

<b>Meeting</b>	OLC Board	<b>Agenda Item No.</b>	5
		<b>Paper No.</b>	90.5
<b>Date of meeting</b>	12 September 2018	<b>Time required</b>	30 minutes

<i>Title</i>	<b>Monthly update on performance (August)</b>
<i>Sponsor</i>	Rebecca Marsh, Chief Ombudsman
<i>Status</i>	OFFICIAL
<i>To be communicated to:</i>	Members and those in attendance

<b>Executive summary</b>
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This paper summarises the performance for August and the position against KPI tolerances at the end of August 2018 in line with our commitment, during 2018-19, to update Board monthly on performance against tolerances.

There are no new tolerance breaches. At the end of Q1, there were 6 breaches of sub-measures against tolerances for 5 KPIs. Unit cost in the legal jurisdiction is back within tolerance for August. There is no change in the position on the quarterly measures.

The paper provides a brief overview of performance against tolerance which is set out in **Appendix 1**.

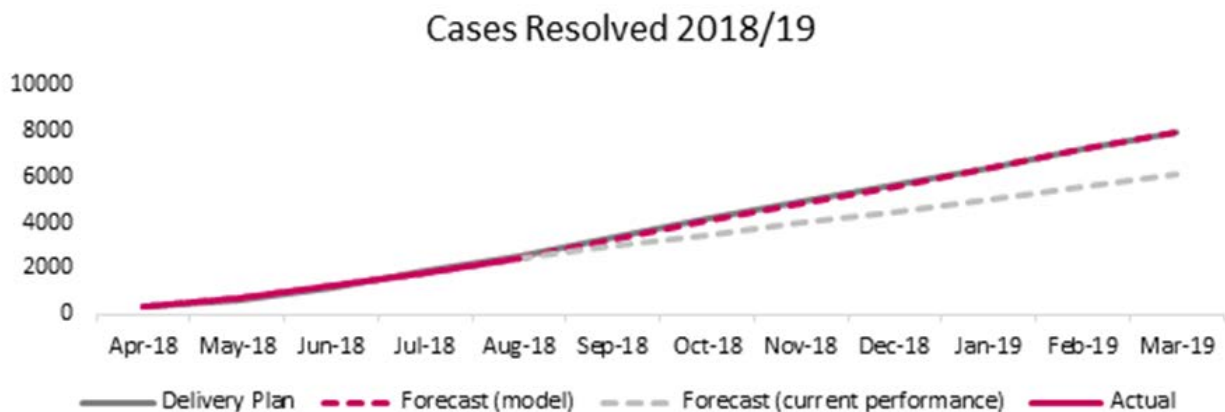
<b>Recommendation/action required</b>
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Board is asked to **NOTE** the report

# Update on performance and tolerances

## 1. Delivery Performance Headlines and Analysis

The two graphs below demonstrates current performance against plan, with forecast to year end. The forecasting model is still being developed to reflect significant changes in ways of working and assumptions and so we would expect the forecast to evolve.



1.1. Performance in quarter two has shown a continued positive trajectory in the Legal jurisdiction and although closures for July and August were behind the delivery plan they were both within tolerance. Key points to note include:

