

Meeting	OLC Board Meeting	Agenda Item No.	3
		Paper No.	144.2
Date of meeting	28 January 2026	Time required	30 Minutes

Title	An update on LeO's digital transformation strategy
Sponsor	David Peckham, Interim Chief Executive Officer
Status	OFFICIAL
To be communicated to:	Members and those in attendance

Executive summary
<p>This paper provides an overview of the Legal Ombudsman's digital transformation activity during 2025/26 and sets out the priorities and risks as the programme enters its 2026/27 phase. It outlines how the organisation strengthened its operational, data and cyber foundations while progressing toward a modernised, AI-enabled operating model.</p> <p>During 2025/26, delivery remained broadly on track against the 2025–27 Digital Transformation Strategy. Key achievements included the redevelopment of the complaints intake process, the introduction of CMS triage automation, and early deployment of an AI-supported decision-writing tool. Copilot pilot for 60 staff was delivered successfully, supported by improved training and AI governance, and readiness work began for wider operational rollout.</p> <p>Cyber security was significantly strengthened through Entra ID hardening, MFA optimisation, Red Team testing, immutable backups and an updated incident response plan. Together, these developments create a more secure, efficient and data-driven foundation for future transformation.</p> <p>Delivery was, however, affected by delays in securing the 2025/26 budget, which resulted in the delays to an AI evidence-bundling project and delayed recruitment to key roles, including an AI Transformation Analyst. Procurement challenges - particularly around Microsoft licensing - added further delays to Copilot rollout in Quarter 3.</p> <p>LeO has adapted to external opportunities, most notably Microsoft's pivot toward autonomous AI agents. In response, the organisation adopted a 'small agent' approach, enabling modular, low-risk automation using in-house capability. A minimal viable proof of concept for evidence bundling delivered in Quarter 3 demonstrates a scalable path forward.</p> <p>Priority initiatives for 2026/27; Planning for scheme transformation, using IT to enable a more efficient LeO, rollout of Microsoft Purview, upgrades to Microsoft licensing, expansion of Copilot licences to 300 users, improvements to website discoverability for AI engines, migration of General Enquiries into Dynamics, and enhanced CMS development.</p>

Building capability across the workforce—through training in AI, data protection and governance—remains central to success. Strategic risks relating to cyber resilience, licensing complexity, data quality and organisational agility remain under active management.

While 2025/26 presented operational and financial challenges, LeO enters 2026/27 with strengthened digital foundations and a clear pathway toward safe, scalable and responsible AI-enabled transformation.

Recommendation / action required

Board is asked to note this update

Equality Diversity and Inclusion

EDI implications

This report provides a summary of activity specifically updating on LeO’s digital transformation 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 when transforming core functions. These are considered routinely across business areas as appropriate and throughout the IT development cycle.

Freedom of Information Act 2000 (Fol)

Paragraph reference	Fol exemption and summary
N/A	N/A

Value for Money (VfM)

Economy: LeO has managed resources prudently throughout the digital transformation programme, prioritising core service delivery and essential cyber-security foundations despite budget delays, and adopting cost-conscious approaches—such as modular AI development and targeted automation—to maximise the impact of available funding.

Efficiency: Efficiency has strengthened significantly through the introduction of automated triage, AI-enabled tools and improved digital workflows, which have reduced manual effort, increased operational throughput and released staff capacity to focus on higher-value activities during a period of rising demand.

Effectiveness: The continuous improvement programme has enhanced service effectiveness by improving data quality, supporting more consistent outputs in service complaints and triage, strengthening cyber resilience and governance, and equipping staff with the skills and tools needed to deliver fair, timely and accessible services.

An update on LeO's digital transformation strategy

1. Strategic Vision and Culture

LeO's digital transformation in 2025/26 was not simply a technology upgrade; it marked a decisive shift towards a modern, automation- and AI-enabled operating model that reshaped how the organisation operates, delivers services, and supports its people.

The 2025–27 strategy explicitly linked digital transformation to LeO's core service objectives, with the aim of creating a seamless, efficient and fair experience for both customers and employees. This vision embedded intelligent automation and AI to deliver consistent, repeatable and transparent outputs; absorb volatility in demand; and sustain reductions in unallocated investigations.

Progress was driven by aligning impactful digital solutions to high-value problems, identified through improved data analytics and insight.

