

<b>Meeting</b>	OLC Board Meeting	<b>Agenda Item No.</b>	4
		<b>Paper No.</b>	140.2
<b>Date of meeting</b>	24 July 2025	<b>Time required</b>	10 Minutes

<b>Title</b>	Performance Sub-Group Update
<b>Sponsor</b>	Alison Sansome, PSG Chair
<b>Status</b>	OFFICIAL
<b>To be communicated to:</b>	Members and those in attendance

<b>Executive summary</b>
<p>This paper provides the OLC Board with the key updates, actions and discussion points from the July meeting of Performance Sub-Group (PSG). PSG reviewed operational performance against 2024/25 assumptions and considered implications for 2026/27 forecasting.</p> <p>Performance remains strong, with resolution outputs increasing year on year. However, this is being offset by sustained and accelerating demand growth, with Q1 2025/26 complaints increasing by 21%, already exceeding worst-case planning scenarios, continuing the trend of increases seen since 2019/20 a rise of over 90% in that period.</p> <p>This included an emerging summary of analysis of new customer complaints received in 2024/25 including early indicators of areas of law particularly driving demand. Horizon scanning is also highlighting future potential issues within the legal sector that could well drive future demand, informing the view that long term trend increases will continue into 2026/27 and beyond.</p> <p>New customer complaints coupled with vacancies mean that rising volumes are exceeding general enquiries capacity to process this increased workload. This has led to a queue of cases pending assessment. Plans to recruit are in place to mitigate this but this will mean that core demand volumes, already at worst cases scenario, will increase from Quarter 2 as backlogs of assessed core demand, around 600 cases, flow through from general enquiries.</p> <p>PSG agreed the development of three trajectory scenarios for 2026/27 all aimed at managing the impact of rising demand and budgetary pressures. These include: a flat budget scenario with no increase in investigator capacity; a stabilisation option that increases capacity to meet demand but maintains current backlog levels; and a backlog reduction scenario that increases capacity to both meet demand and reduce unallocated investigations, while factoring in realistic recruitment and training constraints.</p> <p>To more accurately account for volatility, all scenarios will include a wider range between likely and worst-case scenarios in underlying assumption, discussed and agreed by PSG.</p>

Recommendation / action required	
Board is asked to <b>note</b> the contents of the report	
Equality Diversity and Inclusion	
<b>EDI implications</b>	<b>Yes</b>
There is no direct EDI impact from trajectory setting. This paper though addresses potential increases in demand, assumptions for reasonable adjustments and sickness absences, all which effect EDI resulting from the actions LeO takes to address these specific assumptions	
Freedom of Information Act 2000 (Fol)	
<b>Paragraph reference</b>	<b>Fol exemption and summary</b>
	N/A

# Performance Sub-Group Update

## 1. Summary

This meeting was focussed around three key agenda points:

A detailed look at demand and the pressures that this issue is having on LeO's future trajectories and the ability to meet this demand whilst delivering reduction in the volume of unallocated investigations.

A review of actual performance against 2024/25 assumptions data.

An outline of assumptions, including any amendments, removals and additions, to be used in calculating 2026/27 forecasts.