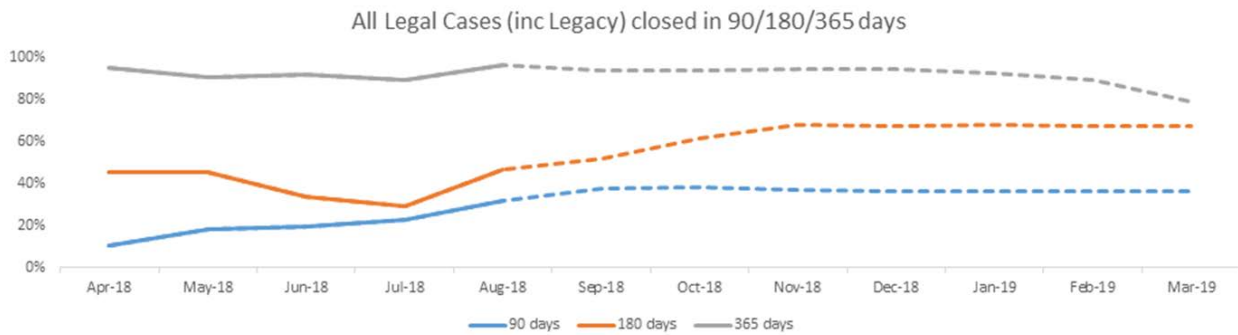
- legacy team performance remains positive; although August closures were lower than plan due to leave and sickness, the overall legacy delivery position remains ahead of plan.
- outputs for teams working under the supervision pilot in CMS2 are very positive with some teams' closures in August were significantly ahead of trajectory; and
- evidence to date also shows a reduced reliance by all supervision teams on resolution by Ombudsman decision.

1.2. The Level 1, Level 2 and Pool ombudsmen continue to contribute strongly to overall performance, particularly in decision work on CMS1. Key points to note in terms of decisions are that:

- Ombudsman WIP in CMS1 is now under 250;
- Decision WIP on CMS2 is under 20; and
- pool ombudsmen now undertake work at all complexity levels, which will enable them to contribute to reducing high complexity decisions on CMS1, improving customer satisfaction and timeliness.

1.3. The key challenge for timeliness KPIs, based on the emerging forecast, relates to the 72% target for 180 days for all legal cases given volumes of aged cases. More generally, should incoming case volumes fall behind profile, the negative impact of legacy cases will impact timeliness performance for all case KPIs.

## Timeliness forecasts



1.4. Timeliness in CMS1 remains poor given the starting age profile of the work on CMS1. This is impacting overall timeliness, but as work in CMS1 is closed the adverse impact of that aged work will reduce. Timeliness in CMS2 continues to be positive with the significant majority of low and medium cases closing within the respective 90 and 180 day KPIs. Key points to note on timeliness include:

- considerable work has been done to progress the older non-legacy cases still in CMS1;
- Team Leaders continue to review progression of all cases and ombudsman case clinics have been introduced to address obstacles to progression;
- there are early indicators of significant improvement in timeliness for high cases in CMS2 when compared with CMS1; and
- the positive impact of supervision and increased ombudsman input throughout the investigation process can be seen in improved case progression against timeliness KPIs and a reduction in failure demand such as rework arising send backs and provisional decisions.

1.5. In the CMC jurisdiction, although work has been done to address the small backlog, overall volumes remain behind profile as receipts reduce. This is driven by both changes within the sector and the uncertainty surrounding the transition of regulation to the FCA and complaint handling to FOS.

1.6. Work has been done during Q2 to re-profile resource requirements within the CMC jurisdiction and, where possible, to redeploy that resource within the legal jurisdiction. This will reduce unit cost while maintaining a minimum critical mass of staff.

## 2. Challenges being addressed

2.1 Significant work has already been done in Q2 to address the need to refine the front end of the business process:

- the investigator call rota has been scrapped and replaced by call handlers within GET, freeing up investigator time and resource; and
- resource has been allocated to address work at assessment thereby improving both the quality of work going to investigators and customer experience by reducing potential delays at the front end.

2.2 Additional work will be undertaken through Q2 and into Q3 to:

- refine the assessment process by increased scripting of work done by GET staff;
- launch of the CAT tool and complaint form to improve customer experience and ensure people are ready for us; and

- review the scope for increased automation of the process.
- 2.3 These steps have been positively received by staff and reduced the time spent by investigators on assessment. The further enhancements will streamline the assessment process and will help increase the number of cases accepted for investigation, reducing failure demand.
- 2.4 These changes and associated changes in our assumptions are being incorporated into the forecasting model. Board will receive a demand forecast profile with the quarterly report in October.
- 2.5 The Management Team are also addressing the challenges presented by:
- the need to decommission CMS1 before the end of Q3;
  - the need to transition cases and ombudsman decision WIP from CMS1 to CMS2; and
  - the mandatory Microsoft version 9 upgrade to all CMS systems, which will take place in January 2019.

