February 2022

OLC Business Plan and Budget 2022/23

Introduction

This paper addresses the Legal Services Board (LSB) budget acceptance criteria for the Office for Legal Complaints' (OLC) 2022/23 budget.

The LSB set eight budget acceptance criteria, which are set out in Appendix A.

This paper explains the rationale for the proposed budget submission and how the OLC has met each of the eight criteria.

All figures reflect January 2022 forecasting, with actual figures up to and including December 2021.

About this submission

In this submission we have outlined the Legal Ombudsman's (LeO's) budget bid for 2022/23. This request is based on the higher of the two options outlined in the consultation on the Budget and Business Plan.

The first of these options was an **Option One** budget request of £15.129m. This represented an increase of 4.5% on the 2021/22 budget. This option provided for the full-year effect of the operational investigators recruited in 2021/22 and was broadly in line with the planned 2022/23 budget outlined in the 2021/22 Business Plan: part of a two-year approach to recovery and stability. It would allow for the ongoing implementation of early resolution initiatives, namely Guided Negotiation, Reasonable Offer Made and Nudge Theory.

However, it excluded further targeted proportionality work – both within the Pre-Assessment Pool (PAP) and at the front-end where the focus is on new customer cases coming into the Legal Ombudsman. Not being able to resource the implementation of this work would impact the final numbers waiting in the PAP to a forecast figure of circa 2,000-2,700 cases by the end of 2023/24.

Option Two in the consultation represented an additional budget request of 1.3% (£188,095) compared with the Option One request. This proposed an increase of senior ombudsman resourcing at the front end of LeO's business process, which would be fundamental to delivering further targeted proportionality and early resolution activity on a sustained basis across 2022/23. The outcome from this additional resource would reduce the PAP by the end of 2023/24 to a working level of between 500 and 1,000 cases.

A budget to deliver sustainable acceptable performance

In developing this final budget submission, we have reflected carefully on these two options. We have listened to stakeholders and have been responsive to concerns around the need to minimise the impact of additional costs on service providers. We have balanced this with the clear desire for a sustained step-change in the Legal Ombudsman's performance and vision for delivering a sustainable and acceptable experience for LeO's customers. Central to this vision is the removal of the PAP to a working level, the removal of substantial wait times to access an investigation, and ultimately a reduction in customer journey times to an acceptable level – closer to 90 days on average for most cases.

While it was important we carefully consider the viability of Option One, neither the OLC Board nor the Legal Ombudsman believes that funding at this level could achieve the shift in performance required to deliver this vision of sustainable acceptable performance for LeO's customers in a quick enough timeframe.

Option Two will enable this improvement to be delivered by March 2024. Having tested our plans further since the period of the consultation, we are confident that this is the only way of achieving the proportionality closures which are crucial to improving the Legal Ombudsman's performance. These proportionality closures will deliver the necessary deep cut into the PAP over the course of 2022/23 to reach a point of stability and reduce the number of waiting customers to a manageable level.

What is more, it will deliver this at a lower unit cost for these cases and for a relatively minimal additional increase in budget. Across the two years of our recovery plan, the Legal Ombudsman's budget will in fact be 2% lower than originally indicated – while resolutions will be 6% higher.

What the budget increase is made up of

The budget request of £15.317m represents an increase of 5.8% over the 2021/22 budget. This increase is directly related to either operational delivery or attributable to known unavoidable and substantial inflationary costs. We have absorbed a number of areas of increased spend: for example, additions to our operational management to support the significant increase in non-established investigators (those in post for under 12 months – currently 39% and due to increase to over 50%).

The 5.8% increase that we are requesting is made up primarily of three factors:

- The full-year controllable cost of investigators recruited in 2021/22, something which our 2021/22 Budget and Business Plan had indicated would be included in the 2022/23 budget as part of our two-year approach to recovery;
- Accommodating a large proportion, though not all, of the significant inflationary pressures we and all other organisations are facing as we move into 2022/23; and
- The controllable investment in a team of three senior level two ombudsmen to focus on proportionality, which was included as Option Two budget in our consultation.

We have made significant efforts to offset necessary increases wherever possible and have identified substantial savings from staff and non-staff costs. The overall increase in budget would total 8.0% without the mitigating effects we have introduced. These are outlined in more detail below but include increases to the vacancy factor and a reduction in non-staff budgets. To increase the vacancy factor, we are delaying or altering our approach to recruitment for some corporate roles.

An indicative budget for 2023/24 is given for reference, but this will be subject to full consideration and development during 2022/23.

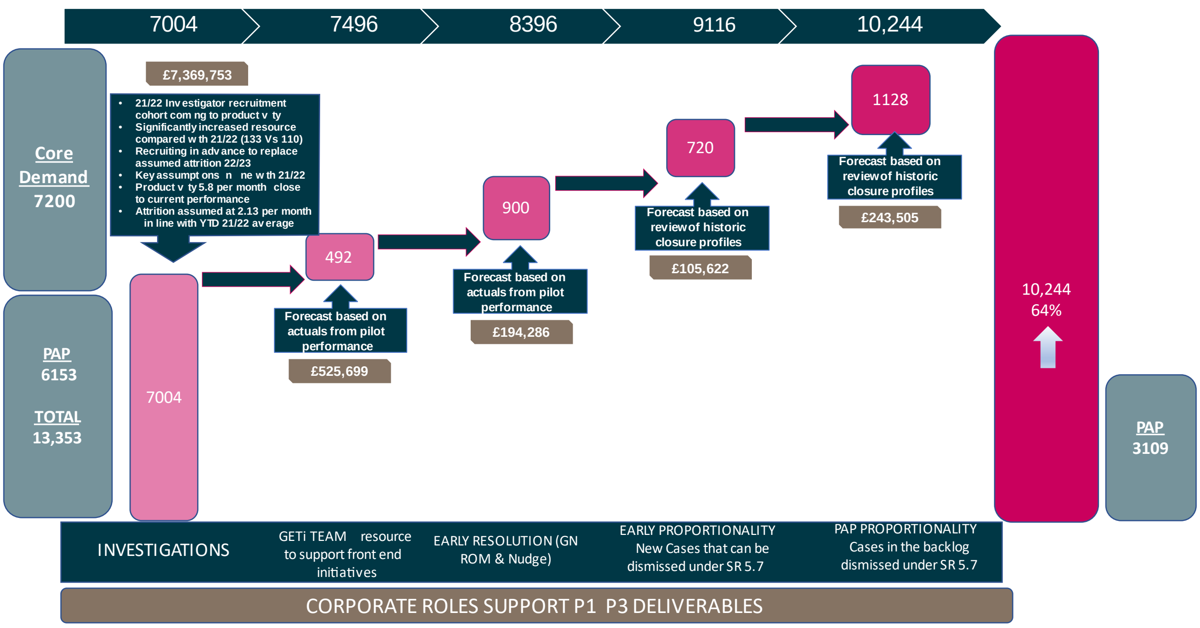
What this Plan will deliver

This submission outlines future forecast performance trajectories based on the predicted outcome of an Option Two budget scenario. The outcome from this additional resource would reduce the PAP by the end of 2023/24 to a working level of between 600 and 1,000 cases. We will reach this point by delivering a sustained and substantial increase in investigative closures, delivered as our investigators recruited in 2021/22 come to full productivity, and the continued implementation of new initiatives and ways of working. These new ways of working, delivered successfully in large part in 2021/22, will deliver a rebalanced, more proportionate Legal Ombudsman service with increased focus on minimum formality – in line with customers' expectations of effective alternative dispute resolution.

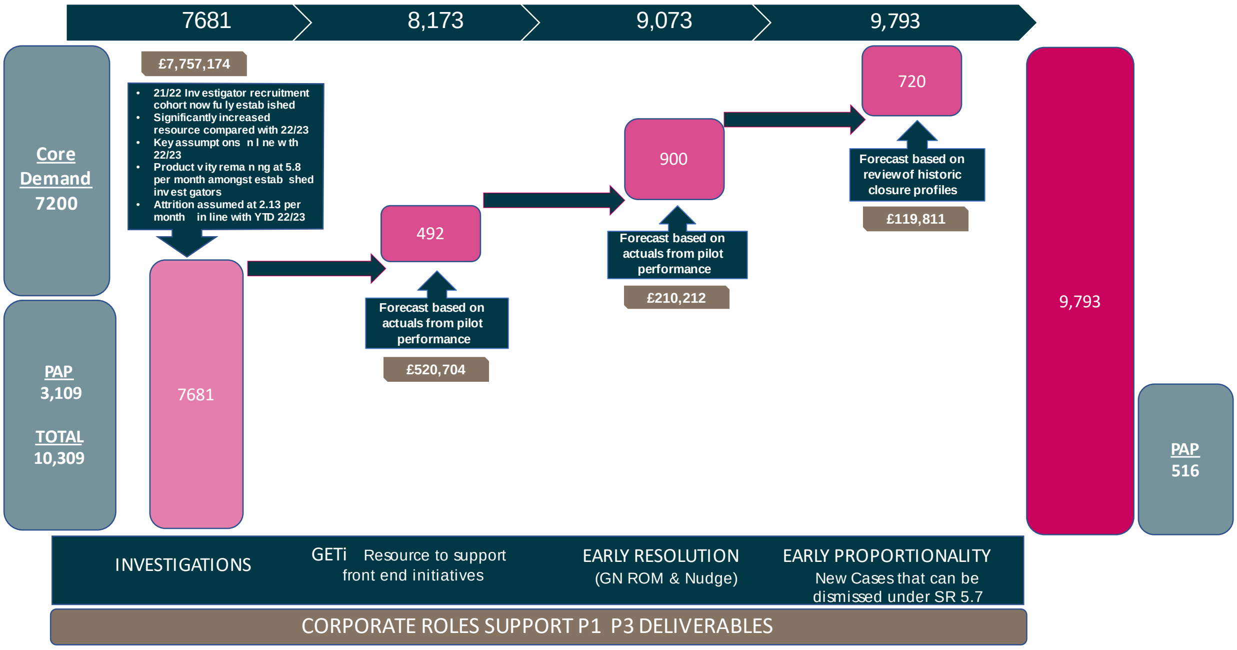
There are, of course, risks inherent in the delivery of a plan of this scale. We are alert to this and have planned and mitigated for them. This plan is also dependent on not experiencing unforeseen disruptive shocks – such as as-yet unanticipated developments in the Covid-19 pandemic or greater than forecast inflationary pressures.

However, we also now know more than we did this time last year about the nature and extent of our challenges and how to address them. 2021/22 has proven to be a year of discovery as well as one of change and focus on delivery. Our plans are built on credible forecasts and assumptions – regularly and robustly challenged and tested as part of the OLC's oversight – but rooted in the insight we have gained and the progress we have already made.

CLOSURE NUMBERS BY CATEGORY – 2022/2023



CLOSURE NUMBERS BY CATEGORY – 2023/2024



The importance of the pipeline initiatives

None of the tables and forecast trajectories included in this submission take account of additional potential outcomes that will derive from changes to working practice, people and culture change; Scheme Rule changes aimed at reducing the proportion of cases taken to the end of our investigative process; outsourcing; or the hub strategy (detailed later in this submission). If taken forward, all of these pipeline initiatives will support improved and faster outcomes for our customers which are **not** included in the existing outcomes for 2022/23 or 2023/24. If implemented, they will also provide important flexibility and contingency in the event of fluctuations in demand for our service.

Criteria 1

In accordance with Schedule 15 s23(3) of the Act, an indication of the amount and distribution of resources deployed in the operation of the ombudsman scheme and the amounts of income OLC expect to arise from the operation of the scheme. This should include a clear and plausible breakdown, explanation and justification of:

a) Assumptions around the volumes predicted for 2022/23, including data on the number of new cases in the current year to date and an assessment of the likely impact of Covid-19 on demand. Please include information about how the organisation would respond in the event of volume fluctuation.

Incoming cases to the Legal Ombudsman through 2020/21 and into 2021/22 have remained static at circa 600 cases accepted into the Pre-Assessment Pool (PAP) each month. The careful monitoring of demand which LeO has in place, alongside the horizon-scanning of the legal sector through our external affairs and stakeholder engagement, provides assurance that demand will remain stable into 2022/23. A previous submission referenced increased demand in previous years; there is no evidence to suggest this anomaly will impact the coming year.

Both LeO and its OLC Performance and Quality Task and Finish Group are confident in the performance forecasting, which includes both assumptions around demand and assumptions around performance, and how the scheme responds to this demand. Accurate forecasting has been developed based on previous operational assumptions and new assumptions developed on the basis of operational evidence at the mid-year point.

All business assumptions which underpin the performance trajectories are robustly monitored and reported on monthly, allowing LeO to respond to any sustained deviation from the assumptions. The robust monthly process of reviewing performance delivery against the performance expectations has led to the introduction of two new evidence-based operational assumptions which underpin the performance trajectories. These are:

1. Reasonable adjustments for LeO staff which impact their output – including following the impact of COVID; and
2. Rolled-over annual leave – annual leave earned in 2020/21, unused and carried into 2021/22, which had a negative impact on available working days in 2021/22. This assumption is only in place for 2021/22 as the rolled over leave will not be carried into 2022/23.

Business Plan assumptions 2022/23

Title of assumption included as part of 2022/23 Business Plan	**22/23 projected monthly assumption**	**Description**	**Potential impact to outputs**
Assumption - Files added to the Pre-Assessment Pool	600	This is based on the standard core demand of 600 from a 2-year profile. This number is reviewed monthly to identify any changes to demand. Monthly trajectories are amended accordingly.	Any change to the monthly assumption to the core demand coupled with the volume of case closures will impact the size of the PAP.

