

Meeting	OLC Board	Agenda Item No.	5
		Paper No.	123.4
Date of meeting	20 October 2022	Time required	15 minutes

Title	Executive Report
Sponsor	Paul McFadden, Chief Ombudsman
Status	OFFICIAL

Executive summary
<p>LeO resolved 815 cases in September against a Business Plan forecast of 869, a 94% achievement against the Business Plan. The PAP reduced for a seventh consecutive month with a cumulative 18% reduction year to date and keeping LeO ahead of forecast positions for 2022/23 and 2023/24.</p> <p>The Front-End Team (FET) 458 early resolution closures is the highest rate achieved by FET to date, with customers helped by the FET experiencing a 77% shorter journey time than the average for low complexity cases in September.</p> <p>Quarter 2 saw a 67.5% increase and 960 additional closures than in the equivalent period in 2021/22. At the mid-year point LeO has delivered a 55% increase (1661 additional closures) on the corresponding period of 2021 and 95% against our Business Plan forecast. We expect to make up the variance in the first 2 months of Q3 and the last 2 months of Q4, as increased seasonal adjustment projections take effect.</p> <p>On people performance, the Quarter 2 People Performance report overall attrition reduced again across Quarter 2, continuing the reduced trend across Quarter 1 but investigator attrition continues to remain high and a continues to be a significant business priority. September has seen significant recruitment activity across both the Operational and Corporate areas.</p> <p>Quarter 2 saw a very significant reduction in sickness absence across the period – the lowest figure yet over a rolling 12-month period and the number of days lost to sickness absence during the quarter falling by two-thirds and the cost of sickness absence falling by 62%. This progress reflects the investment by the Head of People Strategy and Services in focused support on progressing complex employee cases and the absence management policy implemented in July.</p> <p>September has seen significant recruitment activity across both the Operational and Corporate areas. Further detailed update on the latest operational recruitment position will be provided at the October meeting.</p> <p>Quarter 2 has seen the start a period of significant focus on Strategic and Business Planning and Budget. We present final draft Strategic Objectives and Business Plan</p>

consultation document and Budget Acceptance Criteria for 2023/24 for Board discussion and approval.

Board are provided with a full EDI update for discussion as part of the October meeting agenda. This includes an update on the very wide range of areas covered by the EDI Steering Group meeting in September. This includes a significant progress and development of future plans and objectives across the full range of LeO's EDI Strategy and supporting Equality Priority Objectives.

The Quarter 2 Finance Report highlights significant focus on delivering a balanced budget and reacting to a number of volatile movements in the assumptions driving the forecast. Since the Quarter 2 report was prepared it has emerged that the operational recruitment campaign will not be able to deliver the number of candidates we require. This will reduce the reported forecast resulting in a £99k to £145k current forecast underspend (0.65% to 0.95% variance against budget). This is within the 1% tolerance variance but has very quickly changed the forecast position at the mid-year point and shifted the Executive's focus towards managing that underspend.

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

Recommendation/action required

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

Executive Report

LeO's Performance

LeO resolved 815 cases in September against a Business Plan forecast of 869, a 93.6% achievement against the Business Plan. This was 54 closures short of our Business Plan forecast, despite an unplanned loss of 1.75 days due to a global CMS outage and the additional national bank holiday for the funeral of Queen Elizabeth II. If we had not lost this productivity, the team would have likely achieved 885 closures which would have been 1.84% over Business Plan forecast.

The PAP has reduced for a seventh consecutive month and is around Business Plan forecast (4,794 against a forecast of 4,802). This represents a 18% reduction year to date and keeps LeO ahead of our year end forecast positions for 2022/23 and 2023/24.

The Front-End Team (FET) and other early closure initiatives achieved an outstanding total of achieved 458 early resolution closures which is the highest amount achieved by FET to date. This achievement also means the team have exceeded the target of 270 cases per month by nearly 58%. As a result of these interventions, customers helped by the FET experienced a 77% shorter journey time than the average for low complexity cases in September.

Relative performance remains strong. September 2022 output was 68% higher than the equivalent month in 2021 (485 complaints). Quarter 2 saw LeO resolve 2381 cases, a 67.5% increase and 960 additional closures the equivalent period in 2021/22. Year to date has seen LeO deliver 4694 closures, 95% against our Business Plan forecast of 4951. This is a 55% increase (1661 additional closures) on the corresponding period of 2021.

We expect to make up the variance in the first 2 months of Q3 and the last 2 months of Q4, as increased seasonal adjustment projections take effect.

