

Meeting	OLC Board	Agenda Item No.	4
		Paper No.	125.3
Date of meeting	25 January 2023	Time required	20 minutes

Title	Executive Report
Sponsor	Paul McFadden, Chief Ombudsman
Status	OFFICIAL

Executive summary
<p>December performance reduced as anticipated over the festive season, although case closures came in above seasonally adjusted expectations: 567 cases resolved against a seasonally adjusted forecast of 527.</p> <p>At the end of Quarter 3 LeO has resolved 6,880 cases, 91% of the 2022/23 forecast, with the latest modelling showing an end-year forecast position of 91.7%. There is clear disappointment at this reduced forecast position, although overall progress continues to show a significantly improved picture. LeO increased output by 50% on the equivalent period in 2021/22 and has delivered more resolutions by the end of the third quarter than was achieved in the whole of 2021/22 (6576) and previous years, with one full quarter remaining. Improvements also continue to be made to the overall customer experience with average customer journey times (including all cases resolved by FET) reducing by 100 days, 24%, across 2022/23.</p> <p>LeO's Front End Team (FET) continue to deliver to high levels but, as anticipated, is now seeing a decrease in the rate of opportunities for resolution, largely as a result of the success in completing its assessment and resolution of all applicable cases ahead of schedule. This has been one contributory factor to a decreased end year forecast position, although labour market and pay factors affecting attrition and recruitment continue to be significant underlying challenges.</p> <p>Quarter 3 quality reviews and customer satisfaction surveys have shown significant positive improvement in the scoring for outcomes (83 and 95%), service (94 and 100%) and customer satisfaction (91 and 92%) in FET, highlighting that the positive impact of early resolution on the overall customer journey is also replicated in terms of the quality of the work delivered by that team.</p> <p>A full review and re-assessment of forecasts and underlying assumptions for 2023/24 has been undertaken, taking account of feedback and challenge from the OLC Board and the Performance and Quality Sub-Group and having reassessed the accuracy and realism underpinning many of our assumptions. The trajectories, including a revised range of forecast worst, most likely and best-case scenarios outcomes, inform the Executive's revised draft Strategy, Budget and Business Plan and LSB Budget Acceptance Criteria, presented for approval by the OLC Board ahead of submission to the LSB.</p> <p>LeO's significant progress on people culture is evidenced through the results of the annual Civil Service People Survey which has returned significantly improved and positive results and</p>

increases in ratings across all 9 core themes, with the exception of pay and benefits, and a number of themes showing double-digit increases.

Quarter 3 has seen some encouraging signs of progress on the key people metrics of sickness absence and attrition with sustained reductions on both, although significant challenges remain on attrition. In addition to ongoing recruitment for some key corporate and operational roles, a huge amount continues to be delivered in progressing a wide range of crucial People Strategy activities and projects across Quarter 3 and into Quarter 4. The Head of People Strategy and Services and HR Team also continue their focus on internal and people culture focused elements of LeO's EDI strategy which underpins much of this work. This is while we await appointment of a new interim EDI Manager to fill the vacancy created in December. Applications for this interim role are currently being assessed.

On finance, a number of recent movements since the December Board meeting have led to the current forecast underspend moving out of tolerance by £15k with the latest forecast showing a projected underspend of £168k. Much of this is driven by unexpected staffing changes in January.

A full update is provided on key points on risk, governance and audit. This includes the submission to ARAC of the GIAA final report on Risk Management, which received a 'strong' moderate rating along with highly positive feedback on the significant progress and improvement LeO has made in this area since the previous audit in 2019.

Wider updates are provided for discussion and the Chief Ombudsman is happy to respond to questions or comments on updates provided in this report.

Recommendation/action required

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

Executive Report

LeO's Performance

December performance reduced as anticipated over the festive season, although case closures came in above seasonally adjusted expectations. LeO resolved 567 cases in December against a seasonally adjusted monthly forecast of 527. 261 cases (46%) were resolved following a full investigation, 306 (54%) through early resolution.