Assumption - Attrition	2.13	This represents a reduction from 2021/22	Any increase in attrition impacts closure outputs and the acceptance of new cases from the PAP. This also impacts the split of established vs non established investigator numbers
Assumption - Maternity leave	4.75 - Average	Represents an increase on 2021/22 actual in line with known maternity leave.	An increase in maternity leave affects closure outputs as well as accepting new cases from the PAP, as cases for investigators leaving LeO will be reallocated first
Assumption - Long term sickness (LTS)	4	In line with the 2021/22 BP assumptions	An increase in LTS impacts closure outputs and the acceptance of new cases from the PAP
Assumption - Conversion rate	86.30%	In line with 2021/22 performance which is 86. % Of cases that are accepted into investigation	A higher conversion rate means more cases being investigated. This will result in higher case holdings and more cases going into the PAP
Assumption - Reallocations	54	This is based on LTS attrition and mat leave performance. This directly impacts the reallocation numbers.	Cases allocated from the PAP slow if investigators instead take reallocated cases rather than new cases from the PAP
Assumption - Closures per investigating L1 ombudsman	3.5	Remains static across the year and is in line with 2021/22 assumptions	Maintaining productivity has positive effect on closures and PAP size. Any decrease has negative impact for customer.
Assumption - Closures per established FTE	5.8	This represents an increase from 2021/22 and is in line with current productivity figures	An increase in productivity has a positive effect on customer service, closures, PAP size and value for money. A decrease has a negative effect

Assumption - Complexity of cases added to Pre-Assessment Pool	66.3% - Low 33.4% - Medium 0.3% - High	This is line with performance for 2021/22 and is expected to remain. Reduction of low complexity cases is expected with the proportionality work	An increase in low complexity cases in investigation will increase closure productivity and improve customer journey time. An rebalance of investigator caseloads to include an increase in medium and high complexity cases can have a negative effect on productivity, closures and customer journey time as these cases take longer to resolve
Assumption - Complexity of cases closed by investigators (FR1 and FR2)	69% - Low 31% - Medium	This is in line with performance for 2021/22 and is expected to remain. Reduction of low complexity incoming cases is expected with the increased early resolution activity	A higher close rate of low complexity cases will mean that the balance of cases in the PAP will change leaving more medium complexity (taken out high as so small) cases. This could negatively impact on investigator productivity and customer Journey times as these cases are more complex and will take longer to resolve
Assumption - Reasonable adjustments	2.2 FTE	This accounts for the reality of having a workforce that has a reasonable adjustment which impacts on customer outcomes and productivity. It is based on current data and is subject to change and linked to OHS outcomes. At present we lose the equivalent of 2.2 FTE per month because of alterations to expected staff outcomes.	Any increase in reasonable adjustments being implemented because of OHS recommendations will impact customer outcomes, productivity, closure numbers and PAP size as investigators with a reasonable adjustment will take longer to close cases and/or have a tailored and lower expectation of closures.

Key areas of focus for our oversight of risks and assumptions include:

- **Attrition.** Our modelling assumes a realistic rate of 2.13 investigators per month: close to 2022/21 actual rate. Attrition is monitored as part of an assumptions review and reported on monthly. Increased attrition up to a worst-case scenario of 2.7 will have a negative impact on case closures and will result in an increased PAP by 2023/24. To mitigate this, the national recruitment campaign has been successfully planned to leave LeO in a position of being able to recruit to replace assumed 2022/23 attrition in advance. We will also continue to focus on employee engagement, wellbeing, equality, diversity and inclusion and other areas such as development under our People Strategy, further supporting retention.
- **Productivity.** We have assumed a rate of 5.8 case closures each month, which is the rate required to ensure we achieve the case closures in the trajectory. This is based on our 2021/22 intake reaching full productivity, new colleagues reaching productivity quickly and improvements in existing colleagues' performance. As a key area of focus, any deviation from the assumption will be highlighted as a risk in the monthly review. LeO's operations team will focus on supporting any team members that are underperforming to ensure that the required productivity levels are achieved.
- **Covid-19.** LeO operates on the basis that uncertainty around Covid-19 and its potential impact will likely remain through much of 2022/23. Data is being collected on investigator time lost due to the Omicron variant; if the trend shows that this will impact during 2022/23 performance, this will be built in as a valid assumption. In addition, LeO recognises that there are clear risks with potential impacts (school closures, caring responsibilities, sickness levels, general hybrid working and management challenges), LeO is monitoring these regularly, and is in a better position to respond to them in light of experience and learning from previous years.

Supporting the assumptions and new ways of working are the pipeline initiatives that will further support improved performance to customers.

b) Staff costs and numbers broken down by function, making reasonable assumptions for vacancies

The table below shows the posts which form the staffing establishment and the basis for the proposed budget, and the total cost including national insurance and pension contributions.

			From 21/22 Business Plan		Proposal			
Salary expenditure	**2021/22**		**2022/23**		**2022/23**		Movement	
	FTE	**Staff cost**	**FTE**	**Staff cost**	**FTE**	**Staff cost**	**FTE**	**Staff cost**
Corporate	**41.1**	**£2,318,134**	**41.1**	**£2,318,134**	**44.7**	**£2,461,597**	**3.6**	**£143,463**
Corporate	5.1	£404,777	5.1	£404,777	5.0	£404,553	0.0	-£224
Finance	5.0	£252,963	5.0	£252,963	5.0	£270,049	0.0	£17,087
Human Resources	7.0	£363,194	6.0	£324,997	8.8	£468,633	2.8	£143,636
Facilities			1.0	£38,197	1.0	£39,190	0.0	£993
IT	11.0	£582,518	11.0	£582,518	11.0	£522,871	0.0	-£59,647
Legal	4.0	£198,870	4.0	£198,870	4.0	£193,669	0.0	-£5,201
Strategy and Governance	2.0	£141,717	2.0	£141,717	0.0	£0	-2.0	-£141,717
Business Intelligence	3.0	£155,451	3.0	£155,451	3.9	£198,667	0.9	£43,216
Programme Management and Assurance	4.0	£218,645	4.0	£218,645	6.0	£363,965	2.0	£145,320
Policy and impact work	**6.0**	**£227,146**	**6.0**	**£227,146**	**6.2**	**£280,820**	**0.2**	**£53,674**
External Affairs	5.4	£196,622	5.4	£196,622	5.6	£249,456	0.2	£52,835
Research	0.6	£30,525	0.6	£30,525	0.6	£31,363	0.0	£839
Operations	**220.7**	**£8,783,999**	**229.6**	**£9,114,310**	**227.8**	**£9,349,308**	**-1.8**	**£234,998**
GET	34.4	£1,037,812	31.9	£920,812	31.9	£924,769	0.0	£3,957
Ombudsman	11.4	£728,880	12.0	£763,371	14.0	£885,114	2.0	£121,743
Ops Management	3.0	£204,870	3.0	£204,870	4.0	£277,772	1.0	£72,902
Resolution Centre	161.0	£6,169,260	171.9	£6,582,080	168.1	£6,628,981	-3.8	£46,901
Service Complaints and Quality	5.8	£323,293	5.8	£323,293	7.8	£472,038	2.0	£148,746
Operational Transformation and Impact	5.0	£319,885	5.0	£319,885	2.0	£160,634	-3.0	-£159,250
Holiday pay adjustment		-£100,000		£0		£0		£0
Annual awards/Apprentice Levy		£132,600		£132,600		£133,300		£700
Total	**267.7**	**£11,361,880**	**276.7**	**£11,792,191**	**278.7**	**£12,225,025**	**2.0**	**£432,834**

[1] The overall FTE figure in Operations for the proposed 2021/22 budget has a slight decrease due to staff movements and internal moves to support the Business Plan initiatives relating to new ways of working.

c) Estimated split of expenditure between:

- *i. handling complaints about legal services,*
- *ii. policy and impact work, in particular to analyse and feed back to the sector learnings from handling complaints, and*
- *iii. anything else not covered by (i) and (ii).*

Business area	2021/22 Budget	2022/23 Budget (in 21/22 BP)	2022/23 Budget
Operational delivery	£8,783,999	£9,114,310	£9,482,608
Policy and Impact Work	£227,146	£227,146	£280,820
Corporate functions and business support	£2,350,734	£2,450,734	£2,461,597
Total staff salary expenditure	**£11,361,880**	**£11,792,191**	**£12,225,025**
IT and telecoms	£1,379,534	£1,379,534	£1,419,534
Premises and facilities	£772,023	£772,023	£572,023
Other staff expenditure	£205,012	£218,012	£195,012
Depreciation	£353,480	£443,480	£531,480
Other costs	£399,113	£419,113	£374,113
Total non-salary expenditure	**£3,109,162**	**£3,232,162**	**£3,092,162**
Total revenue expenditure	**£14,471,042**	**£15,024,352**	**£15,317,187**

Budget bid

We consulted on two budget proposals: Options One and Two. The first of these options has been reviewed and discounted. Neither the OLC Board nor LeO believes the funding in Option One (a 4.5% increase) will offer a sustained and acceptable level of performance to LeO's customers within a reasonable timeframe.

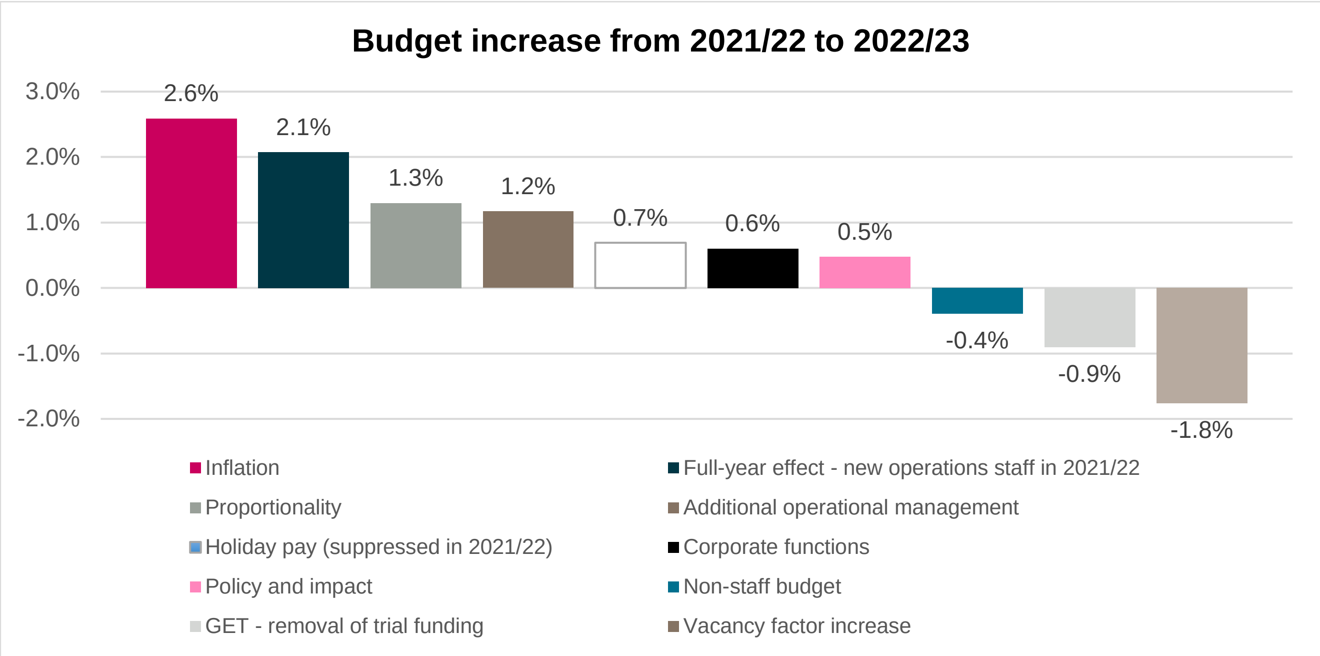
The second option adds an additional budget request of 1.3% (£188,095), which builds towards a sustained and acceptable level of performance, with a significantly reduced PAP at the end of 2023/24. Option Two funds the increase of ombudsman resourcing at the front-end of LeO's business process and contributes to further proportionality and early resolution activity.

The outcome from these additional resources would reduce the PAP by the end of 2023/24 to a working level of between 500 and 1,000 cases. We have tested this, and we are confident that this is the only way of achieving the proportionality closures which are crucial to improving the performance of the scheme.

The Option Two budget request of £15.317m represents an increase of 5.8% over the 2021/22 budget. The chart below shows how this movement is derived. This is a necessary level of increase which is either directly related to operational delivery or attributable to unavoidable known inflationary costs.

- The biggest movement is for inflation; this covers £240,000 for an inflationary salary increase in line with public sector pay awards, £95,000 for national insurance changes effective from April 2022, and £40,000 of IT-related inflation.

- The next largest increase is to cover the full-year effect of the 27 operational staff added to the budget during 2021/22, something which our 2021/22 Budget and Business Plan had indicated would be included in the 2022/23 budget as part of our two-year approach to recovery.
- In addition, we have retained the investment in a team of three level two ombudsmen to focus on proportionality, and additional operational management.



The split of expenditure shows that the vast majority of the budget is for operations staff and supporting priorities one and two. This is our absolute focus for 2022/23. 77% of total staff costs are for operations staff.

The remaining staff costs are spent on corporate functions which support the delivery of operations, and policy and impact work. This includes, for example, supporting the design and delivery of transformation and performance improvement initiatives, and the cost of feeding back to the sector learnings from handling complaints. Using our experience to improve legal services and prevent complaints arising is an essential part of our work as an ombudsman service and will ultimately help manage future demand by preventing cases being referred to us that could and should have been better-handled or avoided altogether.

