remains high, the overall attrition rate has now fallen for four consecutive months.

There was broad support expressed in response to the 2024-27 Strategy and 2024/25 Budget and Business Plan consultation. The Law Society and Bar Council have indicated some resistance to the move to prioritise greater focus on learning, insight and impact, with The Law Society's response generating media coverage. We are actively managing these relationships as we take forward our plans.

Work has continued to scope the delivery of an enhanced learning and insight programme from 2024/25 onwards. This has included consideration of the resource and structures required to deliver meaningful impact in the first strategy year. Demand for LeO's insights is apparent from the positive reception to its Quarter 4 training programme.

The current full-year financial forecast is for a £106k underspend with a number of factors contributing to movements in December and January. While this is 0.63% of budget and within the 1% MoJ tolerance, it is higher than expected. LeO is actively monitoring and managing movements and variables and putting in place mitigating actions as year-end approaches.

Board views are welcome on the revised format for reporting, combining a Chief Ombudsman Executive report and a balanced scorecard showing key strategic indicators against agreed tolerance. LeO is undertaking a fuller review of indicators contained within the agreed data set and will be engaging with key stakeholders (OLC, LSB, MoJ) on this shortly.

**Recommendation or action required**

The Board is asked to **Note** the report and provide **Feedback** on the revised reporting format.

**Equality, diversity and inclusion**

Does this paper have EDI implications?	Explanation
Yes	The Chief Ombudsman’s report provides a summary of activity and performance across LeO, including in relation to LeO’s customers and people. It therefore covers a wide range of areas with the potential for EDI-related impacts. These are considered routinely across business areas as appropriate.

**Freedom of Information Act 2000**

Paragraph reference Fol exemption and summary	Paragraph reference Fol exemption and summary
Page 10	Reference to assessment of future accommodation options and negotiations related to Edward House.  Section 43(2) exemption information on the basis that disclosure would, or would be likely to, prejudice commercial interests.

## Performance against LeO's strategic objectives

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

Relevant strategic risks and issues	<b>Strategic Issue 01: Backlog</b> <b>Strategic Issue 02: Staff attrition</b> <b>Strategic Issue 03: Operations staff attrition: Investigators</b> <b>Strategic Risk 01 – Performance trajectory</b> <b>Strategic Risk 04 – Scheme Rule changes</b>
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#### Operational performance

December's report set out LeO's expectation that performance had reached a turning point as mitigations on Scheme Rules impacts, attrition and demand took effect. As at the end of the quarter LeO had returned to performance levels in line with or beyond likely-case forecasts with higher closure performance, an improving customer journey time and a continued, albeit slowed, reduction in the investigation queue.

#### *Resolved complaints*

Closure performance was strong with resolved complaints above likely ranges for Quarter 3. This has reduced the annual gap on closures against forecast to 69 cases, with Quarter 4 performance expected to be comfortably within range.

Mitigations put in place to address first early year operational issues such as attrition, increases in demand and Scheme Rules changes continue to be effective and LeO is confident that performance within annual ranges will be achieved by end March.

#### *Pre-assessment pool (PAP)*

The queue of people waiting for an investigation (Pre-Assessment Pool) saw an expected increase due to the Christmas period. This PAP now sits at 3,430 customers, outside forecast range despite closure performance being within range. This is primarily due to increased demand and attrition in the first half of the year. Quarter 4 will see more significant reductions with the queue to reach a recalculated expectation of 3,000 cases by March 2024.

#### *Demand for LeO's service*

LeO continues to see increased demand, with a 2.1% year to date increase in new complaints received compared with the same period in 2022/23. This was on top of year on year increases between 2021/22 and 2022/23. The increases slowed slightly in Quarter 3 with a decrease of 3.5% on the same quarter year on year, although this remains a concern given that this is against a forecast assumption of a 10% reduction due to time limit changes. Contacts continues to see a year-on-year increase of 13%.

We continue to assess whether we are starting to see a reduction in demand from new Scheme Rules time limit changes taking affect and the extent to which increased underlying demand is eroding the expected effects of scheme rules changes. LeO continues to absorb demand as we seek to better understand this interaction and as we seek to implement efficiency improvements.

#### *Implementation of new Scheme Rules*

LeO's checks on whether discretion should be applied to accept new cases was completed as planned by the end of Quarter 4. Investigator resource allocated to the front end of LeO's process is returning to investigations.

The challenging initial impact of Scheme Rule changes has now steadied, although the impact in terms of delayed demand will be felt in Quarter 4 of 2023/24 and early 2024/25. Delayed demand from the initial approach to discretion checks means that approximately 600 cases have been added into 2024/25 trajectories.