## 2. Demand

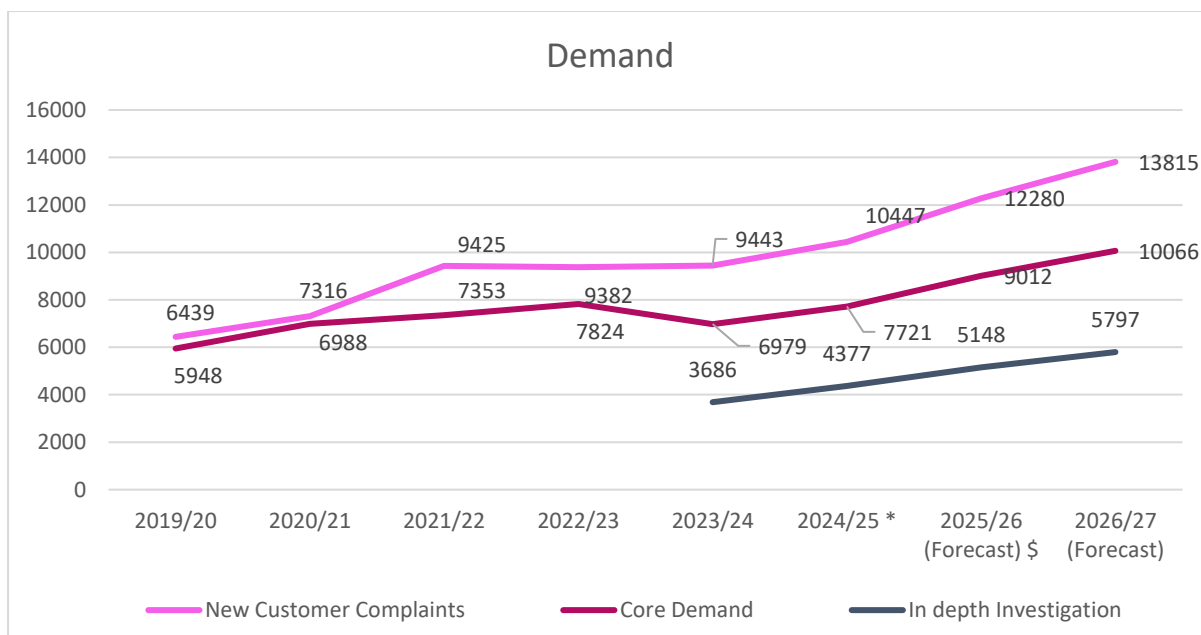
PSG discussed the challenges posed by rising demand, focusing on demand increases and horizon scanning to determine potential future trends.

**Sustained demand increase:** There has been a sustained, significant and accelerating rise in demand for LeO's services, with complaints increasing year-on-year by over 90% since 2019/20. In 2024/25, demand rose by over 10% and in Q1 2025/26, it increased by nearly 21% when compared to the same period in the previous year. New customer complaints received now stand at almost 3,100 for Quarter 1 alone, beyond worst case scenario planning. Projections now estimate close to 12,500 complaints being received in 2025/26 - a 17.5% increase - rising further to over 13,800 by 2027/28 despite learning and insight interventions slowing the rate of increase.

The pressures of increased demand are not unique to LeO. The SRA and Ombudsman in all other sectors are experiencing similar trends. In LeO's case, high rates of poor first-tier complaints handling continue to drive in-depth investigations

The long-term trend – and experience of wider legal regulators and Ombudsman schemes - indicates that LeO's future demand will continue to rise. Horizon scanning also identifies some issues potentially driving LeO's demand further, including large potential mass claims arising from motor finance commission claims and the actions of legal providers in social housing-related issues. with potentially large volumes of these complaints being driven by legal providers acting as claims management agents. Given the scale of potential claims, it is expected that LeO will see an increase in demand as a result of how providers deal with claims.

LeO' rate of performance, operational capacity and resources were set to reduce unallocated investigations this year, but demand has increased beyond forecast, eroding efficiency and volume management interventions. This is leading to a position where, without further capacity or a step change in how the legal sector approaches complaints, LeO will potentially not be able to meet future expected rises in demand.



### 3. 2024/25 Performance and Underlying Assumptions

PSG reviewed 2024/25 delivery performance against trajectories, considered the accuracy of underlying assumptions and the impacts on trajectory setting for 2026/27. This included:

- 2024/25 Performance Summary;
- 2025/26 agreed assumptions;
- Levels of confidence for the remainder of 2025/26;
- Trajectory aims for 2026/27;
- Impacts of rising demand on general enquiries; and
- Levels of confidence and optimism bias.

**2024/25 performance summary:** In 2024/25 LeO resolved 8,270 complaints, a 4.4% increase from 2023/24, the upper end of expectations. This is a sustained improvement trajectory for LeO which outline forecasts expectations to continue into future years.