The 2022/23 budget request reflects the full-year effect of the additional operational posts added in the 2021/22 budget (£300,000), and some minor adjustments to individual posts such as incremental promotion.

There are minimal changes, such as the addition of two Team Leaders and an Operations Manager. These posts are critical to operational resilience and delivery of our recovery plans, and to recognise the additional management need arising from the proportion of non-established investigators. The planned increase will pay for the full-year effect of new investigative teams recruited and trained in 2021/22 with new investigators increasing to full productivity over the course of 2021/22 and into 2022/23. This will allow us to realise the benefits of new investigative teams through to 2023/24.

Impact on the legal services sector

Nearly 91% cases brought to LeO over the three years in question are about solicitors, who are members of the Law Society. As a result they pay a significant majority of our levy. The levy raised in February 2021 for 2020/21 to the Law Society was for £11.042 million. This equated to £74.06 for each of the circa 149,110 persons authorised to undertake reserved legal activities for the Law Society (ATP). In February 2022 the levy raised to the Law Society for 2021/22 will be £11.256m. The number of ATPs at the Law Society increased to 154,184 as at 1 April 2021. As a result, the cost per ATP reduces slightly to £73.01.

For 2022/23, and subject to adjustments in case fee income, if our expenditure increases by 5.8% as per our budget, this will increase the levy to the Law Society members to £11.909m. If the Law Society membership increases by 2.8% (the average annual increase over the last 3 years) then this will equate to a cost per AP of £75.11 – an increase of £2.10 or 2.9%. This assumes that the Law Society percentage of cases remains at the 2021/22 level.

Responding to inflationary pressures

Like all organisations, the Legal Ombudsman is facing inflationary pressures on expenditure. The January 2022 CPI index (consumer inflation) showed annual inflation at 5.5%. This is the highest rate for nearly 30 years, with some indications that this will increase further.

While the budget has been prepared on a like-for-like basis, recent changes to National Insurance rates will add a further £95,000. There are further extraordinary inflationary pressures that the Legal Ombudsman can't absorb within this budget.

It is difficult to assess how this will impact the goods and services we purchase, and so the actual impact on our budgets. Excluding IT, there is approximately £1.1m of other purchased expenditure, on which inflation at the present level of 5.5% would be £60,000. Additionally, IT inflation at 5.5% would add £36,000 to the already-budgeted IT inflation.

Although we will seek to mitigate increases when renewing contracts and making purchases, we will not be able to absorb further significant inflationary increases should they arise within the budget year. We would need to revert to LSB during the year should significant additional inflationary costs materialise or rise to a point which is unmanageable.

We have made efforts to offset necessary increases wherever possible. The overall increase in budget would total 8.0% were it not for the mitigating effects we have introduced through increases to the vacancy factor and a reduction in non-staff budgets including property savings, reduced training, and reductions in marketing expenditure.

Staff costs

To increase the vacancy factor, we are delaying recruitment to some corporate roles, and considering minor changes to corporate structures to minimise expenditure.

We have budgeted for a 2% pay increase for LeO staff. In view of current inflation, a pay increase for LeO staff of less than 2% would risk negating the significant steps we are taking to improve staff engagement and reduce attrition and improve performance. We cannot fully absorb this increase (£240,000), but plan to increase the vacancy factor by £105,000 to partially mitigate this. This reflects emerging corporate vacancies which are likely to be vacant in Q1, and our plans to replace these roles which will deliver in year savings.

At the time of drafting, we are awaiting guidance from the MoJ on the lifting of the pay freeze. We understand that LSB have factored in a 1% pay increase but have a pay contingency budget in case the pay increase is 2% or 2.5%. Our decisions will be further informed by the pay benchmarking exercise, the results of which will be available in Q1 2022/23.

The 2022/23 budget request reflects the full-year effect of the additional operational posts added in the 2021/22 budget (£300,000), and some minor adjustments to individual posts such as incremental promotion.

There are minimal changes such as the addition of two Team Leaders and an Operations Manager. These posts are critical to operational resilience and delivery of our recovery plans, and to recognise the additional management need arising from the proportion of non-established investigators (over 40%). The planned increase will pay for the full-year effect of new investigative teams recruited and trained in 2021/22 with new investigators increasing to full productivity over the course of 2021/22 and into 2022/23. In essence, this will allow us to realise the benefits of new investigative teams through to 2023/24.

Importance of the vacancy factor

The budget assumes full funding for all posts less a vacancy factor of £561,000. This is an increase from the 2021/22 vacancy factor of £306,000, reflecting the experience in 2021/22 of vacancies from attrition and delays in recruiting to these positions, and an increase of £105,000 to reflect emerging corporate vacancies (see *responding to inflationary pressures* above). In order to mitigate investigator attrition, we are currently over-recruiting for investigators to allow for attrition for the first 6 months of 2022/23.

Guarding against an underspend

We have implemented more rigorous monitoring of budget assumptions and cost drivers, which enable us to react more quickly to attrition and enable any underspends to be reacted to – for example, recruiting more operational staff during the year, or bringing in temporary resources. Similarly, if there is lower attrition than forecast, this proactive management will enable us to take mitigating actions such as holding vacancies or restricting non-staff spend.

Identifying savings

We have undertaken a full review of all areas, assessing all non-staff costs to identify savings and priorities. We have secured a £50,000 reduction in rent as a result of a historic adjustment, and reduced depreciation and other budgets such as training. The increase in vacancy factor adjustment also mitigates some of the increase.

Our assumptions and trajectory are based on the required number of people being in the business. There is a direct correlation between the numbers of FTE and the numbers of closures, even when building in new ways of working and further process changes. Without this planned increase, our forecasts for closures and the Pre-Assessment Pool would need to be adjusted.

Criteria 2

Transparency about performance, this should include:

a) Analysis of actual performance to date in 2021/22, with reference to the commonly agreed dataset

Performance 2021/22 – headlines (as at December 2021)

90%	Proportion of original 2021/22 Business Plan case closure target that LeO will achieve with an average of 86% of the established investigators originally anticipated.
49%	Reduction in customer journey time for cases resolved by early resolution **(142 days)**, compared with those investigated **(277 days)**
33%	Increase in case closures between 2020/21 and 2021/22, with a monthly average **20%** less investigator resource then the original assumption
16%	Reduction in investigation time (once taken from the PAP) between the start of 2021/22 and 2021/22 year to date
89 days	Average time to investigate low complexity cases (accounting for 67% of all cases with LeO) once taken from the PAP
45 days	Investigation time in our General Enquiry Team pilot, against **91 days** outside the pilot.
16%	Increase in established investigator average productivity from 2020/21 (4.28 vs 5.11 per month)
66%	Proportion of **low and medium complexity** cases resolved within our customer journey time target
15%	Proportion of **high complexity** cases resolved within our customer journey time target (93 cases)

Update since mid-year review

Since reporting on our mid-year progress as part of our consultation, the Legal Ombudsman has made further progress in improving and stabilising its case closure performance. For example, case closures in November 2021 and December 2021 exceeded the pre-pandemic November and December 2019 closure figures, despite people resources being lower. There have been a number of key developments and improvements in the customer experience, including taking urgent action to effect change in areas which are not wholly within our control.

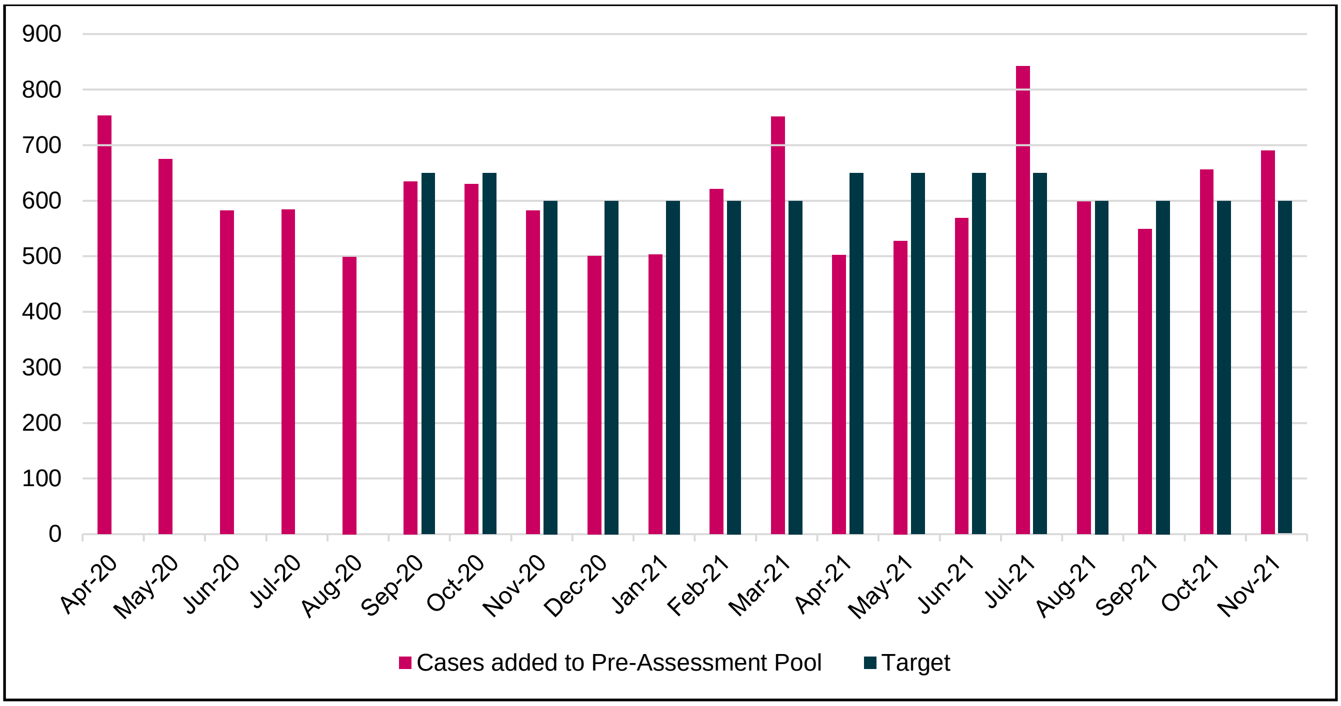
This means LeO begins 2022/23 in a strong position to deliver on its ambition to deliver a step-change in performance and reach and sustain an acceptable level of service:

- **LeO will deliver 90% of the 2021/22 Business Plan year-end closures** by the end of March 2022 with an average of 86% of the established investigators originally anticipated.
- **LeO will begin 2022/23 with a full complement of investigators**, in contrast to the position in 2021/22, and will maintain this level of resourcing into the new year. This follows our work with a national recruitment partner, which attracted almost 900 candidates for 38-43 vacancies; offers have been made not only to fill existing vacancies, but to anticipate attrition in Q4 2021/22 and Q1 and 2 2022/23.
- **Productivity has increased**: across 2021/22 established investigators have achieved an average productivity level of just over 5 cases per month – and reaching a peak of 7 cases in the second half of the year when early closures are included.
- **Investigation times have continued to fall** and were 16% lower than at the start of 2021/22.
- **Our General Enquiries Team investigator (GETi) pilot has brought substantial improvements** to customer service and efficiency at the front end. Sampling suggests total investigation time of 45 days, less than half the 91 days for a case without GETi involvement.
- **We have seen a steady increase in the number of cases being taken from the PAP** as new investigators become more productive and take on more cases.
- **We are consulting on changes to our Scheme Rules**, aimed at ensuring we have the ability to progress and resolve cases more quickly and proportionately and at as early a point as possible – reflecting our commitment to embrace the opportunity for fundamental changes to our Scheme.
- **We are maintaining a fully transparent and open dialogue around our performance** through an Agreed Data Set. This is further supported through the development of a Challenge and Advisory Group, which allows stakeholders a greater level of opportunity to understand and scrutinise our progress.
- **We have engaged with our people,** listening to their ideas and suggestions, scoping and testing new ways of working to speed up outcomes for customers, and simplifying business process, releasing time which our people can then invest in operational delivery. This signals a culture change.
- **Our people's rating of leadership and managing change rose 20 percentage points increase** in our latest 2021 People Survey, compared with a 2019 baseline – the most improved area.

2021/22 total case closures

Current year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Overall total	**541**	**511**	**560**	**482**	**453**	**485**	**503**	**571**	**466**	**538**	**577**	**559**	**6246**
Cases closed after investigation	488	458	491	418	392	388	419	465	371	417	456	438	5201
Early closures (GN, ROM) Nudge Theory	53	53	69	64	61	97	84	106	95	75	75	75	907
Increased productivity of underperformers	0	0	0	0	0	0	0	0	0	46	46	46	138
2021/22 BP Assumptions	**473**	**520**	**569**	**596**	**600**	**600**	**602**	**619**	**611**	**611**	**625**	**629**	**7057**

Cases added to the Pre-Assessment Pool against target up to November 2021



LeO reports in a transparent way in each of its monthly Agreed Data Set (ADS) summaries which are circulated to LSB, MoJ and the OLC Board.

Analysis of actual performance to date in 2021/22 shows that LeO did not make the anticipated headway into the PAP compared to the Business Plan forecasts. This is in large part attributed to an inability to recruit sufficient investigators; the 2021/22 year began with significant resourcing challenges, and despite three rounds of local recruitment it continued and worsened. In addition, attrition and long-term sickness was higher than was built into the 2021/22 Business Plan, and there was inherited underperformance leading to variable and lower productivity than assumed.

The 2021/22 Business Plan assumed that LeO would have returned to a post-Covid world where productivity and outputs would be more in line with 2019/20, a pre-Covid year. It also assumed there would be 80.29 established investigator FTE in post by November 2021.