LeO has resolved 6,880 cases year-to-date at the end of Quarter 3. This is 714 fewer than the forecast of 7,594 set out in the 2022/23 Business Plan and represents 91% of that forecast. LeO's assessment of current and predicted performance and assumptions shows LeO delivering an end year position of 91.7% of Business Plan forecast. There are a range of individual factors contributing to the shortfall which have been highlighted and discussed with OLC Board and the Performance and Quality Task and Finish Group (P&Q) over recent months. These include some factors largely beyond LeO's control such as the national and local recruitment market and pay and their continuing impact on attrition and reduced recruitment intakes. We have also seen reducing FET early resolution opportunities from the PAP as FET have completed assessment and resolution of all applicable cases ahead of schedule.

It is clearly disappointing that we are not closer to Business Plan forecasts and that the forecast end-year position has reduced despite progress made. However, overall progress continues to show a significantly improved picture. LeO increased output by 50% on the equivalent period in 2021/22. 6880 case closures represents a greater number of resolutions by the end of the third quarter than was achieved in the whole of 2021/22 (6576) and previous years, with one full quarter remaining.

The Pre-Assessment Pool (PAP) increased for the first time in 9 months with 4658 customers waiting for an investigation at the end of December, a 20% in year reduction. This was an anticipated increase as a result of the seasonal downturn in closures but was also impacted by LeO's decision to proactively increase the number of cases progressed into the PAP more quickly by the General Enquiries Team. This was aimed at providing increased opportunities for early resolution by the Front-End Team (FET) and further reduce customer journey time.

Due to this increase the PAP is 18% higher than our Business Plan forecast for this point, although there is some important context around this. A far higher proportion of these cases are newly - or relatively newly- received complaints and around 860 are being actively worked on by FET. Rather than waiting in pre-assessment before an active LeO intervention in their case, these 860 customers can expect, on average, to see resolutions in around an average of 60 days.

Also underlying these numbers is an improving picture on overall customer experience. In reducing the PAP across 2022/23 we have seen an average reduction in end-to-end customer journey times (when including all early resolution cases) of over 100 days across the year, representing a 25% decrease. Customers whose cases were resolved through early resolution experienced 66% shorter journey times than LeO's average for

low complexity complaints. Initial analysis also shows that the average time for an outcome to be reached after leaving the PAP (for all outcomes including early resolution) is 87 days.

These are clear signs of significant improvement for customers, although it is clear that there is also still some way to go to remove the overall PAP wait times. Average investigation customer journey times also continue to be high as LeO investigates and concludes long-standing investigations from the PAP. However, as we continue to reduce the number of people waiting in the PAP - and as our FET Team shift their complete focus to early resolution of newly received cases - we will continue to see overall average customer journey time for all cases decrease across the remainder of 2022/23 and 2023/24 to an acceptable position.

Over December and January LeO have also completed a full review and re-assessment of forecasts and underlying assumptions for 2023/24. This has taken account of feedback and challenge from OLC Board and the Performance and Quality Group on a number of the assumptions and an overriding challenge to test the accuracy and realism of the assumptions and overall trajectories. This has included a line by line review of each known assumption, introduction of a number of additional factors taken from actual performance data in 2022/23 and a further full assessment by LeO's Executive and Operational Leadership Teams.

A set of revised trajectories and a full breakdown of assumptions, including changes made since the December meeting of the OLC Board and January meeting of the Performance and Quality Group, are included for assessment by the OLC Board at the January meeting. This includes a revised range of forecast 2023/24 outcomes, taking full account of worst, most likely and best-case scenarios. These also inform the Executive's revised draft Budget and Business Plan and LSB Budget Acceptance Criteria, also presented for approval by the OLC Board at the January meeting.