LeO's People

The Quarter 2 People Performance report shows that investigator attrition continues to remain high, increasing from 26.4% in July to 28.4% in September. Overall attrition reduced again across Quarter 2 from 25.8% in July to 24.1% in September, continuing the reduced trend across Quarter 1.

Quarter 2 saw a significant reduction in sickness absence across the period – from an average of 16.2 days per employee in July, to 15.64 days in August and then to 14.27 days in September. This is the lowest figure yet over the rolling 12-month period. The number of days lost to sickness absence during the quarter has fallen by two-thirds (283.5 days lost in July, 193 days lost in August, 93.5 days lost in September). Long-term sickness dropped from 41.3% in July, to 22.5% of all sickness in September. The cost of sickness absence fell significantly as a result across the quarter (£34,181 in July

to £12,803 in September). This is showing the benefit of the work invested in focused support on complex employee cases, many of which had absence as a factor, and the absence management policy implemented in July.

September has seen significant recruitment activity across both the Operational and Corporate areas. In operations, we are at the final stages of the selection process for a large cohort of investigators and have successfully recruited 10 Level 1 Ombudsman and two Team Leader secondments. Appointments have also been made to three of the six roles within the new HR structure, and within the Legal team. This is in addition to the appointment of the Head of Operations, Transformation and Business Intelligence for 18 months which the Board have been updated on separately).

The people report provides full updates on pay benchmarking exercise and the launch of the 2022 Civil Service People Survey.

Equality, Diversity & Inclusion

Board are provided with a full EDI update for discussion as part of the October meeting agenda. This includes an update on the very wide range of areas covered by the EDI Steering Group meeting in September. This includes significant progress and development of future plans and objectives across the full range of LeO's EDI Strategy and supporting Equality Priority Objectives.

Our focus on building an inclusive culture continues with a significant range of activity and events taking place or planned in September and October with our Staff Networks to promote awareness of important cultural, religious, international and health related events. This includes collaborations with LGBTQ+ networks from other Ombudsman organisations on an inter ombudsman quiz; Alzheimer's Walk and McMillan Coffee Morning where LeO colleagues raised over £1500; a 'taster' lunch and learn session to celebrate Black History Month; Health & safety & Wellbeing Month during October; the upcoming celebration of Diwali & Launch of a Women's network. This activity is both well received and valuable in so many different ways in terms LeO's working culture.

Strategic and Business Planning

Following September's Board discussion on the 2023/24 Business Plan the Executive have been focused on responding to Board feedback and preparing final draft Strategic Objectives for the 2023-24 interim Strategy and Business Plan Priorities for 2023/24. This has also taken account of further discussions with LSB and MOJ around budget planning and pay remit. Board are asked to comment on and approve the draft Strategy, Budget and Business Plan consultation document, and the draft Budget Acceptance Criteria - both provided as part of the October Board papers.

Consultation is due to open on 2 November and will close on 14 December 2022. Both draft documents will be shared with LSB in November 2022, and in final form in February 2023. A wide range of stakeholder and internal engagement is planned.

Finance

In terms of 2022/23 financial performance, actual expenditure YTD is £240k underspent in line with previous reporting around staffing. Significant focus has been undertaken by Finance and Executive Teams on delivering a balanced budget and reacting to movements in the assumptions driving the forecast. The forecast expenditure has reduced this month due to a number of factors, including the reduction in the National Insurance rate. Executive Team discussions in early October led to the decision to seek to increase the numbers of operational staff to be recruited in Q3 from the live recruitment round. The forecast in the finance paper reflects this, showing a forecast within £16k of budget.

Since then, it has emerged that the recruitment campaign may not be able to deliver the number of candidates we require. Throughout the campaign we had sufficient applicants to achieve the aim of 34, based on recent success rates, but the competitive external recruitment market looks to have significantly affected attendance at interview. Historically attendance rate would be 80 - 85% but this current campaign has seen that drop to circa 65%. Now that interviewing has concluded we will be offering 27 investigator posts, seven below that aimed for, and potentially 11 below once offers are accepted and part time hours requests are processed.

Depending on the final FTE number appointed, this will reduce the reported forecast by between £83k and £129k resulting in a £99k to £145k current forecast underspend (0.65% to 0.95% variance against budget). This is within the 1% tolerance variance which we now know is expected by MoJ following recent discussions. This has, as Board will appreciate, very quickly changed the forecast position at the mid-year point and shifted the Executive's focus towards managing that underspend as we enter quarter 3.