Quarter 4 will see an increase in effects of other scheme rules changes. Scheme rule 5.19/5.20 will see some cases potentially resolved on the basis of the investigator case decision stage, minimising the requirement for a full additional Final Ombudsman decision. As with time limit changes, LeO is taking a robust approach to these cases, ensuring that we have a fair and consistent approach.

#### *Lean process review*

The Lean process review has moved from scoping to process mapping with an aim to have operational processes fully mapped by the end of Q4. This has been structured to involve people from across operations and other areas of the business.

### **Customer experience**

#### *Customer journey time*

More resolutions and a better flow of cases into early resolution continue to improve overall customer journey times. For complaints resolved through early resolution, the average time to closure fell from 68 days in April 2023 to 42 days at the end of Quarter 3.

For customers needing a full investigation, journey times have reduced in the same period from 318 to 299, though this is still high as a result of historic cases being resolved and increasing the average time. LeO continues to seek other ways to reduce wait times further. The introduction of a Low Complexity Case pilot in October has seen wait times for low complexity cases reduce across Quarter 3 by 55 days.

#### *Quality and Service*

Quarter 3 quality reviews showed a high quality of work being delivered to LeO's customers in early resolution. The standard of the outcomes reached exceeded target performance levels. Standards of service saw significant improvement in all

areas albeit with some more work to be done to achieve target standards within the Ombudsman cohort.

As in previous quarters our reviews show that performance in our investigations teams still has scope for improvement in terms of both quality of service and quality of outcome. Performance remains under target in all areas except Ombudsman decision making where the standards of outcomes has risen to the highest level seen this financial year.

As has been reported previously, the bulk of identified service issues relate to the level and standard of communication with our customers – we continue to see unacceptable delays in case progression and on some occasions a lack of attention to detail in our written work. The themes that are identified through our internal quality assurance work are also reflected in the feedback we receive from customer satisfaction surveying and the underlying themes of upheld service complaints.

Resource constraints, due to unexpected sickness absence, impacted the work of our service complaints team in Quarter 3 and we know that Quarter 4 will be impacted by the absence of the Senior Ombudsman. Mitigations have been put in place to provide resilience but there will be a reduction in the pace with which the team progress work over the period.

The review LeO’s quality assurance framework is progressing with a set of initial high-level recommendations being presented to LeO’s Executive Team in quarter 4. The review and the proposed recommendations will ensure that LeO’s framework is agile enough to deal with changes to process and demand whilst also proportionate enough to provide assurance on the standard of casework without having a detrimental impact on operational delivery.

**Strategic objective for LeO’s impact: LeO’s independent voice and experience lead to improvements in legal services**

Relevant strategic risks and issues	<b>N/A For inclusion on 2024/25 strategic risk register</b>
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In line with the new proposed strategic aim of building LeO’s profile, LeO continues to identify and use opportunities through various forms of engagement. Since the December Board update, LeO has contributed to SRA research aimed at gathering stakeholder insights into current and emerging risks facing the legal sector. We outlined our own horizon-scanning activity and areas identified in to OLC Board, as well as LeO insights, such as trends in complaints, that could be seen as risk indicators.

We have also continued to engage with the SRA on issues where LeO may see the fallout of interventions and developments in their regulated community - in particular, to ensure consumers are appropriately signposted. In recent weeks this has included the closed firm Axiom Ince and subsequent further firm closures, and the cyber-attack on the conveyancing platform CTS which affected customers trying to complete transactions.

December and January saw a number of instances of LeO media coverage. We were approached by the BBC to provide a steer as to what consumers who'd been impacted by the CTS incident could do, which then appeared as positive coverage on the BBC News website including reference to LeO's role. The Times reported on The Law Society's publication of its response to our budget. A number of legal media articles also covered various aspects of our consultation including coverage of published responses from the Law Society and the Legal Services Consumer Panel.

Work has continued to scope the delivery of an enhanced learning and insight programme from 2024/25 onwards. This has included mapping existing internal and external channels for insight-sharing, with a view to reshaping/establishing these; discussions around how to harness LeO's Ombudsman insights in a strategic and resource-effective way; engaging with schemes with developed insight, outreach and training programmes; and developing profiles for delivery-critical roles subject to agreement of the proposed 2023/24 budget.

As we have worked to lay the ground for our future programme, there continues to be strong demand for LeO's existing training opportunities. Following significant interest in LeO's revised costs guidance in November, costs training scheduled for Quarter 4 was fully booked within half a day of being advertised. As we deliver further general and area of law-specific sessions in Quarter 4, we will use the feedback we receive to inform our future plans.