### 3 Quality

- 3.1 Board received a short note on quality following the queries raised at its last meeting. Quality remains relatively stable, with issues around timeliness and historic service matters being the two major concerns expressed through feedback from those engaging with us. Both of these are being addressed. Explicit individual performance measures are now used in relation to quality, alongside the learning and improvement process.
- 3.2 Currently, the small sample size is providing a level of volatility in reporting but there are not any underlying trends beyond the above. The full review of quality is underway and will be a major focus for the next business year, once the new processes are embedded and their effect on quality is known.

### 4 Performance against tolerances

- 4.1 One KPI – legal unit cost - came back within tolerance during August, and there are no new breaches. This is as expected, as the underlying causes for the breaches remain and are being addressed, as previously reported. Appendix 1 provides the detailed report.

### 5 Next steps

- 5.1 Board will receive a full quarterly report at the October Board meeting, including a forecast of demand.

## Appendix 1 Monthly KPI and tolerance report

### External KPIs

Measure	KPI	Tolerance	April	May	June	July	Aug	Sept	Tolerance exception report/additional info
<b>% LEGAL cases concluded in new CMS (CEQ2a)</b>									
90 days (legal – low)	60%	10% off target for more than 2 consecutive months or 2 months out of 4, in any category		100%	100%	100%	89%		
90 days (legal – med)	30%			100%	100%	100%	73%		
90 days (legal – high)	0%			0%	0%	100%	40%		
180 days (legal - low)	85%			100%	100%	100%	100%		
180 days (legal - med)	80%			100%	100%	100%	100%		
180 days (legal - high)	30%			0%	0%	100%	100%		
365 days (legal – low)	99%			100%	100%	100%	100%		
365 days (legal – med)	90%			100%	100%	100%	100%		
365 days (legal – high)	85%			0%	0%	100%	100%		
<b>% LEGAL cases (all complexity) concluded (CEQ2a)</b>									
Within 90 days	26%	10% off target for more than 2 consecutive months or 2 out of 4	10.7%	18.6%	19.7%	22.97%	31.82%		<b>Outside tolerance (180 days):</b> Timeliness overall is impacted by old cases in CMS 1, some of which are older than 90 days. Legacy WIP progress and team leader intervention in place. Timeliness has improved this month, but this is in part attributable to the increase in CMS2 cases which impacts the overall percentage.
Within 180 days	72%		45.8%	45.4%	34.1%	29.15%	46.92%		
Within 365 days	90%		95.6%	90.6%	92.2%	89.58%	90.58%		
<b>% CMC cases (all complexity) concluded (CEQ2a)</b>									
Within 90 days	60%	10% off target for more than 2 consecutive months or 2 out of 4	26.8%	20%	24.4%	29%	27.72%		<b>Outside tolerance (90 days):</b> An unallocated backlog arose early in Q1, due to staffing levels, but this has now been cleared and with significant reductions in incoming demand, we should see an improvement by the end of the quarter.
Within 180 days	90%		87.5%	80%	95.1%	93%	90.10%		
Within 365 days	100%		100%	100%	100%	100%	99.01%		

Measure	KPI	Tolerance	April	May	June	July	Aug	Sept	Tolerance exception report/additional info
<b>Turnover (PLC2a/b)</b>									
Quarterly rolling annual turnover rate	Rolling annual turnover <12%	>3% above rolling annual target for two consecutive quarters	18.6%	17.6%	21.0%	19.7%	16.3%		<b>Outside tolerance in Q1:</b> Rolling turnover has reduced by 3.4% with August being the lowest actual monthly turnover so far this financial year. Although we are targeting a lower turnover rate, the focus on performance and robust and appropriate use of probation periods will mean that a rate between 15 and 18% is expected, and there may be further increases.
<b>Unit Cost per case (IRE8)</b>									
Legal all complexities – net of estates income and gross costs	£1,484-£1,563 (+1% uplift)	>£100 over target – 3 month rolling average	Quarterly actual £2,097-£592 variance  Updated quarterly actual is now £2,116			£1,831 = 3 month rolling average	£1,651 = 3 month rolling average		The unit cost is back within tolerance in August.
CMC all complexities – net of estates income and gross costs	£1,137 (+1% uplift)	>£100 over target – 3 month rolling average	Quarterly actual £1,496 - £216 variance  Updated quarterly actual is now £1,518			£1,558 = 3 month rolling average	£1,434 = 3 month rolling average		<b>Outside tolerance:</b> Due to lower than anticipated workloads. We have reforecast the CMC budget and reduced staffing significantly. This will bring us closer to tolerance if demand remains as reforecast, but we do not expect to be able to reduce costs further due to the need for minimum staff cover.