Reporting Performance

The Performance and Business Insight Team have completed the move of the offline reporting process for the Agreed Data Set into the automated digital platform of Power BI. This reshapes the information that LeO presents on performance with a new approved top-level dashboard of performance metrics sitting over the new digital agreed data set. The full finalised product has been approved by our Executive Team and the OLC Board and was subsequently presented to LSB and MoJ. Access has been provided in a test environment to allow all users to view and test the report in a simulated live workspace. This will allow final feedback to be incorporated before the team go live in November with October's performance data. We will continue to create and provide the offline agree dataset in parallel with the digital version until the end of January before this is then phased out.

We will move to prepare the Quarterly 2 performance report for wider stakeholders, providing a summary of key information and progress against key indicators.

Risk Audit & Governance

The Executive continue to monitor 2022/23 strategic risks and issues on a monthly basis. The latest assessment will be taken to ARAC in early October. Following the October ARAC meeting, two of the Strategic Issues and Risks the Executive are tracking have reduced in scoring. These relate to the backlog and operational

performance with reductions in the risk rating reflecting the sustained period of strong performance and decreases in the PAP. The Executive will keep a watching brief across Quarter 3, with both the October half term and the festive period falling within the Q3 reporting period. The Issue related to attraction and attrition remains a high scoring Issue. The Executive will be considering reduction of the Strategic Risk related to the impact of under / overspend given recent discussions with MOJ around what is considered to be a tolerable variance. This is being considered with the ARAC Chair and will be assessed by the Executive over quarter 3 as we assess the ongoing forecast position.

The OLC Board September Risk Workshop considered a review of risk appetite (including overall Risk Appetite Statement), risk tolerances levels and incorporating risk appetite and tolerances into LeO's performance reporting in preparation for launch of the new performance reporting dashboard. Following the workshop a revised risk appetite statement has been shared with OLC Board colleagues for approval at the October meeting of the OLC Board. This is accompanied by a revised suite of key performance metrics and risk tolerances. In line with the annual review, an updated Risk Management Framework Policy has also been shared for comment and approval.

We continue to track and implement actions and recommendation from previous GIAA audits and provide assurance on these through ARAC. Significant progress has been made in closing out actions from the Budget & Business Plan audit. This included progress on a review of the Tripartite Protocol with the OLC Chair and Chief Ombudsman holding discussions with the MOJ and LSB and proposed amendments being considered by the MOJ and LSB.

The 2022/23 GIAA Internal Audit Plan continues to be implemented following the completion of the Budget & Business Planning audit in Quarter 1. The Information Assurance & GDPR Compliance audit has been completed with a final report confirming a 'Limited' opinion. This was raised and discussed as part of the GIAA update at the October meeting of ARAC with GIAA noting that compliance weaknesses were largely behind the issues identified and recommendations made, with the framework and governance in this area generally satisfactory. The key point in raising this was to highlight that this was a preferable position more easily remedied. Management actions have been agreed and will be monitored by the SIRO and Deputy SIRO responsible for overseeing the completion of these actions.

The Risk Management Audit will commence w/c 17 October and will provide a follow up to the 2019/20 audit.

Scheme Rules

We are reporting in more detail at this Board meeting on the progress made to date with the implementation of the new Scheme Rules. Board should be assured that we continue to make progress against our plan to introduce the new Scheme Rules at the start of the new financial year. All of the key new Rules have been fully scoped and work is now starting on the development of the changes to the case management system and the building of guidance and training to support the new rules and processes. We have

a clear project plan in place which sets out all the key milestones and deliverables and provides sufficient resilience to deal with unexpected developments or obstacles.

Significant work has been undertaken to ensure we are in a position to capture EDI data at the earliest possible stage in our process so that we can deliver on our commitment to OLC, LSB and wider stakeholders, to monitor and evaluate the expected and unexpected impacts of the changes on all of our customers. We are working with an external provider to make the necessary changes to our website so that we can capture data at the first point of contact with new customers as they approach LeO with a complaint. We are aiming to start capturing this additional data in advance to provide a comparative baseline against which to assess once the new Rules have gone live.

We have developed an internal and external communication and engagement strategy to make sure that all our stakeholders understand what we are doing and the likely impacts if the changes on them. Our plans were discussed at length with the Challenge and Advisory Group and the newly formed Service Provider Forum with a positive reception from both Groups.