LeO's People

LeO's Quarter 3 People Report provides a summary of People related activity and performance. Our key people metrics show some encouraging signs of progress. Sickness absence levels have very positively continued to reduce for the sixth consecutive month with a sustained reduction over the course of Quarter 2 and Quarter 3 2022/23. Sickness levels fell from an average of 12.76 days per employee in October, to 11.92 days in December, the lowest figure yet over the rolling 12-month period. Quarter 3 also saw the reduction in overall attrition rates across all roles continue, having now fallen steadily for 5 consecutive months. Investigator attrition showed slight improvement, falling on a month-by-month basis across Quarter 3, from 27.4% in October to 24.5% in December. This reduction is welcome, although LeO recognises that attrition – and investigator attrition in particular - still clearly continues to be a key and significant challenge, as it does for many other organisations within the sector and beyond. There have also been a number of more recent [REDACTED] leavers which will increase this figure in Quarter 4. FoI Exempt: S40. Personal Information

Recruitment activity has continued across both Operational and Corporate areas. The OLC Board received an update at the December OLC Board meeting on key Investigator, Ombudsman and Operations Manager recruitment and the appointment of

three permanent roles within new HR team. A number of posts remain live or at screening or interview stage across HR, EDI, ICT, project management and Legal.

LeO continued to make significant progress on a wide range of key People Strategy activities across Quarter 3, with the ongoing roll out of LeO's Leadership Development Programme, implementation of a new Personal Development Review (PDR) process, comprehensive review of recruitment and payroll policies and processes and progression of the cross-organisation pay benchmarking exercise. As previously discussed with Remco and OLC Board, upcoming people priorities for Quarter 4 also include a full review of LeO's structures for engagement with staff through Staff Council and networks, a review of employee benefits and development of recruitment/attraction, total reward and engagement/retention strategies.

Civil Service People Survey

The annual Civil Service People Survey, conducted with LeO's people in September and October 2022, has returned significantly improved and positive results and increases across almost all areas. On a 62% response rate (6% increase on last year) the survey findings returned increased scores across all 9 core themes, with the exception of pay and benefits, and a number of themes showing double digit increases. The highest scoring of the 9 core themes were Organisational Objectives and Purpose; My Manager, and Inclusion and Fair Treatment. The most improved of the 9 core themes were: My Manager; Leadership and Managing Change; Learning & Development.

A paper with full detail and highlights across key themes is provided alongside the Quarter 3 People Report for discussion at the January meeting of the OLC Board.

LeO's focus on Equality, Diversity & Inclusion

An internal expression of interest competition was launched prior to Christmas for an interim opportunity to fill the vacancy created by the departure of the EDI Manager in December. This will be for around a 6-month period and will help assess more fully the appropriate longer-term structure and resource requirements across the external and internal ED&I priorities as we prepare for permanent recruitment. This longer-term permanent recruitment will include resource to support the EDI Manager and HR Team and will help ensure we are able to resource and deliver on our overall EDI strategy and plans and commitments. These arrangements will increase the resource attached to ED&I across LeO.

In the interim, the Head of People Strategy and Services and HR Team will continue to deliver a significant element of the internal and people culture focused elements of LeO's EDI strategy which underpins much of the ongoing people strategy activity listed above. LeO's EDI Officer, network leads and many others across the organisation are also contributing to delivery of this in addition to the EDI elements of LeO's service and external focus. This includes assessing and addressing service related EDI issues, monitoring of scheme rules changes, response to and key policies on areas such as reasonable adjustments, developing key aspects of our service and engaging with the

sector, regulators and others on wider monitoring and developments and LeO's contribution to these.

A range of EDI activities and events continue to take place or are planned across Quarter 4, co-ordinated and delivered by our EDI Officer, network leads and communications and engagement team. These include Race Equality Week and LGBTQ History month in February and International Women's Day on 8 March. LeO will co-ordinate a range of blogs, interactive activities for staff and will continue working jointly on EDI activities with other Ombudsman such as PHSO, particularly for LGBT history month. Our weekly newsletter also incorporates wellbeing with regular impactful pieces to support LeO's people, including ways to support overall mental and physical health.

To support the EDI and People Strategies we are currently developing plans for the launch of a pilot mentoring programme. This encompasses traditional mentoring and reverse mentoring and will involve support from OLC Board members and LeO's Executive Team.

Our network leads closed off 2022 with end-of-year round-up blogs reflecting on significant progress and activities/initiatives over 2022/23 including some indication of future priorities to ensure that LeO continues to be a fair, equal and inclusive organisation. These will be shared with OLC Board members for information.