As of the end of November, the established investigator number was at 61.7 FTE: 23% lower than the BP assumption. This under-resourcing reduction was apparent throughout the year, with the investigator FTE continuing to be below expected resourcing levels since April 2021. In Q3 2021/22 LeO was at 23% below its established investigator resourcing plan, directly impacting the performance to LeO's customers and the budget underspend.

Operational leaders continue to drive improvements in performance variation for established investigators. Whilst there is an expectation that positive results will be seen in Q4 of 2021/22, this approach in part has also increased sickness levels across the investigator population. Increased performance-management has also driven increased attrition which has materialised over the last few months.

However, the ADS shows that LeO has performed better in terms of closures (33% more) and speed of investigation, with less established resource compared to 2020/21. In 2021/22 LeO will deliver around 90% of the closure outcomes originally anticipated, with approximately 86% of the required resource. Had LeO been able to recruit to the Business Plan requirements, it would have achieved around 98.5% of the BP closures.

LeO has achieved this improvement by engaging with its people, listening to ideas and suggestions, scoping and testing new ways of working to speed up outcomes for customers, and simplifying business process, releasing time which our people can then invest in operational delivery. This signals a culture change.

The distribution of established to non-established investigators has moved from 100% established in June 2021 and now stands at a 61%/39% split. Until investigators become established, this split will continue to grow (rising to over 50% non-established) and will offer opportunities but also challenges.

LeO has implemented a number of improvements to both speed up investigations and achieve outcomes at an earlier point in a customer's journey. These early resolutions will deliver around 800-1000 additional case closures, which in turn reduces waiting times for customers who are currently in the PAP. The full detail is outlined within criteria 1.

b) Risks and how they are being managed and mitigated for:
i) the remainder of 2021/22

Strategic risks and issues are closely monitored, with enhanced reporting shared with the Executive Team monthly and full Risk Assurance reports discussed at ARAC on a quarterly basis. The improvement on risk reporting and exposure has been validated through internal and external feedback and has been achieved through the appointment of a Risk Manager and concentrated work in this area.

A full suite of strategic issues and risks were approved by the OLC Board in Q1 of 2021/22.

Key strategic issues and risks in relation to operational delivery, alongside management actions are detailed below:

Strategic issue

A substantial backlog of cases waiting to be worked (Pre-Assessment Pool) causing significant delays to decision times.

Management actions

1. A formal project has been initiated to focus on how LeO's (PAP) can be reduced. Early resolution initiatives have been developed and implemented during the year which identify cases in the PAP, such as Guided Negotiation and Reasonable Offer Made.
2. An 'Ideas Station' has been launched, generating staff ideas for future initiatives. This is being refreshed with support from internal comms to produce a comms plan to ensure regular and effective engagement across the organisation.

Strategic risk

Failure to deliver against required performance trajectory and consequent loss of credibility and confidence in LeO's ability to deliver the scheme effectively in the long term.

Management actions

1. To monitor PAP strategic issues as these are intrinsically linked and review/monitor impacts and dependencies accordingly.
2. Ongoing attendance and collaboration at various Challenge and Advisory Group meetings and wider stakeholder engagement sessions as part of the Business Plan process.
3. Revised forecasting models to provide assurance on trajectories, which are monitored monthly with the Operational Delivery Team and in-month reviews with Finance and HR colleagues.
4. Enhance reporting – Business Intelligence Team to review the process that drives reporting (for example drumbeat, reporting period) as well as the metrics that are reported as part of the Agreed Data Set.

Business risk – Operations

The inability to deliver operational performance expectations and keep up with core demand caused by insufficient skilled resource, suboptimal systems and/or processes, leading to sub-optimal operational performance and loss in public/stakeholder confidence.

Management actions

1. Increase central reporting of performance-based risk analysis, performance variation reporting and agreed case holdings, with tangible reasons as to why.
2. Various HR people strategy activities with regard to strengthening performance management framework/HR policies and guidance for people managers.

3. National recruitment campaigns to broaden the investigator candidate pool to support operational performance.

   Actions tracked within the strategic risk and issue register also support mitigating activities with regard to this risk.

ii) 2022/23, including an overview of sensitivity analysis of key assumptions around income prediction, case complexity and other factors

Forecasting model

Performance forecasts and trajectories are based on LeO's actual performance and are underpinned by the assumptions which drive and impact performance.

Available resource is impacted by attrition and long-term sickness, which are recognised as the main contributors influencing the forecasts. LeO is also now aware of the additional factors which have had to be built in: namely reasonable adjustments for specific staff and ramp-up of additional holiday carried over from the first year impacted by Covid-19. Robust control around the forecasts are now in place, with the assumptions reviewed and updated monthly with business area leads. This process ensures that the trajectory is current and accurate which not only informs business areas on recovery plans but also supports our transparency approach and gives confidence to our stakeholders.

The trajectories include sensitivity modelling against complexity of case and worst, likely and best-case planning scenarios for each assumption. The trajectories shown in Criteria 1 are a view based on how each assumption is performing against each scenario. This gives an accurate and realistic view of what LeO will achieve in 2021/22 and beyond. The forecasting model and the trajectories which it drives have been tested by the OLC subgroup, the Performance and Quality Task and Finish Group.

Our understanding of what impacts performance to our customers has grown throughout 2021/22, and we have used this knowledge to assure ourselves of the validity of our performance trajectories. We know that:

- Attrition and loss of experienced staff impacts performance. Despite the current candidate-led market, we expect our attrition rate to improve because of the measures we have put in place to recruit, induct and onboard new recruits and engage and support our existing workforce.
- Forecasting when we need to recruit new staff is now clearer and will inform future campaigns. Our Q4 2021/22 national recruitment with a managed recruitment partner was a first for LeO and has yielded the new starters we planned for.
- To ensure continued accuracy and validity, the performance assumptions are reviewed monthly with each business area owner. Each assumption is measured against three different scenarios of worst, likely and best case. Any variation from the likely case scenarios is flagged for mitigation actions and forecasts are adjusted accordingly. This ensures the capture of all valid assumptions and tests performance against monthly revised

forecasts. This review also includes new risks as they arise – including, for example, any increase in lost productivity from Covid-19 and associated restrictions should new variants emerge.

- Additional factors that can be challenging to quantify, like loss in productivity due to seasonality, are also reviewed, and trajectories will be assessed monthly and realigned as appropriate. Previous performance years do not provide a steady baseline against which we can test the impact of seasonality. Covid-19 restrictions, as an example, skewed the use of annual leave. This new information was then reflected in the additional assumption for annual leave that was rolled over into 2021/22. The monitoring we have will more accurately impact our performance forecasts.
- This more robust process began in 2021/22 and has supported forecasting for 2022/23 and beyond. This modelling and forecasting has also been tested by the Performance and Quality Task Group, a subgroup of the OLC Board.

Case fee income

Based on the forecast case closures, the case fee income will increase to £1,292,680 – an increase of £92,990 from the 2021/22 budget of £1,199,690. This assumes 42.5% of case closures attract a case fee. If increased levels of early closures reduce the forecast case closures, this would impact the case fee income. Sensitivity analysis around the impact on the levy will be provided at a later date.

c) The forecast performance trajectory from the present until sustainable acceptable performance is expected to be achieved mapped against different budget scenarios (analysis by month, with reference to the commonly agreed dataset)

Overview

It is LeO’s people that deliver outcomes to customers and in 2022/23 LeO’s customers will benefit from recruitment undertaken through 2021/22. This includes:

- The outcomes of new cohorts of investigators appointed in July and September 2021.
- Outcomes from newly trained new LeO investigators recruited in Q2 2021/22 delivering results in Q1 2022/23 - this cohort are already performing above assumptions.
- The cohort recruited in November 21 (13 FTE) will contribute in Q3 in 2022/23 as they become fully established investigators.
- Investigators that started in March 22 will reach full productivity in Q4 2022/23.

Projections show that with *all* proposed initiatives, including further proportionality activity, LeO would reduce the PAP by the end of 2023/24 to a working level of between 500 and 1000 cases.

Further proportionality activity will be directed to customer cases as they arrive with LeO, accompanied by focused activity on customer cases already in the PAP. Both will deliver a positive and increased impact on closures for customers:

- 10,244 case closures are planned for 2022/23 (an increase of 39% on 2021/22 figures).
- 2023/24 case closures are lower at 9,793 as PAP proportionality opportunities are exhausted.
- As above, increased case closures in 2022/23 and 2023/24 drive the reduction of the PAP to a working level of 500-1000 cases by 2023/24.

It should be noted that neither of these forecast trajectories take account of additional potential outcomes that will derive from changes to working practice, people and culture change, or Scheme Rule changes aimed at reducing the proportion of cases taken to the end of our investigative process.

Performance trajectories will continue to be underpinned by a robust monthly review of the assumptions that affect the outputs of case closure and PAP size. As detailed above under 2b)i, the monthly reviews allow key business areas to review where the business is against the three forecasted scenarios categorised by a best, likely and worst-case scenarios. The trajectories for 2022/23 and beyond are based on the likely case scenario and the monthly reviews ensure that any deviation is noted early, and action plans put in place to bring the performance back to required scenario.

More robust, real-time forecasting has allowed the team to not only forecast staffing numbers required, but also to determine when in the year they need to be recruited to ensure service to our customers is maintained. This real-time reporting was not fully in place in Q1 and 2 in 2021/22. However, this enhanced and rigorous process has helped LeO be clear on performance outcomes, finance and its people which are triangulated to give a full picture of LeO's operational service.

Performance in the PAP

There is a direct correlation between the PAP and customer journey times, and reduced customer journey times support improvements in the customer experience. New approaches aimed at delivering increased closures, early proportionality, early resolution and PAP proportionality impact the cases waiting in the PAP and the front end and will have a significant effect on low and medium customer journey cases from 2022/23 and into 2023/24.

PAP size – new initiatives *including* further proportionality

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2021/22 BP assumption	*5129*	*5262*	*5340*	*5339*	*5282*	*5225*	*5166*	*5048*	*4939*	*4870*	*4785*	*4696*
2021/22	4840	4924	5068	5552	5664	5677	5748	5796	5747	5809	5972	6153
2022/23	5981	5793	5568	5324	5071	4802	4526	4251	3959	3674	3380	3109
2023/24	2893	2673	2468	2262	2065	1836	1619	1392	1165	947	720	516

Performance in case closures

The change in anticipated case closure outcomes as a result of the new modelling can be seen in the tables below.

The budget bid will deliver an additional 39% closures on 2021/22 (note: this will be updated by year-end). Current trajectories show that 1,848 more customers will have their cases reach a resolution more quickly than in previous years. This will provide a solid foundation for the achievement of sustained and acceptable level of performance in 2023/24.

This resource bid will deliver the outcomes in the tables below:

2022/23 total closures

2022/23	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Overall total	**772**	**788**	**825**	**844**	**853**	**869**	**876**	**875**	**892**	**885**	**894**	**871**	**10,244**
2021/22 BP assumption	*630*	*621*	*658*	*674*	*698*	*676*	*675*	*706*	*674*	*668*	*635*	*647*	*7,962*
Cases closed after investigation	502	518	555	574	583	599	606	605	622	615	624	601	7,004
Early closures (GN, ROM), Nudge Theory	75	75	75	75	75	75	75	75	75	75	75	75	900
GET investigator	41	41	41	41	41	41	41	41	41	41	41	41	492
Early proportionality closures	60	60	60	60	60	60	60	60	60	60	60	60	720
PAP proportionality closures	94	94	94	94	94	94	94	94	94	94	94	94	1,128

2023/24 total closures

2023/24	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Overall total	**816**	**820**	**805**	**806**	**797**	**829**	**817**	**827**	**827**	**818**	**827**	**804**	**9,793**
2021/22 BP assumption	*660*	*650*	*640*	*554*	*545*	*536*	*528*	*519*	*511*	*502*	*494*	*486*	*6,625*
Cases closed after investigation	640	644	629	630	621	653	641	651	651	642	651	628	7,681
Early closures (GN, ROM), Nudge Theory	75	75	75	75	75	75	75	75	75	75	75	75	900
GET investigator	41	41	41	41	41	41	41	41	41	41	41	41	492
Early proportionality closures	60	60	60	60	60	60	60	60	60	60	60	60	720

The performance trajectories are underpinned by Business Plan assumptions that affect the outputs of closures, PAP and customer journey time. The table detailed in Criteria 1 provides a detailed view of these assumptions and how they affect the outputs of LeO's performance.

The Agreed Data Set provides a transparent view of the business performance to all stakeholders and are measured against the Business Plan.

d) A summary of key current and planned initiatives designed to achieve sustainable acceptable performance, including specific actions and timeframe

We will achieve sustainable, acceptable performance with a PAP of between 500 and 1,000 between December 2023 and January 2024. The waterfall diagram below sets out the broad range of activities that are taking place this year and next in order to achieve this.

Sufficient resource is central to achieving the performance forecast and customer outcomes. LeO came into 2021/22 under-resourced, and despite three local recruitment campaigns it remained the case. However, national recruitment campaigns later in the year attracted almost 900 candidates for between 38-43 investigator roles. Over 140 interviews took place in January 2022 with start dates in week 1 and 2 of March. Offers are being made to fill existing vacancies, and to anticipate attrition in Q4 2021/22 and Q1 and 2 of 2022/23. This will ensure that LeO hits the new business year fully resourced.

LeO is also exploring the use of MoJ estate to diversify from a single site and introduce some hub locations, potentially matched to shortlisted candidates. This will allow for further hybrid working for newer colleagues working outside of the daily commute to Birmingham.