Service Improvement, Quality and Legal

We are now in a position to reflect on Quarter 2's quality assurance reviews for cases closed both under the BAU process and through FET. A more detailed review will be shared with Board later on the agenda but the reviews have provided valuable insight into the standard of the work being delivered across the organisation. We continue to see that further work is required to improve the level and frequency of our communication and to ensure that our customers fully understand the choices they are taking and decision they are making throughout our process. Work is ongoing across the business to drive improvements in communication at all levels and we hope to see the benefits in coming quarters.

From our review of FET closures, we have identified issues in some cases which relate to the outcome reached, with performance on outcome down from the earlier analysis undertaken in quarter 1. In each case we have been satisfied that the actual outcome reached was fair and reasonable on the facts – and have not assessed a need to reopen any cases because of inappropriate outcome -but there have been issues with the process followed to arrive at that outcome. This is clearly something that we will learn from and continue to assess as processes and our assurance of this beds in.

We continue to operate a very agile feedback process, particularly where FET work is concerned, ensuring that feedback derived from quality assurance reviews or other mediums are fed back into the business to drive change, increase efficiency and improve the overall customer experience. A number of iterative changes have been made to the FET process and ways of communicating over recent months and, again, we are confident that these interventions will help eradicate some of the issues we have identified during Quarter 2's reviews.

We are awaiting the feedback from our first round of customer satisfaction surveys for cases concluded under FET – the timing of our reporting cycle means that we are unlikely to be able to report on Q2's findings until the end of this year but we are

committed to using the insight we take from these reviews will help us drive improvements in our FET process.

The Service Complaints team have recently made offers to two candidates (internal and external) to add extra strength and resilience to the service complaints team. The recent departure of one of customer experience specialists has meant that response times have slowed but these two new appointments plus additional support being offered by Operations means that over the coming months the team should be able to improve response times and provide dissatisfied customers with more timely redress.

The Service Complaints Adjudicator's mid-year review is being presented to Board and this reflects positively on the work of the service complaints team in addressing instances of poor service. Based on the recommendations of the Adjudicator more work will be undertaken in the coming months on addressing customer's expectations and ensuring that they understand the scope and limitations of our service complaints policy.

The team is also working with Operations colleagues to launch a revised approach to the prioritisation of customer complaints – this revised approach will ensure that customers with reasonable adjustments or those who need speedy access to LeO's services are dealt with in a timely manner and that their needs are accommodated where it is appropriate and proportionate to do so.

The Legal Team have completed recruitment to fill existing vacancies. They have welcomed the arrival of a new paralegal in November and are looking forward to the arrival of another solicitor towards the end of the year. This additional resource will enable the team to take a much more proactive approach to enforcement and increase the level of advice, oversight and support that they provide to operational colleagues on challenging cases. The team continues to take a robust but pragmatic approach to defending legal challenges to LeO's casework but ensures that, where challenges are upheld, the learning is fed back into the business to drive improvements and mitigate the risk of future challenge. The Legal team also continues to provide invaluable support and advice around wider strategic initiatives like LeO's hub strategy and the possibility of outsourcing investigatory work to a third party.

External & Stakeholder Engagement

Since the September Board meeting there has been a significant focus on strengthening relationships and facilitating wider engagement with key stakeholders.

As part of a series of visits lined up across the year, LeO welcomed colleagues from the LSB to Edward House in September. Whilst the LSB have been very close to the work that LeO has been undertaking, the visit allowed LeO's people to talk in more detail about the impact the changes and improvements are having on the service LeO provides and allowed LSB colleagues to see first-hand the progress being made to LeO's recovery and stabilisation. The session included a focus on the front-end initiatives and wider changes that have been implemented over the last 12 months, the impact this is having on our business-as-usual activity, and the important work being

carried out as part of our ongoing commitment to providing learning and insight to the sector.

The visit was well received by all those who attended, with feedback demonstrating an increased confidence in LeO's continuing improvement.

As previously reported, Executive colleagues have been working to establish dedicated service provider and consumer reference groups with the purpose of ensuring the views of both groups are taken into account in decisions/strategic planning around the service LeO provides. On 6 October, the first Service Provider forum meeting was held and attended by a cross representative group of several organisations who are familiar with LeO's processes. As the inaugural meeting, an overview of LeO's journey was provided, as well as a focus on the Scheme Rules changes that are being made, proposals around the Business Plan and Strategy for 2023/24, and reflections on the learning and insight that is being delivered to the profession. Feedback on the changes that LeO has implemented so far to its processes was overwhelmingly positive, with attendees agreeing that there has been a marked improvement in the relationship they now have with our scheme and the benefit it is providing to both service providers and customers. Opportunities for further improvement and support were also offered by individuals and will be reflected on internally.