Quality, Service Improvement and Legal

Quarter 3 quality reviews and customer satisfaction data (relating to cases closed in Quarter 2), both covering all elements of LeO's process including BAU and FET, have shown positive results and improvements, in relation to FET in particular.

It has been pleasing to see that the positive impact of early resolution in FET on the overall customer journey is also replicated in terms of the quality of the work delivered by that team and by the impact it has on our customers' experience. It was apparent from our Quarter 2 quality reviews that there were some areas for improvement in FET around communication and clarity of explanation of our process. The results seen in Quarter 3 have shown significant improvement in the standard of the work being delivered in FET which is reflective of the hard work and constant iterative improvement of that team over recent weeks and months.

The results of the customer satisfaction surveys also show a very positive response to the service received from FET which reflects the positive impact of getting an early outcome rather than a significant wait in the PAP. It is important to note that the number of FET survey responses is quite low and that we only have one quarter's worth of data to reflect on. It is, therefore, important to exercise a degree of caution before reaching any definitive conclusions, although these indicators are very encouraging.

The results of the quality reviews and customer satisfaction surveying for cases handled in our BAU investigations teams continues to evidence the trends and issues seen in previous quarters around delay, communication and the scoping of investigations. LeO's Operations Teams, in collaboration with the Quality Team, have been focused on

communication to better understand the issues and help target efforts to rectify the issues experienced in this area.

As part of LeO's commitment to undertaking a full review of the existing LeO quality assurance framework we have commissioned an external benchmarking exercise which will review the approaches to quality across 15 Ombudsman schemes. We will receive findings by the end of 2022/23 which will then feed into and inform the review of LeO's quality framework in 2023/24.

The Service Complaints Team is now fully resourced and, as anticipated, seeing an increase in the number of new cases being progressed which is helping to reduce the wait times in our service complaints process. This additional resource and the increase in complaints being processed will very likely see an increase in remedies to customers the coming quarters.

Strategic and Business Planning 2023/24

The Executive have further developed the OLC 2023/24 Strategy, Budget and Business Plan. This is presented to the January meeting of the OLC Board, along with the OLC response to the LSB Budget Acceptance Criteria.

Consultation on plans closed on 14 December 2022. A total of 14 responses were received, representing a wide range of stakeholder groups including regulators, representative bodies, consumers, service providers and academics. Responses were generally supportive of the priorities and objectives outlined in the draft plans- particularly around the focus on continuing to reduce the backlog and a notable shift in appetite for work under Priority 3 of the Business Plan. LeO's ongoing commitment to transparency and the utilisation of engagement channels such as the Challenge and Advisory Group has meant that overall stakeholder confidence has increased or remained the same. Most stakeholders feel that LeO is 'moving in the right direction' and is providing reassurance around the stabilisation of the organisation.

Whilst confidence remains improved, there is still a level of uncertainty that exists amongst some stakeholders around the organisations ability to reach the point of recovery forecast for the end of 2023/24. Whilst recognising external factors such as the cost-of-living crisis are outside of LeO's control, responses focused on the need to ensure the organisation is sufficiently staffed and has a good understanding of the reasons for high levels of attrition. These are seen as critical factors to delivering the pace of recovery set out for 2023/24.

As work progresses to finalise the Business Plan and Strategy for 2023/24, a letter will be issued to stakeholders outlining the key themes, how the feedback received has influenced the final plans, and the next steps of the process.

The Executive's revised documents submitted to Board take account of the consultation responses and wider stakeholder engagement as well as the OLC Board feedback from discussions throughout Quarter 3. They also include revised 2023/24 forecast trajectories incorporating the latest 2022/23 performance position. The documents also

take account of internal staff engagement and assessment of detailed activities and deliverables by LeO's Management Team over the course of Quarter 3.

Following discussion at the January meeting of the OLC Board the Executive will adjust for final changes or amendments ahead of submission to the LSB Board on 21 February and discussion at the 21 March meeting of the LSB Board.