Looking ahead, next month the Chief Ombudsman will be attending an LSB roundtable on first-tier complaints – part of the LSB's consultation and ongoing focus on this area and where we have indicated that LeO has a key role to play. In March, a number of LeO colleagues will attend the Reshaping Legal Services conference which will be chaired by the OLC Chair.

OLC Board has received a separate update on responses to the Strategy, Business Plan and Budget consultation. As highlighted, the responses were largely supportive, with particular stakeholder concerns to be addressed through bilateral engagement.

Updates on strategic enablers and supporting strategies	
People and culture	
Strategies relevant to update	People and EDI
<p><i>People performance</i></p> <p>The balanced scorecard provides an update on key people indicators. Overall attrition has fallen for four consecutive months whilst corporate attrition fell for the fifth consecutive month. Investigator attrition, after a stable period, remains high although is now tracking at likely rather than lower assumption. Reducing attrition continues to be a key priority. An Executive Team workshop in January facilitated a strategic focus on how LeO approaches attrition, exploring potential causes and mitigating actions across a wide range of areas. This is a key work in progress which</p>	

will inform the development of an attraction and retention strategy for 2024-27, aligned to the new 3-year People Strategy, and complement the benchmarking exercise and ongoing work in improving our current employee value proposition (EVP) in those areas within our control.

Sickness absence levels have been increasing over the last 6 months with mental health continuing to be the primary cause. The HR Team continue to partner closely with line managers to enable timely interventions on absence management and support. The recently improved employee benefits package also provides access to medical support and health and wellbeing resources.

### *Delivery of People Strategy*

Work is underway on the development of a new 3-year People Strategy, aligned to LeO's proposed new 2024-27 Strategy and underpinned by a set of annual deliverables. Consultation will begin on the new People Strategy in early February, after which it will be presented to RemCo for approval in March.

A comprehensive, end-to-end review of recruitment and selection has now been completed. This work underpins the new Recruitment, Selection and Promotion Policy, which was approved at the November RemCo meeting. The new arrangements will be supported by training to line managers. A full review of onboarding and induction will be completed by early March.

### *Engagement with LeO's people*

The detailed review of our Staff Council and networks, with revised terms of reference and defined roles and responsibilities, is now complete. This will be rolled out in late January to relaunch the new-look and elected Staff Council and further promote the work of the networks. The election process for new Staff Council representatives will commence in early February.

Detailed analysis of the 2023 People Survey is now underway. Headline findings were shared with Board members at the December meeting. It was disappointing to see the overall employee engagement score fall from 59% to 56%, although it is noted that this remained 9% higher than in 2021. It was reassuring to see that, in a year when LeO has been consulting with staff on a new three-year strategy, the core theme of 'Organisational Objectives and Purpose' rose by 1% to 89%, higher than across the Civil Service as a whole. There was also an increase in the response to Learning and Development for the third year running (up 2% in 2023 to 51%), and we remain committed to building on the progress made in this key area. With the exception of the pay and benefits score, which fell for the third consecutive year to 23%, ratings across the other core themes broadly held up on 2021 following increases in 2022.

Of concern were the changes in scores around Discrimination and Bullying and Harassment (83% and 85% respectively). Whilst the scoring remains more positive than in 2021 – and we know the number of negative or neutral respondents is low – scores have fallen back from their improved position in 2022. As part of the detailed analysis of the People Survey results these scores, together with the core themes,

will be explored further and discussed with staff networks appropriate before actions are put in place to address any emerging issues. The Chief Ombudsman re-issues LeO's zero tolerance statement on bullying and harassment as initial findings were provided to staff.

*Equality, Diversity and Inclusion*

A full EDI update is provided for Board at January's meeting. Quarter 4 focus is on completing the remaining actions on the EDI year 1 action plan with most deliverables completed or on course to be completed by the end of year.

We have also developed out Reasonable Adjustments policy for employees, a key priority for 2023/24. Line manager's training will take place in February ahead of launch.

Working with our staff networks a number of EDI events are being arranged. In February we will celebrate Race Equality Week and LGBTQ+ history month. Then in March we will celebrate International Women's Day.

**Relationships and collaboration**

Strategies relevant to update	Knowledge and insight (in development)
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OLC Board has received a separate update on responses to the Strategy, Business Plan and Budget consultation. As highlighted, the responses were largely supportive of the proposals outlined. The Law Society and Bar Council expressed concerns about the increased focus on learning and insight under the Impact objective, and we will be picking up this in bilateral engagement.