Cyber security is recognised as a critical foundation for all digital progress. Investment focused on technical hardening, policy evolution and operational readiness to address rising threats, meet regulatory expectations, and provide assurance that existing policies and practices remained effective.

Equally, cultural readiness for change was identified as essential. Investment in upskilling, continuous learning and collaboration enabled staff to engage meaningfully with the transformation. Colleagues were empowered to innovate through mechanisms such as the relaunched Idea Station, alongside workshops that explored AI governance and defined how AI should be used responsibly across the organisation. This ensured that transformation was co-created with those closest to the work.

Timeline of Key 2025 Activities and Milestones

Throughout 2025/26 activity progressed with a focus on strategy, governance, delivery and assurance.

During Quarter 4 2024/25, the digital transformation strategy was developed alongside an organisation-wide awareness campaign on multi-factor authentication fatigue and phishing resilience. Consultation also began on the development of an AI governance policy.

Quarter 1 2025/26 saw the formal launch of the 2025–2027 Digital Transformation Strategy and executive sign-off of the AI governance policy. A Copilot, pilot scheme was introduced for 60 staff, supported by initial training and self-service resources. During the same period, the front-end complaints process was redeveloped to strengthen security, improve data capture (including EDI data), and increase efficiency.

In Quarter 2, CMS triage automation was introduced, and Red Team penetration testing was undertaken. A business case for wider Copilot rollout was also developed.

Quarter 3 focused on embedding and assurance. An AI-supported decision-writing tool for service complaints was deployed into production, and a comprehensive review of Copilot and automation opportunities within CMS was completed. A cyber incident response plan was published, the AI Transformation Analyst role was filled, and version 2.0 of the AI Governance Policy was approved. Work also progressed on a 'small agent' approach to AI usage, Microsoft Purview workshops were completed along with a high-level design for deployment during Quarter 4, deployment of immutable backups, and Secure by Design principles for AI and strategic projects were also completed.

Digital Transformation Highlights

Cyber security was established as a non-negotiable baseline for all digital initiatives. Multi-factor authentication, Entra ID hygiene and single sign-on for critical applications were enforced. Microsoft Purview was identified as the strategic tool for data protection and Data Loss Prevention, providing assurance to the National Cyber Security Centre, Cyber Assessment Framework (NCSC CAF) and ARAC. Immutable backup strategies and incident response plans were operationalised, supported by Red Team testing to validate resilience. Together, these measures created a secure and trusted foundation for LeO's digital transformation.

The redevelopment of Robot 2 delivered a step change in the front end of the complaints process, newly available customer data offers a strategic opportunity to understand why some complaints appropriately reach the Legal Ombudsman, the journeys customers take to get here, and the expectations they bring with them. Sharing these insights supports system learning, influencing how complaints are addressed earlier and how LeO shapes its own service in response. During Quarter 3, one element of this data was used to support automated triage, enabling the rapid clearance of backlogs, improved data quality and significantly increased EDI data capture, while reducing manual effort. Website enhancements and digitisation of the triage process improved the customer experience and freed staff to focus on higher-value work.

AI and automation scaled significantly during 2025, with the Copilot 'pilot' of 60 users, evolving towards enterprise adoption, increasing total licences to 300 and embedding AI into operational processes under strict governance. Agentic AI concepts were introduced, focusing on incremental automation and safe, well-governed workflows. Updates to AI governance and targeted training ensured responsible, ethical and secure use. AI was also used to pilot a decision-writing process within the service complaints team, providing valuable insight into the challenges that would need to be addressed before any wider rollout.

2. Challenges and Opportunities of 2025

Challenges

Delays in securing approval for the 2025/26 Budget created a significant setback that directly affected the delivery timeline of a major AI-driven project. Development of the bespoke evidence-bundling solution, originally planned to begin in late Quarter 1 2025/26, was pushed to Quarter 3 2025/26. This left insufficient time to complete the work before the end of the financial year, rendering delivery unachievable and resulting in the cancellation of the work.

The budget delay also impacted key staffing. Approval and recruitment for the AI Transformation Analyst and Web Developer roles could not progress while the budget remained unconfirmed.

Consequently, the AI Transformation Analyst post was not filled until mid-Quarter 3 and the Web Developer role was deferred until the start of Quarter 4.