Finance

At the December meeting of the OLC Board an underspend of £143k was reported, within the 1% MOJ tolerance. A number of recent movements have led to the current forecast moving out of tolerance by £15k with the latest forecast showing a projected underspend of £168k. Much of this is driven by unexpected staffing changes, [REDACTED] and maternity leave increasing. The Executive continue to explore and implement all appropriate measures to drive down this underspend, whilst recognising that there are limited opportunities to deliver in the timescales. FoI Exempt: S40. Personal Information

Quarter 3 year-to-date case fee income is £313k under budget, reflecting the fact that the increased closures achieved have largely come from early resolution which do not attract a case fee. Some of this income will be recovered if the balance shifts back towards investigation closures. Based on the current position this could be a shortfall of nearly £475k. Any short fall in case fee income will affect the levy income, with an increase of £475k adding 3.4% to the budgeted levy.

Risk, Audit & Governance

Executive Team completed a full review of LeO's Strategic Risks and Issues in December with some risks changing in score. Strategic Issue 01 (Pre-Assessment Pool) and Strategic Risk 01 (Performance) increased in score due to the emerging performance position and current year end forecast. Strategic Risk 02 (Transformational Change) and Strategic Risk 06 (Budget Variance) decreased in score, though this last risk on budget variance will be revised in January in light of the latest forecast underspend position.

To help test compliance, a range of actions from the Strategic Risk Register have been selected for detailed assessment and testing by the Head of Programme Management & Assurance and Risk Manager in Quarter 4. LeO's latest assessment of its Strategic Risks was presented at the January meeting of ARAC, which also included a presentation of the risk and audit data via the newly ARAC Power BI dashboard. This was well received by both ARAC members and external representatives.

The Risk Manager continues to work on phase 2 of the Risk Indicator and Tolerances. By the end of Quarter 1 2023/24 we should be in a position to present to ARAC the additional risk indicators where data sources are currently unavailable.

GIAA recently submitted the final report from the Risk Management Audit, which received a moderate rating along with positive feedback on the significant progress and improvement LeO has made in this area since the previous audit in 2019. Six low recommendations related to ensuring mandatory compliance for all staff being aware of the Risk Management Policy, consistency of project risk registers, alignment of roles

and responsibilities and version control of the Assurance Mapping Document, which was deemed as exemplar by GIAA. The actions are on track for completion by the agreed timeframes as outlined in the final report, which was shared with ARAC in January.

GIAA are on track with this year's audit programme and work has now commenced on the Service Complaints audit which will be completed on quarter 4. The only outstanding audit for 2023/24 is in relation to the Performance Management Framework which is also scheduled to commence in Quarter 4.

GIAA 2023/24 Audit Plan was submitted to the January meeting of ARAC having taken views from the Chair of ARAC, Chief Ombudsman and Head of Programme Management & Assurance. Key proposed areas for audit across the key themes include management reporting, casework quality, reputation & stakeholder engagement and grievances and staff complaints. Feedback from ARAC is being considered with GIAA and the Chair of ARAC in advance of a revised final plan being approved.

Planning for the 2022/23 Annual Report & Accounts

Planning for the Annual Report & Account process commenced in December, mindful of a significantly shortened timeframe for development and publication in 2023/24. Engagement with External Audit took place early December, with high level milestones shared with NAO and Deloitte, as well as ARAC in January. Updates at the OLC January Board meeting will outline the progress made so far against last year's Lessons Learned, and the key message flow proposed for the report.

OLC will have further opportunity at the February workshop. Early feedback on messaging, tone and narrative would be helpful to support the planning and content for that Board workshop.

Hub Strategy / Accommodation Strategy

The LeO Leeds Hub launched in January following completion of implementation works across operations, IT, health and safety, and facilities. The Hub is based in existing MoJ office space and currently provides a local hub space for eight staff, both existing and new. The feedback from those staff attending, within the first week, has been very positive reflecting the modern office space and centralised location. We will continue to monitor the progress and success of the Leeds and Cardiff Hubs and report to Board on any key developments or issues.

The LeO Executive has initiated a programme of work across 2023/24 to oversee development of LeO's future ways of working and accommodation options. This will set the direction for a future ways of working strategy and consider options that will align this with the expiry of the current Edward House lease in August 2024. The programme will define the key criteria for a future working space to suit LeO's current and future requirements.

