

Meeting	OLC Board	Agenda Item No.	2 131.1
Date of meeting	30 January 2024	Time required	15 Minutes
Title	Performance Sub-Group update		
Sponsor	Martin Spencer (PSG Chair)		
Status	OFFICIAL		
Executive summary			
<p>This paper provides the OLC Board with the key updates, actions and discussion points from the January meeting of Performance Sub-Group (PSG).</p> <p>Appendix A provides a snapshot of the proposed 2024/25 Trajectories and Assumptions used. PSG focused on a review of amendments made to draft trajectories post Business Plan consultation. Amended assumptions were agreed by PSG, except for core demand, with an action for LeO's Executive to reconsider the effect of sustained increases in demand on worse case scenarios planning.</p> <p>Appendix A provides a snapshot of the proposed 2024/25 Trajectories and Assumptions used. Appendix B shows the output of executive reconsideration of the demand point and the rationale that has determined recommendations regarding PSG's challenge on core demand.</p>			
Recommendation / action required			
Board is asked to note the contents of the report and form decision on the proposed escalation point			
Equality Diversity and Inclusion			
EDI implications	Yes		
Freedom of Information Act 2000 (Fol)			
Paragraph reference	Fol exemption and summary		
	N/A		

Chair's Summary

This was a concise meeting focussed around one key agenda point: Review planned trajectories, assumptions and expected incoming customer demand in line with known 2023/24 performance.

The Executive presented key changes to the assumptions and trajectories that had been agreed for inclusion in the draft 2024/25 Budget Acceptance Criteria and Business Plan, with the following proposed outputs.

	Draft Business Plan		Proposed after review		Difference	
	Likely	Worst	Likely	Worst	Likely	Worst
Investigation	4131	3889	4267	3778	136	-111
Early Resolutions	3749	3456	3656	3443	-93	-13
Nudge	480	480	480	480	0	0
Total	8360	7825	8403	7701	43	-124
Pre Assessment Pool	1651	2466	1643	2769	-8	303

The discussion focused on areas where there had been significant changes and the rationale behind those changes. These were: Investigator recruitment profiles, productivity and the inclusion of contingency, removal of overall contingency, and adjustments to attrition in line with known April to December 2023 data.

Focus was drawn to two areas of LeO's sustained increases in demand:

- Dealing with the challenges resulting from changes to scheme rules has meant there is delayed demand within the front end of LeO's process. These additional cases (600) have been spread across the first half of 2024/25.
- The considerations that had been made to worst case scenario planning and whether sufficient caution had been applied to the impact of demand increase.

Beyond the demand considerations PSG were assured that the remaining assumption discussed were accurate, had been thought through and were based on known data wherever possible. Where this was not possible a clear rationale was explained and agreed as to why. The remaining assumptions were agreed.

Extreme testing of trajectories was also discussed to include the three areas that have the biggest potential impact: core demand; attrition; and Investigator productivity. Testing was completed on individual assumptions in isolation and as a cumulative effect of all three.

PSG requested that LeO review and re-consider the trajectories for demand, particularly worst-case scenario planning.

Appendix A

		Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Core Demand (Inc SR reduction)	Likely	675	675	675	625	625	625	550	550	550	550	550	550
	Worst	709	709	709	656	656	656	578	578	578	578	578	578
Attrition	Likely	6.8	2.0	4.0	6.4	4.0	4.0	0.0	1.8	2.0	3.4	3.4	3.4
	Worst	7.5	2.2	4.4	7.1	4.4	4.4	0.0	2.0	2.2	3.7	3.7	3.7
Maternity Leave	Best	6.5	5.2	4.3	3.8	2.9	2.9	2.3	2.3	3.8	3.8	3.8	3.8
	Likely	7.2	5.8	4.8	4.2	3.2	3.2	2.6	2.6	4.2	4.2	4.2	4.2
Sickness	Worst	7.9	6.4	5.3	4.6	3.5	3.5	2.9	2.9	4.6	4.6	4.6	4.6
	Likely	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Secondment	Worst	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
	Likely	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Reallocations	Worst	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
	Likely	20	69	67	70	15	65	28	28	0	13	14	24
Productivity	Worst	22	76	75	22	44	71	44	44	0	20	22	37
	Likely	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Reasonable Adjustments	Worst	3.42	3.42	3.42	3.42	3.42	3.42	3.42	3.42	3.42	3.42	3.42	3.42
	Likely	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Contingency	Worst	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
	Likely	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Worst	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Likely	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Sickness	Worst	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
	Likely	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Productivity	Worst	20.90	20.90	20.90	20.90	20.90	20.90	20.90	20.90	20.90	20.90	20.90	20.90
	Likely	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60

Draft Closures (Post Board 18th October 2023)

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
BAU	321 - 300	323 - 301	334 - 313	385 - 363	379 - 352	370 - 343	400 - 363	348 - 322	241 - 236	371 - 359	326 - 319	332 - 319	4131 - 3889
FET	316 - 291	316 - 291	301 - 278	346 - 319	316 - 291	316 - 291	346 - 319	316 - 291	226 - 208	331 - 305	301 - 278	316 - 291	3749 - 3456
Nudge	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	480 - 480
Total	678 - 631	679 - 633	675 - 630	772 - 722	735 - 683	726 - 674	786 - 722	704 - 654	507 - 484	742 - 704	667 - 636	688 - 651	8360 - 7825
WD Expectation	32.3 30.1	32.3 30.1	33.7 31.5	33.6 31.4	35.0 32.5	34.6 32.1	34.2 31.4	33.5 31.1	33.8 32.3	33.7 32.0	33.3 31.8	32.8 31.0	

Draft PAP (Post Board 18th October 2023)

Year	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2024/25	2940 - 2950	2830 - 2900	2755 - 2906	2542 - 2777	2384 - 2707	2236 - 2645	2009 - 2516	1889 - 2483	1969 - 2621	1820 - 2547	1712 - 2502	1651 - 2466

Proposed revised closures.