## Strategic Board performance measures

Measure	Tolerance	April	May	June	July	Aug	Sept	Tolerance exception report/additional info
<b>Work in Progress</b>								
Legacy team remaining work in progress – within 10% of plan – (CEQ2e)	>10% off plan for more than 2 consecutive months	1, 760 (ahead of plan)	1, 616 (ahead of plan)	1, 468 (ahead of plan)	1,343 (ahead of plan)	1,225 (ahead of plan)		
Current work in progress – LEGAL by case complexity – within 10% of plan (tolerance > 20% variation to plan for more than 2 consecutive months) – (CEQ2f)	>20% variation to plan for more than 2 consecutive months	Actual 1,664  Plan = 1,522  Var = 8.5%	Actual 1,689  Plan = 1,550  Var = 8.9%	Actual 1,635  Plan = 1,736  Var = 5.8%	Actual 1,579  Plan = 1,897  Var = 16.7%	Actual 1,709  Plan = 2,097  Var = 18.5%		<b>Note:</b> This is just within tolerance but is behind plan due to the difficulties in closing aged cases in CMS 1 and replacing them with cases from CMS 2. Newer investigators are still building up case holdings which is also having an impact. Delivery plan anticipates 1,897 at this stage. The figures are expected to improve as the quarter progresses.
Current work in progress – CMC – (CEQ2f)		Actual 535  Plan= 535  Var = 0%	Actual 474  Plan = 606  Var = 21.79%	Actual 386  Plan = 625  Var = 38.24	Actual 323  Plan = 655  Var = 50.69%	Actual 315  Plan = 657  Var = 52.05%		<b>Out of tolerance:</b> This is out of tolerance in that we have a more than 20% variation to plan for more than 2 months because CMCs have seen a reduction in the amount of new work coming into the business and are closing down existing work in anticipation of the handover to FOS. We have reforecast the CMC budget and delivery plan, reducing staffing accordingly
Monthly/quarterly variance between legal cases accepted and closed, by complexity <5% (tolerance > 10% variance for more than 2 consecutive months) – (IRE5)	High	-44.44%	-11.76%	-25%	-388.89%	-9.62%		<b>Note:</b> negative variances show consistent pattern of closing more cases than we are opening.
	Medium	-79.31%	-74.51%	-79.35%	-85.40%	-58.03%		
	Low	-21.62%	-100%	-126.92%	-60.14%	89.63%		

Measure	Tolerance	Apr	May	June	July	Aug	Sept	
<b>Budget Variance</b>		<b>Q1</b>						
<1% variance against budget YTD and forecast outturn – IRE9	Variance >2%	Legal 11%, CMC 16%			Legal % to forecast YTD 1.6%; CMC % to forecast YTD 1.2%	Legal YTD 2.1% underspend ; CMC YTD1.0% overspend		<b>Outside tolerance (legal):</b> The Q1 reforecast in both jurisdictions should bring the KPI back within tolerance.
<b>Quality</b>		<b>Q1</b>						
% of tasks and decisions sent back by Ombudsman LEGAL (IRE7)	>10% above target		5.2%		8.7%		7.22%	
% of tasks and decisions sent back by Ombudsman CMC (IRE7)	>10% above target		1.4%		3.4%		10.00%	