This is a complex programme of work which will involve and be supported by significant staff engagement. A communication plan is being outlined to facilitate this engagement with early discussion planned with Staff Council. The Executive are also engaging with

MoJ and the existing landlord's agents to understand options and any possible efficiency gains including both financial and environmental benefits.

Scheme Rules review

Implementation of the revised scheme rules remains on track for go live in April 2023.

LeO has communicated these changes over a number of months, including through a communication sent by regulators on LeO's behalf in November. A copy of the letter and a full summary of the changes was published on our website and formed the basis of a range of trade press coverage in Quarter 3. LeO has also attended a number of conferences and events across the sector to discuss the changes in detail. We will be continuing our communication in the run up to go-live, including running two bitesize courses on the Scheme Rules changes in February, a social media awareness campaign, further engagement with consumer groups alongside a range of articles, press releases and face to face events to help ensure awareness and to ensure that the sector is signposting to LeO with the appropriate information.

The enhancements required to LeO's case management system, to enable use and tracking of the new scheme have now been fully developed and successfully tested. Quarter 4 will see training of staff on the use of the new rules and on the application of Ombudsman discretion. We are also finalising external guidance which will be shared with the sector in the coming weeks, with the assistance of the professional regulators and representative bodies.

A full update is provided to January OLC Board on the progress of the scheme rules implementation. Board will note an update on plans for reporting on the impacts of the scheme rules once they go live. Case management system changes will enable us to capture extensive data on the application of the rules which will help provide Board and stakeholders with assurances around monitoring the impacts of the rules on customers.

External & Stakeholder Engagement

Engagement with LeO's stakeholders continued in the weeks leading up to Christmas and into Quarter 4.

On January 11 LeO welcomed the new Head of ALB Centre of Expertise, David West, to Edward House. In line with the series of visits that have taken place over the last six months, the visit provided LeO staff with the opportunity to demonstrate first-hand the organisations' recovery and improvement journey. Sessions were also delivered on the changes to the Scheme Rules and learning and insight and feeding back to the profession. The visit was well received with David West feeding back that *"it was great to meet in person and deepen my understanding of the LeO, how you work, and the journey that you're on - clearly you've made impressive progress over the past couple of years!"*

On Friday 20 January, the OLC Chair, Chief Ombudsman and Executive colleagues will be welcoming the President of the Law Society, Lubna Shuja, and Law Society colleagues.

Learning and insight work has continued to focus on communicating the Scheme Rules changes to the profession and consumers. In December a number of articles have been published in legal profession magazines, including in Today's Wills, Today's Conveyancer and Today's Family Law. Sector engagement has also taken place through a published article in Manchester Law Society's monthly publication, The Messenger. A communication plan is in place for continuing Scheme Rules engagement until go-live in April. A forward look of confirmed learning and insight and wider stakeholder engagement, including training events that will take place over the next quarter, is attached at Annex A.

Regular Chief Ombudsman and Chief Executive meetings have continued into the new year, with a meeting with the Chief Executive of the Bar Standards Board, Mark Neale. The meeting provided the opportunity for each to update on priorities and developments in each organisation. Further meetings with Chief Executives will take place across 2023.

Key external meetings and events attended/to be attended by the Chief Ombudsman and LeO Executive - Forward look to the end of Quarter 4 2022/23

Internal training events:	
18 Jan	Good complaint handling
25 Jan	Learning from complaints
01 Feb	Bitesize Scheme Rule changes
08 Feb	LeO myth busting
15 Feb	Language of complaints
22 Feb	Bitesize Scheme rule changes
External engagement events:	
20 Jan	Law Society visit to Edward House
01 Feb	ACE- OCF Annual Conference 2023
02 Feb	Visit to Ombudsman Services
06 Feb	SRA opening an office in Cardiff – networking event (TBC)
Feb	Challenge and Advisory Group (date tbc)
17 March	Law Society Risk and Compliance Conference – Scheme Rule changes
22 March	Law South Group – Risk Managers meeting – common complaints, lessons learned
30 March	OLC/MoJ Q4 BAM