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
BAU	327 - 294	333 - 297	324 - 291	367 - 328	341 - 302	396 - 352	411 - 367	380 - 336	270 - 237	389 - 340	359 - 314	370 - 322	4267 - 3778
FET	308 - 290	308 - 290	294 - 277	338 - 318	308 - 290	308 - 290	338 - 318	308 - 290	220 - 207	323 - 304	294 - 277	308 - 290	3656 - 3443
Nudge	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	40 - 40	480 - 480
Total	676 - 624	681 - 628	658 - 607	745 - 686	689 - 633	744 - 683	789 - 725	729 - 666	531 - 484	752 - 684	692 - 630	718 - 652	8404 - 7702
WD Expectation	32.2 29.7	32.4 29.9	32.9 30.4	32.4 29.8	32.8 30.1	35.4 32.5	34.3 31.5	34.7 31.7	35.4 32.3	34.2 31.1	34.6 31.5	34.2 31.1	

Proposed PAP

Year	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2024/25	3019 - 3111	2985 - 3166	3071 - 3344	2962 - 3278	2811 - 3243	2655 - 3185	2390 - 3028	2185 - 2929	2161 - 2980	1915 - 2837	1788 - 2807	1643 - 2769

Appendix B – Clarifying current demand assumptions and rationale

Summary

Core Demand predictions are driven by historic data, known data from 2024/25 and, in part, delayed demand at the front end of the process as a result of delays from the implementation of Scheme Rules changes. This delayed demand will increase case volume flowthrough in 2024/25 as we resolve issues within the front end of the process.

We continue to assess the effect of Scheme Rule changes on incoming new complaints demand and the positive effect that younger cases and new rules on the requirement of Ombudsman Decision could have. Whilst we saw an increase in demand YTD to October 2023, November saw a reduction in demand in line with 2023/24 assumptions with December seeing a more limited decrease. YTD stands at an increase of 2.1% which is significantly over yearly forecasts which factored in decreases. It is too early to say whether the downward trend in November and December will be sustained through Q4. Business Plan assumptions for 2024/25 forecast a 15% reduction on core demand across the year.

Calculating demand

Demand for 2024/25 was predicted using forecast 2022/23 end year demand figure of 7800 cases. In determining how new scheme rule time limits would affect future demand we assumed a 15% reduction in core demand, to 6600 cases per year.

LeO's fair and reasonable approach to applying discretion has caused delays at the front end of the process, with some cases yet to flow through into early resolutions and investigations. This demand will be processed by the General Enquiries Team throughout the remainder of 2023/24 and approximately 600 cases will be taken into investigations throughout the first half of 2024/25. This takes current assumptions to 7200 – 7560, likely - lower.

This core demand assumption would deliver a likely scenario of 1643 cases in the PAP by March 2025 and a lower case scenario of 2769. Extreme testing under this scenario included a further 6.4% increase in demand, this was in line with demand increases experienced from 2021/22 to 2022/23 with all other assumptions remaining the same. Under this extreme testing the expected PAP was between 2102 – 3251.

Under extreme testing LeO's demand would be more than 8000 cases for 2024/25 and would mean that LeO would see an increase in the PAP over 2024/25.

Executive considerations

Assumptions and testing of core demand for Likely and Lower ranges gives us a normal operating range of over 1100 cases. This range gives us a significant performance buffer between likely and lower scenarios, allowing LeO to adapt in year to mitigate against increases as we see them occurring. LeO is currently building its business intelligence capability to understand changes in demand more quickly, with a project to improve reporting especially around the front end of the process.

There are several considerations that have not been factored in to LeO's assumptions that should have a positive impact throughout 2024/25, these extra considerations will support in dealing with some unexpected increases in demand.

- Improvements in case quality as Scheme Rule time limit changes take effect and cases become newer.
- Scheme rule 5.7 changes.
- Scheme rule 5.20 changes which should, in time and towards the end of 2023/24, reduce customer journey times further and free Ombudsman resource to add value to investigator knowledge and quality, improving speed and accuracy of investigations.
- The implementation of a Low complexity pilot. Taking the lowest complexity cases after early resolutions requiring a lower level of full investigation.
- The split of investigator case holdings shifting from 60%/40% (Low / Medium) to 75%/25%, giving investigators an overall less complex workload.
- Implementation of quick win process changes resulting from lean process review.

Q3 saw a 3.4% downturn in new customer complaints. While this is below the 10% forecasted for Q3 it could be an indicator that scheme rule time limit changes are starting to take effect. Q4 will be a key indicator as to whether this downturn becomes the trend.

Worst case scenario testing includes all assumptions being at the lower end of LeO's predictions. It is unlikely that every assumption will perform at this level, this gives a further buffer against increases in demand.

For worst case demand predictions to materialise, incoming demand would need to offset all potential gains expected from scheme rule time limit changes and increase by a further 6.4%, 500 cases.

When factoring in these considerations the Executive are content that the proposed assumed demand is an accurate prediction based on current known data. A 1100 case operating range for PAP at March 2024, between Lower and Likely scenarios and extreme considerations giving a further buffer of 500 cases, is adequate scope to plan and mitigate for fluctuations in demand.

Executive recommendation

LeO recommends the following proposed core demand ranges: 7200 cases likely; – 7560 lower; and 8100 worst (extreme) case. This will lead to PAP outputs of 1643 likely; 2769 lower; and 3251 worst by March 2025.