Together, the cancellation of the core development project and the delayed onboarding of specialist roles disrupted planned ICT expenditure. As a result, several forecast cost lines are unlikely to be fully realised in 2025/26, leading to a material and unavoidable underspend.

Further challenges arose in Quarter 2 and Quarter 3 due to procurement delays and unclear communication with third parties, particularly around Microsoft licensing. A change in the MoJ procurement process introduced additional complexity that was only fully understood in late Quarter 3. Combined with the budget delay, this slowed progress on several transformation initiatives, including the wider rollout of M365 Copilot, which is now scheduled for Quarter 4.

Opportunities

In Quarter 3, Microsoft Ignite announced a strategic shift from AI as an assistant towards autonomous AI agents operating as digital employees within enterprise workflows. New tools, including Microsoft Agent 365 for governing and securing agents at scale, and the integration of dedicated agents into core Microsoft 365 applications, represent a significant opportunity. This direction has been formalised in a draft LeO document defining the organisation's AI structural approach, supported by in-house development. Staff from ICT and Operations have already attended Microsoft workshops to build early capability in this area.

Following the cancellation of the bespoke evidence-bundling solution, requirements were reassessed and aligned with the emerging Copilot AI agent model, adopting a 'small agent' approach. A minimal viable proof of concept was delivered in late Quarter 3, targeting a single, time-consuming task within the bundling process. While this scaled-down solution does not deliver the full functionality originally envisaged, it establishes a sustainable development approach. This enables LeO to deliver focused, modular components using in-house resources throughout 2026/27, progressively building towards broader capability.

3. Looking Ahead

Strategic Opportunities

As LeO moves into 2026/27, the digital transformation programme enters a new phase. This phase builds on strong foundations while requiring new skills, fresh thinking and a renewed commitment to innovation and resilience. The year ahead will focus on initiatives designed to strengthen services, safeguard data and empower staff in an increasingly AI-enabled environment.

A key priority will be improving the accessibility of LeO's website for AI engines. This is a strategic move to ensure that information about services is discoverable, accurate and trustworthy, both for internal Copilot tools and for the wider public. Technically, this will involve optimising site structure and metadata, implementing structured data, improving semantic HTML and maintaining clear navigation. Attention will also be given to content clarity, privacy and security controls to prevent unintended data exposure.

The rollout of Microsoft Purview represents a significant advance in data protection and compliance. Purview will enable the classification, monitoring and safeguarding of sensitive

information, supporting obligations under UK GDPR and the Legal Services Act. All staff will receive product awareness sessions to understand new controls and responsibilities, while ICT and data teams will undertake specialist training to configure and maintain the platform.

To unlock the full capabilities of Purview, LeO will transition from Office E365 to Microsoft M365 licensing. This will enable access to enhanced security, analytics and AI features aligned with the transformation agenda. While the end-user impact is expected to be minimal, clear communication and targeted training will support a smooth transition.

The Copilot programme will also mature in 2026, with the rollout of 240 additional licences and a renewed focus on in-house training. Copilot is intended to become a personal productivity partner for staff, automating routine tasks and supporting casework within the AI governance framework. Training will focus on product awareness, user skills and advanced development capabilities, underpinned by the AI Transformation Analyst role. Emphasis will be placed on effective prompting, validating AI-generated outputs and embedding Copilot into daily workflows.

Plans to migrate the General Enquiries inbox into the Case Management System (MS Dynamics) will streamline email handling, automate triage and improve oversight. This will be supported by structured training covering new workflows, system configuration and efficient day-to-day use.

Building on lessons from 2025/26, LeO will continue to develop modular agentic solutions using the 'small agent' approach. This enables safe, incremental scaling of automation using in-house resources, supported by targeted training for those designing, building and supervising these solutions.

A further priority will be a 'proof of concept' for AI-supported decision drafting. By supporting operational teams with AI-generated draft templates, the organisation aims to improve consistency and showcase best practice, with appropriate training to ensure robust review and validation.

Finally, Quarter 4 will see important changes to CMS development environments, introducing new structures to support agile, scalable and secure development.

Success across these initiatives depends as much on people as on technology. Risks relating to agility, data quality, licensing complexity and AI governance can only be mitigated through sustained investment in skills, engagement and culture. By equipping staff with the right capabilities and maintaining a strong focus on continuous improvement, LeO will continue to deliver fair, efficient and accessible services.