As it continues to develop, the fluidity in the shape and membership of the group will be considered to ensure that the group is as representative as possible and focuses on topics and areas which add most value to both LeO and the wider legal profession.

On 7 October, LeO held its second Challenge and Advisory Group meeting of 2022/23 and the sixth meeting of the group overall. The agenda and discussion reflected a clear change in where LeO is as an organisation, compared to when the group was first established. The stabilisation of performance means that this quarters meeting focused much less on scrutinising performance and operational processes, and focused much more on what LeO will look like beyond its published recovery plans. The group was presented with the draft vision, mission and strategic objectives for the 2023/24 Business Plan and Strategy and feedback echoed the sentiment that as organisation continues to recover and mature, the Business Plan and Strategy will support a much bigger contribution to the quality of legal advice being provided across the sector. The meeting also included an update on the development of a Power BI platform for business reporting, a reflection on the impact the front-end initiatives are having on the PAP, and an update on the Scheme Rules project.

As part of an independent research project being undertaken by the SRA, LeO was invited to be part of an external reference group which is looking to understand the underlying reasons for the longstanding overrepresentation of Black, Asian and minority ethnic groups in the SRA's enforcement work – in both the reports of concerns being brought to them and those taken forward for investigation. Recommendations arising from the research will help the SRA and others take steps to mitigate the patterns in overreporting that have been ongoing and repeated widely in other sectors. The SRA

and other members of the reference group were appreciative of LeO's participation and there are potential opportunities for LeO's contribution to extend the understanding of the research team, particularly around complainant data and themes across topic modelling.

The OLC Chair and Chief Ombudsman attended the LSB's Reshaping Legal Services Conference on 13 October. The conference focused on the golden thread of the Reshaping Legal Services strategy, published in March 2021 - the need to reshape legal services to better meet a diverse society and its needs. The OLC Chair Chief Ombudsman will be able to provide further verbal updates on the outcomes of the conference at the OLC Board meeting on 20 October.

The OLC Chair and Chief Ombudsman have continued to engage with the LSB and MoJ over the last six weeks. Meetings have included the regular OLC/LSB 4 way meeting, meetings to discuss the LSB's consumer redress research, and the Q2 Business Assurance Meetings that took place with the MoJ at the beginning of October.

Key External meetings and events attended/to be attended by the Chief Ombudsman and LeO Executive from September- November

Date	Meeting	Purpose	Online/in-person
21 Sept 22	LSB visit to Edward House	Opportunity for LSB colleagues to gain a first hand insight into LeO's processes.	In-person
27 Sept 22	OLC/LeO 4 Way	OLC Chair and Chief Ombudsman initial engagement on 2023/24 LeO budget and business planning and LeO's performance position.	Online
27 Sept 22	LSB consumer redress research	Initial discussion on LSB's planned research on consumer redress.	Online
30 Sept 22	SRA's Executive Director of Operations	To discuss progress as an organization, cross collaboration on performance and quality initiatives and feedback on the CAG	Online
4 Oct 22	OLC/MoJ Q2 BAM	Regular business assurance meeting	Online
5 Oct 22	SRA External Reference Group	First meeting of the reference group which is looking at overreporting to the SRA	Online
6 Oct 22	Service Provider Forum	First meeting of a dedicated group of service providers to feed into LeO's decision making.	Online
7 Oct 22	Challenge and Advisory Group	Regular meeting	Online
13 Oct 22	Reshaping Legal Services Conference	LSB's conference to support ongoing strategy	In person
19 Oct 22	Cost Lawyers Standards Board meeting	Chief Ombudsman to attend regular Board meeting	Online
19 Oct 22	Criminal Cases Review Commission	25 th Anniversary reception	In-person
01 Nov 22	Bar Council Complaint Handling Seminar	Potentially a focus on vulnerable customers following our overview of complaints publication	Online
02 Nov 22	SLC Conference	Annual conference	In person

7 Nov 22	Meeting with Law Society's Regulatory Processes Committee	Meeting with the new Chair of the Committee and to discuss Scheme Rules timelines	Online
08 Nov 22	SRA COLP/COFA Conference	Present in a lunchtime breakout session and run a stand	In person
22/23 Nov 22	Legal Ex	Speaking slot	In person