In terms of wider strategic relationships, our contact with the BBC, highlighted above, has underlined the potential impact of relatively low-risk and resource-intensive engagement with national media, which will be reflected in our new strategy. Recent engagement with the SRA has highlighted the benefits of strong regulator relationships, which LeO has committed to build on as part of the new strategy. In particular, the SRA has continued to proactively reach out to us following developments and interventions in their regulated community, and in particular around ensuring effective signposting and support for consumers – providing a model we can look to replicate with other regulators.

Similarly, the LSCP and LeO continue to engage on a range of issues. We will be meeting again in the coming weeks to talk through challenges around publishing ombudsman decisions and how we might move toward sharing more insights from LeO's decisions.

**Systems and intelligence**

Strategies relevant to update	Technology and innovation (in development), knowledge and insight (in development)
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LeO's primary focus at the current time continues to be automation of reporting on operational processes and corporate functions. This will support efficiencies by



freeing staff to concentrate on value-added tasks. To assist this, we are developing people capability within IT, creating specific roles, upskilling and cross training current staff. The recruitment and embedding of an IT Manager and creation of an internal transfer to a Digital Transformation Manager role will help accelerate this process, giving us the structures to support current requirements and assess future technological development and innovation.

We are at the early stages of developing our AI and innovation strategy, alongside ICT strategies. We will be looking to assess areas of process through the lean process review that would be suitable for AI or further automation. This will be a collaborative process, seeking best practice across other Ombudsman and the wider legal sector, ensuring that available solutions are tested and assessed as to whether they would meet LeO's needs.

LeO has implemented a full review of reporting requirements, to ensure that future reporting is delivering business intelligence that supports in shaping the business. This will give LeO a rationalised strategic data set for wider stakeholder and board consumption and a more focused suite of internal business intelligence designed in collaboration with end users of the data to maximise return.

**Resources and governance**

Strategies relevant to update

Future ways of working

*2023/24 Budget Position*

Following on from assurance provided to ARAC in November, LeO's end year forecast has been updated using the actuals for December 2023 and input from financial review meetings with Budget holders in January. The current full year forecast to the end of 2023/24 is a £106k underspend, 0.63% of budget and within the 1% MoJ tolerance level but higher than expected. The drivers for the underspend are higher attrition than anticipated for Investigators in Quarter 1 and Quarter 2, challenges in replacing specialist corporate staff, releasing legal provisions for potential legal claims for 2022/23, savings made on telephony services and IT Support Maintenance and charges and a number of unforeseen variables in terms of income, including interest rate receivables and credit from Birmingham City Council for the 2020/21 Covid Period Rates.

Mitigating actions are being implemented, including overtime to help meet performance targets and complete projects by year end, legal and professional support and advice on various areas of the business, recruitment costs for April 2024 investigators and the Lean review process. Other mitigations are being assessed.

The Executive continue to monitor and consider the use of appropriate mitigating actions to ensure that we are within the tolerance level at the end of the financial year. The forecast position is manageable, although requiring close monitoring due to usual year end movements and variables.

### *Risk Management, Audit and Governance*

The Executive continue to review and monitor 2023/24 strategic risks and issues and further information on risks and issues considered at January ARAC is provided as part of the ARAC Chair update. The strategic issues related to backlog and attrition and related strategic risks have remain static in scoring primarily as a result of ongoing challenges with increases in demand, attrition and impacts related to Scheme Rules implementation, as well as some difficulties in recruiting for key corporate roles. Quarter 3 did see a reduction in scoring in relation to leadership resilience and budget variance. A new Strategic risk was added in Quarter 3 around accommodation and Edward House Lease renewal. This has since seen a reduction within the first month based on progress of negotiations.

The Executive continue to focus on assessment of mitigations and controls, although it is clear that some core risks and issues relate to longstanding, deep-rooted factors, some of which are outside of LeO's control and which require long-term risk management before being in a position to reach target risk scorings. This was a focus of discussions held with the ARAC Chair on ongoing improvements to LeO's risk management framework, taking account of feedback from ARAC and Board. Key risk indicators (KRI) are being developed to help illustrate more clearly the effectiveness of controls for each risk and a clearer assessment of timelines for target scoring.

All three GIAA reports received to date in 2023/24 have been rated as substantial. The scoping for the Quality audit will take place in January for completion in Q4 and ongoing discussions are taking place with GIAA regarding the wider audit plan.

### *Future ways of working*