**Unallocated investigations:** Three factors affected unallocated allocation volumes in 2024/25:

- LeO Started the year with 3,376 customers awaiting investigation, 376 more than expected. This was driven by high attrition in the first half of 2023/24 and increasing demand throughout
- Demand for LeO's service increased beyond forecasts, especially in-depth investigations which reached almost 4400 cases, an almost 19% increase. Assumptions for 2024/25 had included an expectation of reductions, resulting from scheme rules changes. Demand ended the year over 900 in-depth investigations cases more than forecast.

- Higher than forecast sickness levels early in 2024/25 resulted in approximately 120 less resolved cases and an increase of around 150 cases requiring reallocation.

Despite these factors, unallocated investigations decreased by around 3% across the year.

**Performance against current assumptions:** Assumptions underlying LeO's trajectories are reviewed monthly and inform half-year reforecasts. This review highlights that the assumptions used are correct and most performed better than or within the ranges, although some notable key assumptions performed worse than expected, those being a significant increase in demand and a worse than expected performance on sickness absence. Plans to address these issues will be factored into 2025/26 reforecasts and 2026/27 trajectories.

**Levels of confidence in 2025/26 trajectories:** Confidence in resolved case outputs remains high despite demand pressures, with multiple years now demonstrating that LeO's assumptions in this area are driving accurate trajectories. Expectation are that LeO will be within the middle of the ranges for 2025/26. At the start of the year, LeO was eight below its target of 134 investigators due to increased attrition, two internal moves, two departures and two retirements in March. Although 12 new hires were planned for May 2025 from interviews held in November, only 7.8 out of 14 available candidates accepted, mainly because of delays between interview and offer related to the end of March timescale for LSB budget approval. LeO will adjust future recruitment campaigns to better align with budget approval timelines.

Confidence in the expected reduction of unallocated investigations is being tempered by the sustained increases in demand, with the half year reforecast likely showing outside of published worst case scenarios.

**Impact of rising demand within general enquiries:** There has been a significant rise in new customer complaints during Quarter 4 2024/25 and Quarter 1 2025/26, leading to more cases pending assessment within the General Enquiries Team (GET). This increase is compounded by a temporary reduction in capacity as GET recruits replacements for departing staff. Consequently, the uptick in demand has not yet fully materialised as core demand, with many cases still awaiting initial assessment.

Since 1 April, the volume of work-in-progress within GET has grown by 820 cases. Historically, around 600 of these are expected to convert into core demand, with about 320 likely to require in-depth investigations. Measures are being implemented to resolve the capacity gap and accommodate the increased demand by the end of Quarter 3. At that point, we anticipate that the higher case volumes will be processed more consistently through the system.

**Trajectory aim for 2026/27:** A focus on managing demand and mitigating impact on customer journey times. Three scenarios were proposed by the Executive and agreed by PSG reflecting various pressures around demand, desire to reduce unallocated investigations and customer journey times and an emerging picture of wider budgetary constraints:

- No increase in budget to increase investigator capacity (although including wider inflationary pressures such as pay remit);
- An increase in budget to increase investigator capacity to meet increased demand but maintain the current levels of unallocated investigations;
- An increase in budget to increase investigator capacity to meet increased demand and reduce unallocated investigations. This option will include an assessment of what is realistic in terms of timescales given the constraints on operational staff in recruiting and training new investigators to competency.

## 4. Next steps

The Executive will reforecast 2025/26 and prepare three proposed trajectories for review using the agreed changes to underlying assumptions and future demand expectations and including budgetary implications for all scenarios. These trajectories will be submitted to the August meeting of PSG and will inform draft budget options being brought to September OLC Board workshop.

LeO will continue to monitor demand pressures and analyse demand factors based on available data. This will include updating LSB on significant increases seen in quarter 1 with a further update provided following the July meeting of OLC Board.