LeO is also exploring the opportunity to bring in staff off-payroll. Should agreement be reached on LeO's ability to outsource, this will then be used as a lever to bridge any gaps in recruitment through the year and supplement workforce plans. This work is subject to discussion with the MoJ and the Legal Services Board and will need to consider the limitations of the Legal Services Act.

While LeO has changed the way that it works, it continues to derive the most closures from its usual investigations. In addition, it has worked with its workforce throughout 2021/22 to understand what actions could be taken to reduce the PAP. A number of new initiatives have been scoped, tested, developed and project-managed through to implementation. Those which are included in the forward trajectories are set out below.

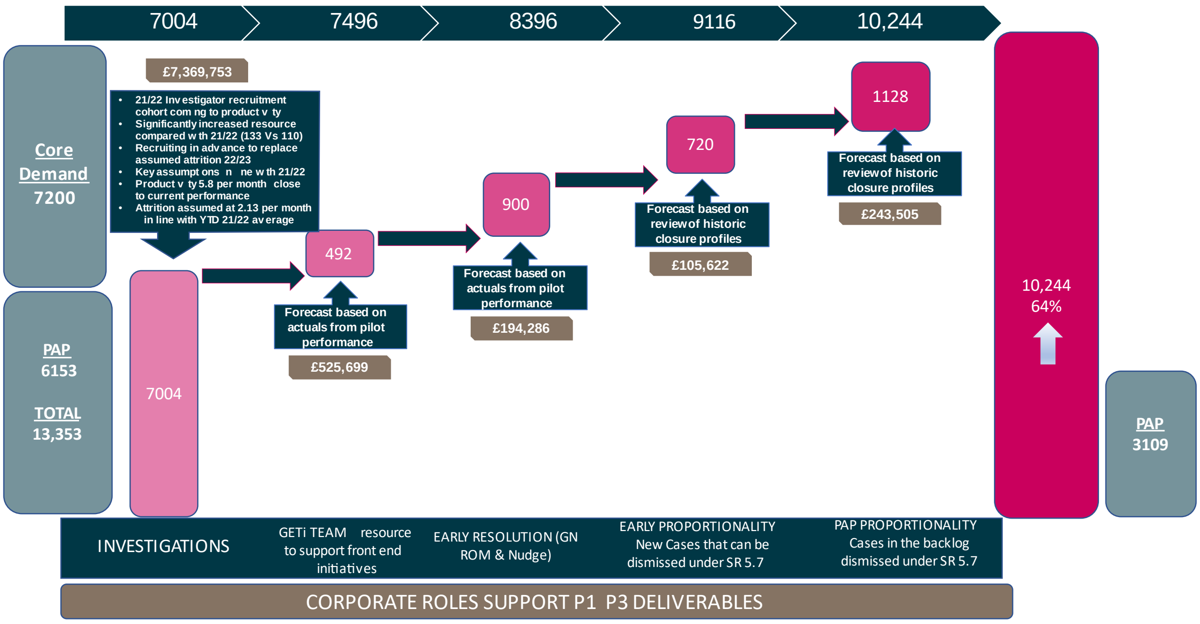
Initiative	Objective	Timing	Quantified performance improvement	Confidence level
Operational initiatives included in forward trajectories				
Early closures	To identify cases that can be closed from PAP without a standard lengthy investigation through early intervention including guided negotiation, identifying that a reasonable offer that has been made, and nudge theory.	Began initiative in April 2021. Year to date have exceeded expectations	Increase case closures by 34% in 2021/22 from 2020/21, and resolving queries 42% quicker than cases that require investigation.	
GETI pilot	To change and streamline investigation process and achieve customer outcomes at a lower cost. Support full investigators to spend their time in more cost-effective way. Split investigation process to remove administration and allow more complex parts of the process from investigators.	Pilot Q3-4 2021/22 BAU in 2022/23	Currently reducing investigation time by 50.5% and increasing overall closures by 41 from Q4 2020/21.	
Procure and work with national recruitment partner	Recruit to fill to 2022/23 BP resourcing requirement and recruit for planned attrition Q4 2021/22 & Q1 and 2 2022/23	Starters in March 2022	By recruiting nationally, LeO widens the recruitment pool and will be more attractive in the market in other areas of the UK. This has already supported the requirement to begin 2022/23 with a full complement of FTE.	
Early proportionality and PAP proportionality	Dedicated resource to identify opportunities in both the backlog of cases within the pre assessment pool and new incoming cases that are appropriate for dismissal under Scheme Rule 5.7. These include, but are not limited to, cases where there is no reasonable prospect of success, no detriment or other compelling reasons where investigation is inappropriate.	Q1 2022/23	An additional 94 closures month on month. Limited testing - internal assessment is results are reasonable based on experience of these cases.	

Initiatives that are not included in forward trajectories (pipeline initiatives providing important flexibility and contingency in the event of fluctuations in demand for our service)				
Further work with national recruitment partner	Potential future use of recruitment partner.	As required	By recruiting nationally, LeO widens the recruitment pool and will be more attractive in the market in other areas of the UK – helping us to remain at full complement. However, this will involve a cost to LeO and so will be carefully considered.	
Hub strategy	To diversify from single-site location, explore use of MoJ estate and match national recruitment outcomes to potential hub locations	Q1 2022/23	This strategy works alongside national recruitment and supports our long-term aim as a standard way of attracting recruits to LeO	
Outsourcing	To explore bringing off-payroll workers into LeO to work on casework and/or package up casework to be progressed outside of LeO. Testing of options around Legal Services Act which impact feasibility and timing of option appraisal. Engagement with MoJ and LSB required.	Through 2022/23	Impacts on customer journey times, reduction in PAP and case closures.	
Scheme Rule changes	• Removing obstacles to efficient and timely investigations • Supporting early resolution initiatives such as proportionality and demand management • Incentivising pragmatism and commerciality toward early resolution of cases • Reducing the level of reliance on ombudsman decisions	Consultation: Q4 2021/22. If changes agreed: Request approval of proposed changes: Q1 2022/23 Implementation and process changes: Q2-3 2022/23 Realisation of full impact: Q4 22/23 onwards	Improvement to customer journey time and closure numbers which will support the reduction of the customer backlog. Will rebalance LeO to resolve cases with minimum formality.	
Specialist law teams	• Development of small specialist law teams to provide support to complex probate and personal injury casework • Better consistency of investigation and customer service • Targeted feedback to the sector	Development Q4 2021/22 Implement fully 2022/23	Will support the deliverables and activities associated with Priority Three in the sector providing feedback to the profession	

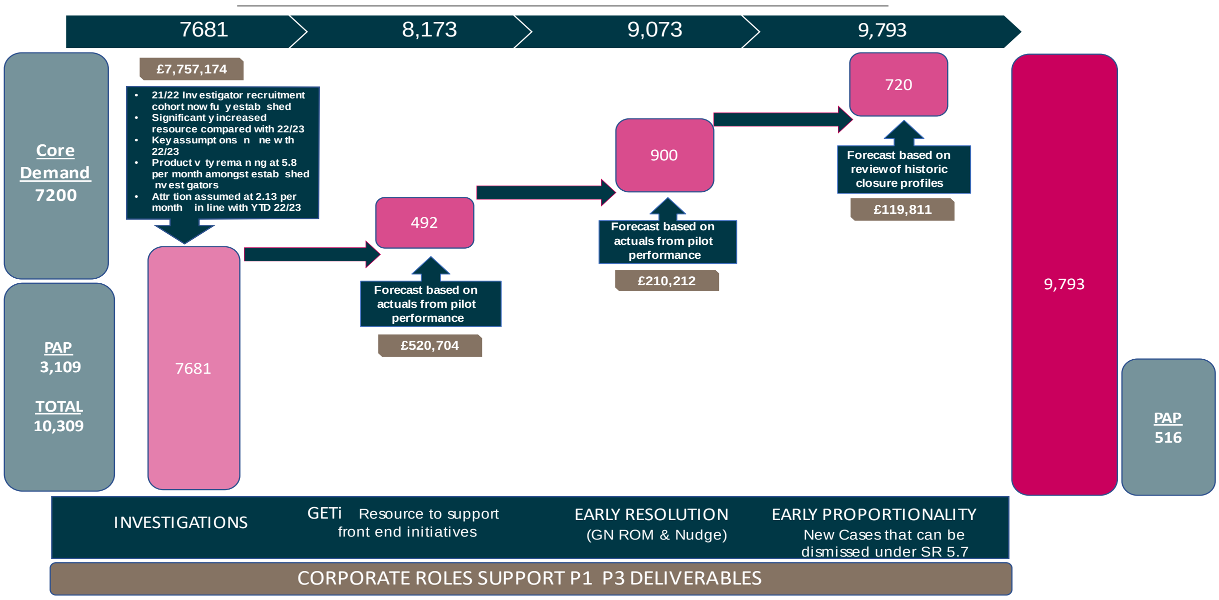
To go beyond this, we are looking to the work which is being generated as a result of the Scheme Rules review. We have redirected limited resources to trial a front-end team which will allow LeO to make reductions to the number of customers waiting in the PAP by considering dismissal of those cases where there is no evidence of a service failing or where the detriment to the customer is minimal. This will mean those customers receive the answer they need from LeO, even if it is not the one they hoped for, much more quickly.

Initial indications suggest that, if appropriately resourced, this initiative could help reduce the PAP by around 800 cases in under 6 months. In doing any of this work within existing resources, we will need to be alive to the risk of deploying experienced staff away from other areas of the business process unless new resources can be funded. The waterfall charts below show the impact that LeO expects over the next 2 years on closure numbers and the reduction of cases waiting in the PAP. To support this work, there are further initiatives in the pipeline that are **not** included in the forecast trajectories. .

Closure volumes by initiative – 2022/23



Closure volumes by initiative – 2023/24



2022/23 priorities

Priority area	Focus area	2021/22	2022/23
P1: Increasing performance and productivity	Developing and implementing a new attraction and retention strategy to increase likelihood of getting the correct number and quality of people in the business to meet forecast targets	**Completed:** • Recruitment of over 70 new roles within the business since April - November. • Revised induction process which is now moving to a "Grad Bay" structure to support new starters. • Procured managed recruitment service to find the right number/quality of people are identified for roles. • Filled around 40 investigator roles to achieve staff complement for start of 2022/23 and over recruit to plan for attrition in Q1 and Q2 2022/23. • Refreshed and renewed approach to operational delivery and leadership to better use ideas from LeO's people to develop innovative ways of working for the benefit of the customers. **Ongoing:** • Build our attraction strategy to make the Legal Ombudsman a great place to work for both existing and new staff in a highly competitive job market. • Options for hub strategy. • Benchmarking pay and conditions. Review and agree revised Reward	• Implementing the outcomes from this work. It will also go further to address and overcome pre-existing constraints which are limiting the Scheme's ability to deliver. • For LeO's workforce the focus will move to a broader People Strategy, with themes such as talent management and succession strategy, career progression, employee engagement, and leadership and management development. A refresh of key HR policies will also have been concluded, which include development of a new performance management framework, probation, personal development review, performance improvement and support, sickness absence, disciplinary and grievance policies • Funding of Option Two will further allow the new Front-End Team to review every case as it arrives into LeO and intervene in the PAP to identify cases which would benefit from a different pathway to the usual investigation.

		and Recognition Strategy (end of Q4). • Organisation-wide training needs analysis (Q4).	
	Performance variation	**Completed**: • Analysis of performance variation across investigator community to identify those needing support. • Team Leader Development programme to support operational staff and work to minimise difference in performance variation across investigator community • Variation reduced amongst established investigators	• Performance variation data implemented within Power BI to allow proactive and frequent monitoring and support for performance variation within operational teams. • Extend implementation of Leadership Development Programme for current and aspiring managers across whole organisation. • Update and implement core HR policies such as performance management and succession planning which support both core performance and wider organisational stability.
	Forecasting	Development and implementation of revised forecasting model which links to CMS and workload management tools.	
P2: Innovation and improvements	Pre-Assessment Pool	**Completed**: • Pilot approaches such as Guided Negotiation and Reasonable Offer Made • Initiation of GET investigator pilot • Creation of a Front-End Team to test potential further proportionality to determine complaints which are likely to result in no poor service earlier in the process and without the need to await further investigation.	• Mainstream PAP pilot projects where appropriate eg Guided Negotiation and Reasonable Offer Made • Review impact of GET investigator role on case flow and transfer into business as usual. • Implement further proportionality to determine complaints which are likely to result in no poor service earlier in the process and without the need to await further investigation. This will involve

			investment of experienced and skilled ombudsman resource at the front end. • Implementation of demand management
	Scheme Rules	**In progress:** • Test implementing a proportionality and no detriment test. • Work towards Q4 consultation	• Implement any proposed changes to Scheme Rules (subject to consultation) through Business Process re-design. • Design and consult on phase 2 of Scheme Rules and process review to ensure effective end to end process and potential role of ADR strategies. • Map out benefits of a fully revised set of Scheme Rules.
	Ways of working	• Various projects to improve different parts of the process such as scoping and endorsement Specialist areas of law teams	• Take forward suggestions arising from Scheme Rules and process review.
	Automation innovation	Phase 1 of Robotic Processing Automation	• Take forward AI projects which will maximise the effective delivery of service either through business efficiencies or internal learning.
P3: Learning and insight		**Completed:** • Set up organisational learning group. • Business case for publishing decisions. **In progress:** • Scheme Rules and business process review (brought forward from Q4). • Quality Indicators work, including supporting CLC and SRA pilot project.	• Respond to and support key work taking place in the sector: for example, unregulated sector and transparency and quality indicators. • Review and consultation of Publishing Decisions policy subject to outcomes of Quality Indicators pilot and Category One review. • Build our capacity to deliver a learning and insight programme that supports and encourages best practice and change in the sector.

e) Contingency plans should the forecasted performance trajectory not be met.

The Legal Ombudsman has a range of planned actions to deliver the customer outcomes in the 2022/23 Business Plan which mitigate the risks to and provide a contingency for delivering for our customers. These include:

- Investigations
- Early resolutions
- Business change and new customer-facing roles which improve outcomes
- Intervention in the PAP to resolve cases pre-investigation contributes to proportionality of resolution
- Improved recruitment strategy to ensure sufficient pipeline of joiners to LeO.

A key risk to delivery, as it was in 2021/22, is resourcing LeO to the level needed to deliver. The move to national recruitment with a recruitment partner will provide this. Our **contingency** should this prove ineffective in future is to shift our recruitment to a hub-based model, diversify from a single site location and use MoJ estate to provide alternative workplace locations.

Recruiting investigators is a key interdependency on the forecast outcomes. Our **contingency** would be to have an in-principle decision as soon as possible on outsourcing and how it relates to the Legal Services Act. This would then allow LeO to use off-payroll staff to undertake casework and achieve case closures, thereby bolstering its workforce planning.

The early resolution activity aims to deliver sufficient closures to significantly impact case closures and the subsequent reduction of the PAP. Should this work not deliver as anticipated the **contingency** would be to change processes via the Scheme Rule changes which LeO is consulting on. The proposed changes to rules will deliver outcomes which are not currently within the trajectories.

In undertaking all these activities, LeO will seek assurance that there would be no adverse or unintended consequences for those using LeO, or for the quality of LeO casework.

Our pipeline initiatives, which provide important flexibility and contingency in the event of fluctuations in demand for our service, are set out again below for completeness.

Initiatives that are not included in forward trajectories (pipeline initiatives providing important flexibility and contingency in the event of fluctuations in demand for our service)				
Initiative	**Objective**	**Timing**	**Quantified performance improvement**	**Confidence level**
Further work with national recruitment partner	Potential future use of recruitment partner.	As required	By recruiting nationally, LeO widens the recruitment pool and will be more attractive in the market in other areas of the UK – helping us to remain at full complement. However, this will involve a cost to LeO and so will be carefully considered.	
Hub strategy	To diversify from single-site location, explore use of MoJ estate and match national recruitment outcomes to potential hub locations	Q1 2022/23	This strategy works alongside national recruitment and supports our long-term aim as a standard way of attracting recruits to LeO	
Outsourcing	To explore bringing off-payroll workers into LeO to work on casework and/or package up casework to be progressed outside of LeO. Testing of options around Legal Services Act which impact feasibility and timing of option appraisal. Engagement with MoJ and LSB required.	Through 2022/23	Impacts on customer journey times, reduction in PAP and case closures.	
Scheme Rule changes	• Removing obstacles to efficient and timely investigations • Supporting early resolution initiatives such as proportionality and demand management • Incentivising pragmatism and commerciality toward early resolution of cases • Reducing the level of reliance on ombudsman decisions	Consultation: Q4 2021/22. If changes agreed: Request approval of proposed changes: Q1 2022/23 Implementation and process changes: Q2-3 2022/23 Realisation of full impact: Q4 22/23 onwards	Improvement to customer journey time and closure numbers which will support the reduction of cases in the PAP. Will rebalance LeO to resolve cases with minimum formality.	

Specialist law teams	• Development of small specialist law teams to provide support to complex probate and personal injury casework • Better consistency of investigation and customer service • Targeted feedback to the sector	Development Q4 2021/22 Implement fully 2022/23	Will support the deliverables and activities associated with Priority Three in the sector providing feedback to the profession	

Criteria 3

A robust business case that clearly demonstrates the linkages between any additional resources sought to the expected benefits across operational performance (including staff morale), policy and impact, and other relevant activities.

The 2021/22 Business Plan set out a multi-year approach to improvement and to the budget as the OLC sought to invest in new investigative teams over those two years. It included a proposed budget increase for 2022/23 to £15,024,352.

We have actively considered and assessed various cost options as detailed in section 3 of the draft Business Plan 2022/23. One possibility was of no budgetary increase, maintaining the 2021/22 budget into 2022/23 and to not seek the planned additional 3.8% budget increase set out in the Business Plan in 2021/22. However, this has been ruled out on the basis that this planned increase is intended to pay for the full-year effect of new investigative teams recruited and trained in 2021/22.

Without a planned increase LeO would not be able to realise the benefits, nor the productivity, of the investment of new starters made in 2021/22. Our assumptions and forecast trajectory for customers would be adjusted significantly downwards, with increased instability and impact on our ability to continue to develop and implement new initiatives and further changes to ways of working.

A number of additional costs and costs pressures have been absorbed by LeO through efficiencies and savings from the existing budget – totalling £140,000. These include:

- The costs of additional operational leadership and management support; and
- Additional NI cost across LeO.

The costs, which LeO has absorbed, of additional operations leadership (one Operations Manager and two Team Leaders) are an essential investment as we seek to further focus on performance improvement including managing performance variation. These posts directly contribute to operational performance and delivery to customers.

The make-up of the workforce has changed in 2021/22 and will continue to alter in 2022/23. A substantial and growing proportion of investigation staff have been in post for less than 12 months, which will require additional leadership support to drive retention, productivity, engagement and customer service. Without these posts we will not be able to maximise the productivity of our new starters nor support those investigators whose performance is lower than we need it to be. It is emphasised again for clarity that these posts are being funded from **within** existing budget savings and are regarded as essential to allow LeO to deliver the scale of performance improvement and increase in closures forecast in the Business Plan assumptions across 2022/23.

Option Two adds additional costs of £188,000 (1.3% of overall budget) for the creation of a new Front-End Team of Level 2 ombudsman focusing on cases at the initial entry point into LeO. This skilled team will assess cases in the PAP, with a view to making early decisions on whether they could be concluded without the need for investigation. Using our most experienced ombudsman level resource in this initiative will provide assurance as to the quality of the outcomes, and ensure there is no adverse impact on customers, including those in vulnerable circumstances.

This initiative would focus on the proportionality of carrying out an investigation in light of the likely eventual outcome. Quick resolution of these cases has the potential to reduce the number of cases in the PAP over the course of 2022/23 by between 500 to 1000 cases. Further, by addressing cases whilst in the PAP, we would also be able to significantly reduce the amount of time a customer has to wait before their case is considered.

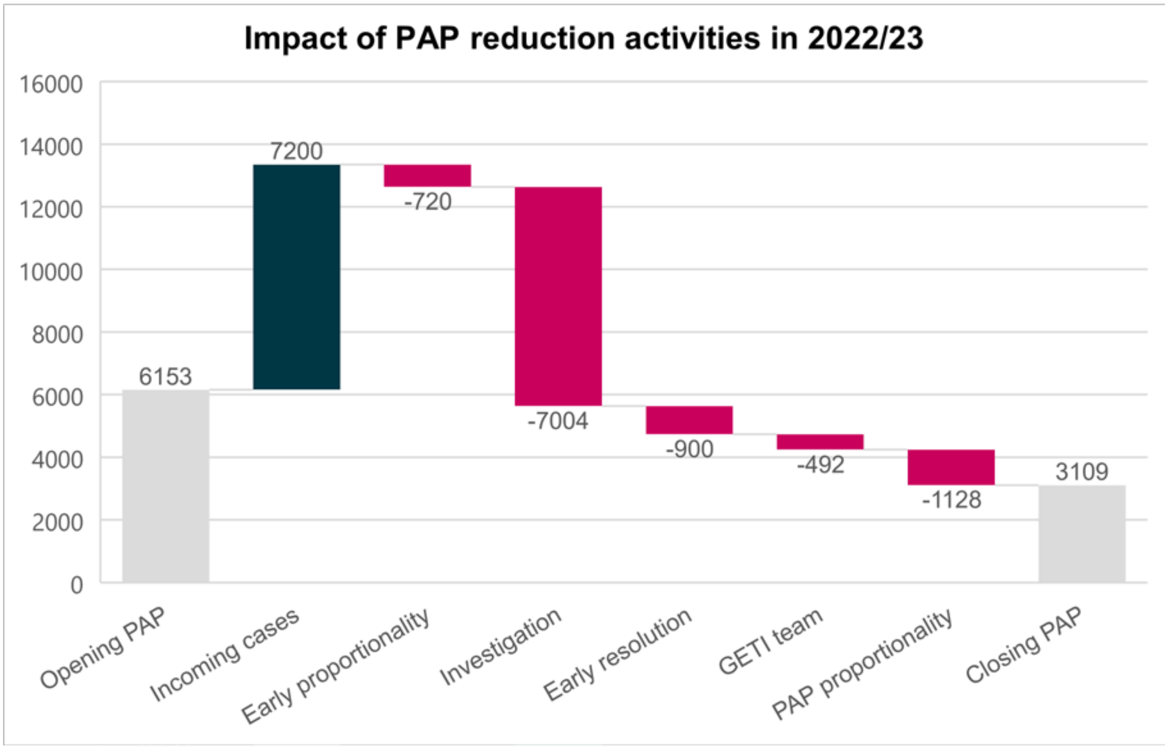
This approach will also be complemented by a focus on managing the level of demand coming into the business. The same ombudsman resource will also be deployed to review new cases as they first reach the Legal Ombudsman. This will combine clear and realistic customer expectation management from the outset and the application of an ombudsman decision at the earliest opportunity to decide not to accept a complaint for investigation where this would not be proportionate.

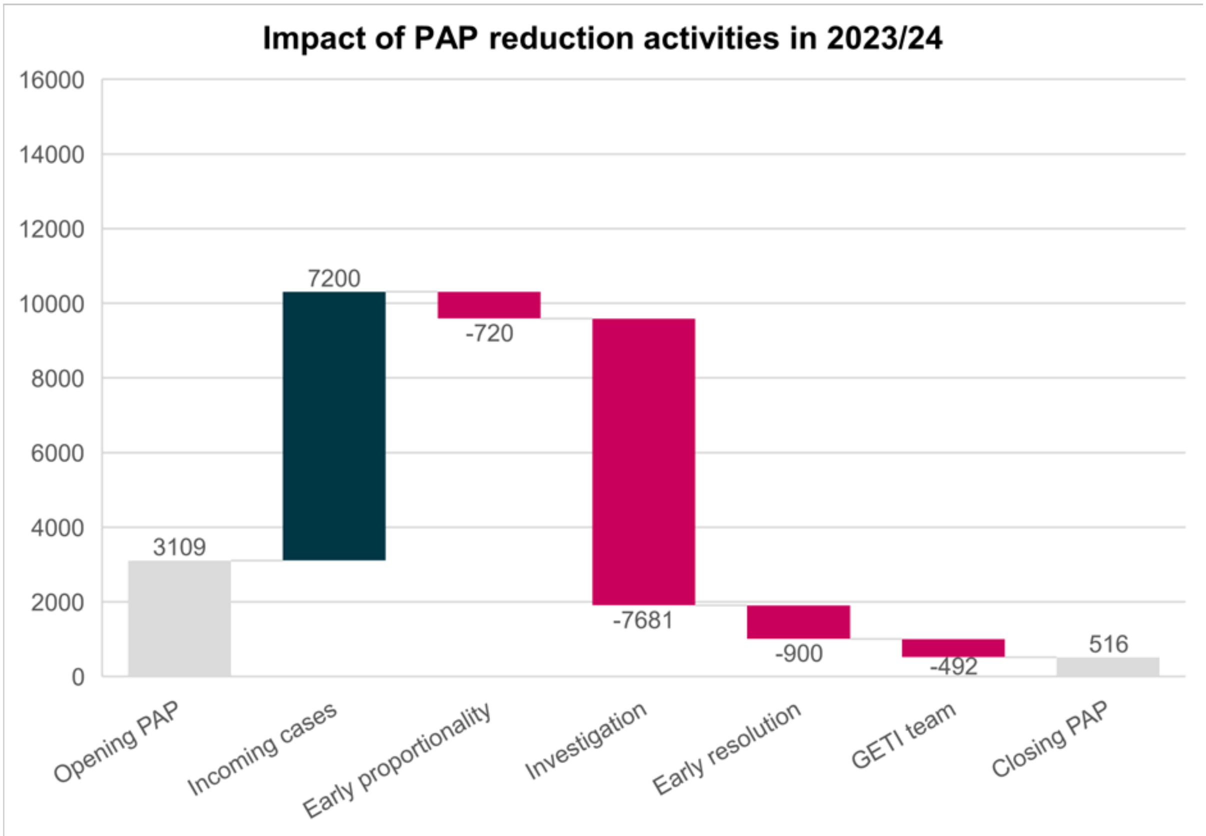
This approach will enhance the impact of the proportionality work on the PAP in 2022/23 and will continue to help reduce the size of the PAP through into 2023/24.

Resource permitting, and subject to the appropriate testing, these initiatives could combine to reduce the PAP by the end of 2023/24 to a figure between 500 and 1,000, against a current forecast of 2,985 without these interventions. Given the direct correlation between the PAP and customer journey times, this will bring with it significant further reductions in the overall customer journey time and improvement in the customer experience.

Current trajectories shows that low-complexity cases will have an average circa 100-day customer journey time, medium-complexity cases 339 days, and high-complexity cases will have no wait time in the PAP with only investigation time being the total time for the customer journey. The additional investment of £188,000 represents 1.3% of the budget and will deliver a range between 1200 and 1600 closures for the year. This represents a reduction in the PAP by the end of year 2 of between 33% and 39%.

The charts below show how each of our PAP reduction activities will contribute to case closures across 2022/23 and 2023/24.


Impact of PAP reduction activities in 2022/23
16000
14000
12000
10000
8000
6000
4000
2000
0
7200
-720
6153
-7004
-900
-492
-1128
3109
Opening PAP
Incoming cases
Early proportionality
Investigation
Early resolution
GETI team
PAP proportionality
Closing PAP


Impact of PAP reduction activities in 2023/24
16000
14000
12000
10000
8000
6000
4000
2000
0
7200
-720
3109
-7681
-900
-492
516
Opening PAP
Incoming cases
Early proportionality
Investigation
Early resolution
GETI team
Closing PAP

Staff morale

We recognise that staff who are engaged and feel listened to and valued will perform more effectively. Staff engagement and wellbeing will continue to be a key focus for LeO, and we will build on the encouraging findings of the 2021 Civil Service People Survey: an 8-percentage point increase to 50% in our employee engagement measure compared to pre-pandemic figures, and an increase in satisfaction levels across 8 of the 9 core themes of the survey, with the most improved themes being:

- Leadership and managing change (+20pp)
- Inclusion and fair treatment (+16pp)
- My work (+14pp)

Also encouraging were the responses to the wellbeing aspects of the survey - the PERMA index, which measures the extent to which people are flourishing at work, increased to 71%, an increase of 4% compared to pre-pandemic results, and the Proxy Stress Index score, of which a score of 100% indicates the most negative response, saw an 8-percentage point improvement.

The findings of the People Survey will inform the development and implementation of our People Strategy for 2022/23.

Policy and impact

Sharing insight about the causes of complaints helps legal services providers and their customers avoid the substantial time, cost and frustration inherent to the complaint process. It is also an important factor in managing demand for LeO's service preventing cases being added to our front-end queue unnecessarily; while many cases will rightly need LeO's involvement, others could and should have been handled better first time or prevented altogether by service providers.

We will build on the progress we made in 2021/22 to build the internal structures we need to generate learning and insight, and the mechanisms to provide feedback to service providers at the point they need it. While both we and stakeholders recognise the importance of this work, the greatest proportion of our focus will continue to remain on our operational performance.

Criteria 4

An explanation of how value for money will be delivered and measured.

Effective ombudsman schemes have a substantial value to the sectors and markets they cover, helping boost consumer confidence in engaging with service providers. Their value also lies in the feedback they share with regulated businesses and stakeholders more widely, helping drive up standards and prevent complaints arising.

In developing the 2021/22 Business Plan we reflected on the fact that historically LeO had monitored the cost of delivering the Scheme by reference to a Unit Cost financial measure. This is calculated by dividing the cost of delivering the Scheme by the number of cases concluded in the relevant period. While this measure does, in very simple terms, reflect the cost of running the Scheme, it is a one-dimensional metric that does not adequately reflect the value and breadth of work carried out by LeO. For example, if we invest in sharing insight or our service provider helpline, if case closure volumes remain the same, our unit cost will increase even though we may have prevented significant volumes of complaints.

In an effort to identify a tool which provided the desired level of granularity we looked at how other ombudsman schemes reported on their financial performance. Following this research, we concluded that alongside ourselves only the Financial Ombudsman had a performance indicator relating to Unit Cost, and that although other schemes reported their financial performance, they did not have a KPI in this area. Therefore, in the absence of alternative reporting tools being used by other ombudsman schemes we reflected on models used within the public sector and settled upon the NAO 4Es model as a tool that could provide additional granularity that was sought.

We have used the 4Es model over the course of this financial year to date and it has been reported as part of the Agreed Data Set (ADS) accompanied by a simple RAG rating and brief supporting narrative for each metric. However, having used the model for a year we now acknowledge that the initial iteration only provides a point-in-time snapshot of the VFM metrics and therefore does not enable stakeholders to track the performance trajectory and outputs that have been evidenced over the course of the year.

Delivering VFM in 2021/22

LeO has worked hard over the 2021/22 financial year to ensure that value for money is a consideration in all decision making. Increased levels of challenge and rigour have been introduced when it comes to all forms of expenditure and business activity.

- All recruitment activity is subject to review at Executive team level to ensure that the intended additional resource is the most effective use of funds and is best placed to improve performance and customer experience. The same degree of challenge and rigour has been applied to all proposed recruitment for the 2022/23 financial year.
- All departments now have monthly finance meetings where spend against the in-year budget is tracked and future spend forecast.
- Monthly business performance meetings across all teams enable our Executive team to have greater oversight of the work being done in each of those areas and the risks facing each team.
- Where required, all the activities outlined in the 2021/22 Business Plan have been managed by strict project methodology to ensure that progress is maintained, resource is effectively deployed and that project costs are tightly controlled. This methodology will continue to be applied in 2022/23.
- The OLC Board Performance and Quality Task and Finish sub-committee has been reconvened to ensure that all the assumptions that underpin the OLC Budget for 2022/23 have been robustly challenged and tested, to ensure that projections for future delivery are as reliable as possible and can be used to provide stakeholders with confidence about the ongoing improvement trajectory.

The VFM metric enables us to evidence that our output is being hindered both by fluctuations in the output of our more experienced, established, investigators and by the fact that a sizeable proportion of the investigatory workforce is made up of relatively new starters whose productive output is lower than that of an experienced investigator.

The VFM metric also shows that not enough cases are being closed informally. The fact that a significant proportion of cases require some degree of ombudsman input further hinders early resolution of cases, thereby increasing investigation age and customer journey as well as increasing overall cost.

The level of customer satisfaction, as well as quality of output and service, remains positive and provides confidence that the work LeO delivers is of a high standard once an investigation is commenced.

Taken together, we believe the data supports our key areas of focus – namely reducing performance variation in the investigator cohort and pursuing pilot initiatives focused on early resolution – are the right ones. The continued focus on these areas will help improve confidence that LeO is able to deliver a value-for-money service.

Planned improvements in 2022/23

This level of rigour applied to our work in 2021/22 has informed and underpins the 2022/23 budget and Business Plan, and all activity that will be undertaken over the remainder of 2021/22 and into the next financial year. We believe that some further enhancements to the existing VFM metric will enable us to provide stakeholders with increased levels of assurance that our plans for 2022/23 are moving LeO in the right direction and enabling us to deliver an increased VFM proposition.

We propose refreshing the VFM tool in the monthly ADS by introducing some additional metrics and by also reporting historic month on month data alongside the latest month’s data, as set out below.

- Reporting the number of files closed pre-investigation will provide stakeholders with a high level of insight into the work being done at the front end of the LeO process.
- The combination of converting productivity per established investigator to a percentage, and reporting the percentage of established investigators, provides insight as to performance against expectations. Further, reporting the percentage of cases closed by agreed outcome alongside the other quality metrics will help show the outputs of the focus on early resolution and reduced reliance on ombudsman decision work.
- The inclusion of customer journey and investigation age metrics will also help show the work being done to improve the overall customer journey and provide assurance that our focus is not just on reduce wait times in the PAP but also on driving improvements in our investigations.

The proposed new format of the tool will enable stakeholders to observe a suite of key metrics together and to use that, along with a more detailed narrative, to understand how efficiently and effectively the Legal Ombudsman is performing and where there is room for improvement.

LeO and the OLC Board will also be able to use this tool as a way of identifying where interventions are required in the effort to reach a sustainable balance between operational delivery and quality/customer satisfaction.

				March	April	May	June	July	August	September	October	November	December
Economy													
PI17	Budget variance against forecast		Link	8%	-13%	-10%	-14%	-11%	-1%	-5%	-6%	-9%	-4%
KPI07	Quarterly and rolling turnover rate		Link	11.00%	11.10%	10.80%	13.20%	14.80%	18.00%	18.30%	20.30%	23.30%	24.30%
Efficiency													
KPI06	Unit Cost		Link	£2,226			£2,136			£2,866			£3,193
PI01	Service Level - General Enquiries Team		Link	99%	60%	45%	55%	94%	98%	55%	49%	46%	47%
MI12	Files closed pre investigation		Link	2287	1600	1858	1926	1841	1627	1324	1350	1565	1335
KPI08	Volume of cases awaiting assessment (PAP)		Link	4637	4829	4840	4924	5068	5552	5664	5677	5748	5796
MI11	Cases closed		Link	488	552	458	491	418	393	388	419	465	371
BM01	Productivity per (established) investigator		Link	91.27%	79.52%	75.87%	89.21%	78.57%	77.14%	77.30%	91.11%	88.73%	71.90%
BM03	% established investigators		Link	82%	100%	100%	100%	81%	80%	72%	69%	61%	60%
PI14/PI15	External engagement		Link	2	2	2	0	0	1	2	2	5	0
Effectiveness													
MI11	Cases closed by agreed outcome		Link	38%	36%	38%	39%	34%	36%	37%	39%	38%	35%
KPI02	Customer Journey Time (end-to-end KPI)	l	Link	40%	70%	68%	68%	74%	65%	61%	59%	66%	63%
		m		29%	84%	91%	79%	72%	66%	54%	45%	58%	42%
		h		25%	0%	23%	21%	9%	17%	0%	27%	25%	11%
PI03	investigation age (average days)	l	Link	96	95	90	91	81	97	96	88	80	80
		m		140	147	127	144	139	148	149	134	148	136
		h		135	179	226	254	266	217	168	167	161	244
KPI03	Customer Satisfaction		Link	89%			88%			92%			88%
KPI01	Quality - Reasonable Outcome		Link	93%			92%			89%			93%
PI08	Quality - Reasoanble service		Link	91%			89%			92%			84%
KPI04	% of service providers who find LeO training useful		Link	69%									
KPI05	Stakeholder satisfaction		Link	73%									
Equity													
ED&I	Measure TBC, but currently based on analysis of our customers compared with consumers of legal services		TBC										

We think that this revised VFM model, along with a supporting narrative, will also enable stakeholders to track the delivery of our key strategic objectives of:

- Improving the experience of our service for complainants and service providers while using our expertise to guide and add value
- Increasing the transparency and impact of our casework to support greater access to justice
- Developing our service to ensure it is appropriate for the evolving legal sector.

The table does have its limitations in that it does not enable us to evidence, easily and comprehensively, the work being done around the other key objectives of insight, engagement and innovation. As a result, the VFM reporting in the ADS will always need to be accompanied by a supporting narrative which explains the work being done which is not captured by the ADS.

For example, the narrative would provide further insight into:

- The outputs of the front-end pilot initiatives and the proportion of early resolutions.
- The pilot initiatives being investigated and pursued within the operations teams, all of which are focused on driving business efficiency, increasing operational performance outputs and improving the customer experience by

encouraging cases to be concluded quickly and with minimal formality where possible.

- The ongoing work around the application of AI and Machine Learning which will ensure that our model is able to cope with the evolving technology sector and the changing nature of the legal profession.
- The insight and engagement work that is planned over the remainder of 2021/22 and into 2022/23, which will increase the outputs noted in the VFM table but will also help us disseminate the learning from our casework back into the legal sector, driving efficiencies and reducing the level of demand for our service in the long term.

The added granularity of the revised tool, when combined with the supporting narrative, will enable us to provide stakeholders with increasing levels of assurance that we are committed to delivering value for money.

There remains further work to be done to fully optimise the VFM tool. Although, for example, significant progress has already been made in relation to our approach to, and reporting of, Equality & Diversity following the appointment of a dedicated ED&I manager, more work is required to understand how our service is accessed by all consumers of legal services and what obstacles there might be. This means we are not yet in a position to report against the 4th E, Equity, but we are working with the ED&I manager to understand how we can enhance our reporting capacity in this area. Again, progress against this will be reported in the supporting narrative of the VFM tool in the ADS and to the OLC Board.

Looking forward into 2022/23, we are actively considering the potential benefits of accessing external independent knowledge and expertise to conduct a peer review of our approach to VFM and to compare our approach to those adopted by other similar organisations within the ombudsman and wider complaint-handling sector.

Criteria 5

An explanation of how the proposed budget would promote equality, diversity and inclusion for both colleagues and the Legal Ombudsman's customers. As part of this, details of any plans to measure for any disproportionality of complaint outcomes.

There is a renewed strategic focus on promoting Equality, Diversity & Inclusion (ED&I) within LeO and developing a strategic approach to embedding ED&I for our people and our service to customers. This has been strengthened significantly with the appointment of the ED&I Manager early in 2021/22. Their early priorities have focused on the development and implementation of a solid ED&I framework, laying the groundwork for tangible and specific actions and change in 2022/23. This is reflected in the updates below.

The budget proposal includes £62,000 (all costs) for the ED&I Manager role. The training budget will also cover ED&I training requirements.

Strategic ED&I focus

We have implemented an Equality Impact Assessment (EIA) policy and procedure to ensure that we meet the requirements of the Equality Duty and identify active steps to promote equality and improve policy development and service delivery. This includes building EIA into the business-planning cycle and linking it to the risk register, to ensure that we are identifying and monitoring potential ED&I issues from as early a point as possible.

LeO has initiated a comprehensive consultation and engagement plan with all stakeholders to develop proportionate and relevant Equality Priority Objectives. This provides a clear strategy and plan to achieve LeO's aspirations to become a more inclusive place to work and improve the ED&I focus in providing our service.

Building our community

We will continue to work closely with our staff networks on delivering the Equality Priority Objectives and supporting the development and implementation of corporate plans. This includes delivering objectives within the Race Action Plan, the Race at Work Charter, becoming a L3 Disability Confident Employer and benchmarking against other ombudsman organisations and the public sector. LeO will continue to build relationships with the networks to develop 360 feedback on improvement to build trust and confidence.

Since their appointment, the ED&I manager has built up a network of ED&I specialists across the ombudsman, public and legal sectors, identifying opportunities for collaborative work, identifying best practice, and sharing of knowledge. LeO has worked closely with the Ombudsman Association to establish an ED&I Strategic Group and will continue to increase their influence in the ombudsman sector.

LeO will continue to look at opportunities to link directly with regulators and our service providers to effectively improve our feedback to the profession, particularly service providers with protected characteristics, as part of business priority three.

Diversity and inclusion training

Development of diversity and inclusion training will play a crucial part in the success of embedding ED&I into LeO. A number of factors (including a combination of engrained stereotypes, unconscious bias, microaggressions and reliance of traditional talent routes) can impact the effectiveness of recruitment processes and limit the effective recruitment of a diverse talent base. How we attract and retain talent will be a priority area of focus for training.

Recognising the critical importance of senior commitment and leadership, in 2021/22 we provided inclusive leadership training for the Board and Executive Management teams to increase competence and confidence in mainstreaming and embedding ED&I in LeO, the management of staff and delivery of our service. In 2022/23 inclusive leadership training will be delivered to all management team and team leaders to engage leadership in the rationale and importance of inclusion to delivering performance goals.

The ED&I manager will also be working closely with Head of People Strategy & Services to deliver the key objectives of the People Strategy related to improving our attrition and retention of staff and employee satisfaction. Understanding staff turnover and the reasons why employees leave may help identify why we may not be attracting specific groups.

We have reviewed and updated our current induction and learning and development programme to include focus on ED&I issues. This has had a direct impact on providing an inclusive customer service and improving the feeling of inclusivity within the organisation. The ED&I Manager introduced the new two-hour induction focusing on ED&I and inclusive of reasonable adjustment training for our new cohort in July.

ED&I reporting

ED&I dataset reporting will be provided to the OLC Board regularly. This will assess potential or actual bias and barriers facing our staff and service users and provide assurance that we are delivering our Equality Priority Objectives. It will also identify critical issues and inform future planning. This will be undertaken in conjunction with the newly appointed OLC Board ED&I Sponsor.

The ED&I Manager will work with Business Intelligence and HR to create an agreed data set that will provide assurance that we are compliant with legislative requirements, understand and are consistently working towards becoming a diverse and inclusive organisation. They will also use equality data to complete detailed analysis and establish a baseline of customers accessing our service and outcome of complaints to identify potential accessibility issues or differences in outcome. We will monitor and report on any significant changes of working practices or business processes which could raise ED&I issues.

We propose the agreed data set should include but not be limited to the following:

Customer ED&I data to reported on annual basis

- Diversity profile of customers accessing our service compared to legal service users
- Diversity profile of customers and analysis of case/complaint outcome, if there is any disproportionality around case outcome and resolution
- Diversity profile and customer satisfaction at end of process
- Diversity profile of customers who have a service complaint, including complaint types and outcomes
- No of reasonable adjustments and vulnerable customers
- Sector benchmark – including Disability Confident Scheme, Race at Work, Stonewall Workplace Index.

Diversity in the workforce

- Demographic of staff by protected characteristics
- Demographics of promotions, secondments and leavers, grievances
- Legislative reporting – gender pay gap, ethnicity pay gap
- Recruitment process – particularly focusing on the hiring process. Looking at proportion in terms of applicants from a diverse background, compared to the number of interviews, to job offers across the organization and within each function. This will highlight any issues that may occur in the process
- Qualitative data through employee feedback from civil service and employee feedback services, focus groups, staff networks and how these impact on the people plan.

Criteria 6

A summary of where the budget has changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.

The feedback received from the written responses and face to face engagement highlighted the following themes:

Confidence in LeO and the trajectories for recovery

Nearly all stakeholders were in agreement that their confidence levels in the Legal Ombudsman have improved from this time last year. There is a direct level of support extended to the senior leadership of the organisation, and recognition that confidence levels have increased as a result of increased engagement, openness, and transparency around the progress made and the challenges which remain within the organisation. This was echoed throughout the face-to-face engagement and the written responses received.

A small number of stakeholders responded to say that their confidence levels were lower due to the length of time it is taking for complaints to be resolved. The consultation document was explicit in stating the unacceptable wait times for customers in the Business Plan and reflect that this has been compromised by the insufficient number of people in the organisation to deliver the service required.

Whilst recognising the measures we are taking to try and address performance, there is a level of concern expressed in some of the responses that the trajectories outlined in the consultation document may not be achieved. The scepticism was driven by the recruitment and retention issues carried into 2021/22 and the concern that these would not be easily resolved in order to drive up performance in the timeframes specified. The retention of staff was also seen as important as the adequate recruitment of new starters, and this was also echoed in the staff consultation sessions that took place.

In subsequent engagement, in particular the February 2022 meeting of the Challenge and Advisory Group, stakeholders asked for further clarity around our trajectory. We have been able to provide further assurance around the rigorous testing of our assumptions, how these will be monitored, and the contribution of different initiatives to our delivery plans, including the high degree of confidence we have in core areas such as investigator resourcing. This update has also been shared in February 2022 with all those who responded to the consultation.

Budget increase

There was limited support expressed in the consultation responses for the proposed additional 1.3% budget uplift. The responses largely outlined two reasons:

1. The Legal Ombudsman has not met the minimal level of recovery outlined in the 2021/22 Business Plan; and
2. The impact an additional uplift will have on service providers and the potential that the uplift could be passed onto consumers.

There were a number of responses which referenced the fact that the 2021/22 Business Plan was a two-year recovery plan and therefore already built in a level of uplift for the 2022/23 business year. Some views expressed that the OLC levy charged to regulators is already disproportionately high and approval of the budget last year was on the understanding that we would deliver an acceptable level of service with the increase. Support for an additional increase could not be given whilst questions remain over the ability to deliver against future performance targets outlined in the draft business plan.

The additional 1.3% was also not seen as proportionate due to the published underspend at that point in the year of £659,000. Whilst this is largely accounted for through the high number of vacancies which have been consistently carried throughout the year, some stakeholders believed the issues which have resulted in not being able to meet adequate FTE numbers would continue into 2022/23 and will therefore mean that we would again not able to utilise our full budget.

The impact on service providers and the risk that the increase could be passed onto consumers was a concern raised in a number of responses. There was recognition that service providers are still affected by the business impacts of Covid-19 and therefore any increase in the OLC levy would not be accepted. It should be noted, however, that there was a level of support expressed by the Legal Services Consumer Panel and a legal sector stakeholder, both recognising that to achieve the ambition outlined in the Business Plan we would require additional investment.

Customer journey and value for money

One of the questions asked within the consultation document was whether the Legal Ombudsman should place more emphasis on individual customer experience, the value for money the service provides, the wider impact of the scheme or other measures. There was strong support for a more detailed focus on the customer experience element of the PAP, and specific recommendations that the data provided should better outline the impact recovery will have on customer journey times.

There was a recognition that timeliness is important to consumers as well as the quality of the customer journey or experience, and the quality of the communication throughout the process. Reducing the size of the Pre-Assessment Pool (PAP) should remain a key focus as ultimately this will improve customer journey times and overall satisfaction with the service provided.

Some of the responses focused on the value for money element of the service provided. There is a high cost-per-case of an investigation and the fact that this is already double the cost of some other ombudsman schemes was concerning to stakeholders. Data and information around value for money was proposed as a ‘barometer’ for progress and whether the efficiencies made by the organisation are reducing costs.

Ongoing dialogue and data

We have committed to being more open and transparent with our data, as well as opening up additional communication channels with stakeholders to ensure visibility of the progress that was being made across the business year. The introduction of a Challenge and Advisory Group to aid accountability has been well received and has enabled stakeholders to better understand the real time challenges the organisation is facing as the recovery process continues.

Importance of radical solutions

There was a general consensus that the radical solutions outlined in the consultation are the right initiatives to be pursuing. A small number of stakeholders only supported introducing radical options if a minimum level of consumer protection could be embedded within them.

A number of stakeholders responded with specific support for outsourcing, and this was seen as the initiative that would deliver the biggest impact in managing the numbers in the PAP. Proportionality was also expressly supported by some respondents, who recognised a value in implementing a flexible threshold to manage complaints coming into the organisation, and the 'de minimis' dismissal of complaints. In taking these initiatives forward, stakeholders would need to be assured that any criteria or threshold applied was fair and proportionate and did not affect access to redress.

Priority Two and Priority Three

Whilst a number of stakeholders indicated that resources should be focused on priority one, there was a reasonable level of support for priorities two and three, so far as it does not affect the ability to focus on the main priority of recovery. It was noted by one stakeholder that priority three could be over-ambitious given the need to focus time and resource on managing the recovery process.

It is important that priorities two and three are seen as interconnected within the Business Plan and there was commentary included in some responses about the need to understand the short, medium, and long-term milestones and include for each priority. The inclusion of proxies and performance indicators was seen as a way of ensuring that all three priorities could be navigated in unison.

Request for more information on proportionality and Scheme Rules review

There was support for a review of the Scheme Rules to make amendments which would allow a more proportionate level of control over the progression of cases. A number of stakeholders expressed that they would like more information on changes to the Scheme Rules and looked forward to the consultation in the new year.

Extensive individual conversations with stakeholders have since taken place, ahead of the consultation process, to respond to offers of assistance and provide more detail on our proposals.

Impact of feedback on the Business Plan and budget

The consultation feedback highlighted areas where changes to the Business Plan should be considered, either in terms of the information included (or not included) or the presentation of information. Using the feedback received, the Executive Team have considered what the final Business Plan should contain, taking into account the suggestions and views put forward by stakeholders. The following areas have been considered:

Scale of ambition

It was notable throughout the consultation responses, and during conversations with the Legal Services Board, that there was a consistent level of scepticism around the achievability of the trajectories that have been included in the Business Plan. As highlighted during discussions with the OLC Board, we do not want to risk 'overselling and under-delivering' and there is a fine line between ambition and being overly optimistic.

The data that has been used to calculate the trajectories is based on performance that is being delivered by people already within the organisation. There has been a slight scaling down of the investigator closure targets and this is now representing what is already being delivered and is expected to increase as establishment continues.

Similarly, there is a high degree of confidence that the early proportionality and early resolution assumptions are achievable based on internal assessment and pilot schemes. This is demonstrated more clearly in the final Business Plan, to ensure that stakeholders understand how the PAP reduction figures have been calculated based on realistic expectations. The use of visual representations to identify the individual assumptions which make up the trajectories and forecasts has also been included to facilitate a better understanding.

Budget and value for money

Consideration has been given to the option of the additional increase of 1.3% in the budget proposals. Although there was a level of disagreement from stakeholders around increasing the budget further, there was some support for the increase, should it help deliver what has outlined in the draft Business Plan. It is understandable that there is hesitation in supporting an increase, given the ongoing pressures within the legal sector, and what we have not been able to deliver this year, but the longer-term benefits of the marginal increase should not be overlooked.

Recognising the need to provide value for money to the legal sector, we have scrutinised every area of our operations for opportunities to reduce costs, weighing these against the impact they would have on our ability to deliver our forecast performance recovery.

The final budget reached represents Option Two; however, this involves broadly the same level of investment originally anticipated over the two-year recovery journey. Due to the underspend in 2021/22 – which we have confidence will not arise in the coming year – this investment is split differently across years 1 and 2. Overall, we have delivered more at a lower cost than we originally anticipated.

The budget bid represents a 5.8% increase from 2021/22 to 2022/23. This is a minimum level of investment which is directly related to either operational delivery or attributable to known unavoidable inflationary costs. This covers three broad areas of investment: to cover the full year effect of operational staff added to the budget during 2021/22; substantial inflationary costs that we cannot absorb; and investment in a team of three senior Level 2 ombudsman to deliver the significant increase in customer outcomes from proportionality which was included as Option Two budget in our consultation.

Value for money will be a useful measure of the efficiencies being realised by the initiatives being carried out in 2022/23, including proportionality, early resolution, etc.

Interconnectedness of priorities

Feedback received indicated a need to better identify the benefits of priorities two and three in the Business Plan, particularly in relation to the primary aim of reducing the PAP and customer journey times. Priority three reflects the fact that learning and insight is an important part of managing demand, stopping complaints being referred to LeO that could and should have been resolved earlier by legal service providers or prevented altogether. The revised Business Plan demonstrates how improving information and guidance to customers and service providers will better enable this.

Style and design

There were concerns that the detail of what we expect to achieve and deliver in 2022/23 is not being drawn from the narrative and graphs within the Business Plan. Consideration has therefore been given to the overall design of the Business Plan and has been redrafted to include more infographic representations to draw out the key points and avoid misinterpretation.

Further information and stakeholder engagement

The implementation of a Challenge and Advisory Group has been a well-received over 2021/22 and has enabled stakeholders to have greater level of opportunity and chance to understand our progress of performance over the course of the 2021/22 Business Plan.

The initial terms of reference for the group outlined that it would run for 12 months until April 2022. It is clear that there is a continuing role for the Group. The terms of reference for the group will be reviewed and will reflect the change in the role of the group; from initially providing input on internal plans to reducing the PAP, through to looking at system-wide ownership including how first-tier complaint handling can work more effectively.

Further information was also requested on the Scheme Rules review. Whilst forming part of the Business Plan, further detail has been made available to stakeholders as part of the current stand-alone consultation process. Additional detail of what the Scheme Rules Review aims to achieve and the timeframes and mechanisms for achieving it have also been included in the Business Plan.

Criteria 7

The submission should confirm that the OLC has submitted a medium-term financial plan (MTFP) that reflects these acceptance criteria to the Ministry of Justice, and that wider engagement with the department has taken place consistent with the tripartite operating protocol.

We are following the MoJ requirements for MTFP reporting and submitted a medium-term financial plan to MoJ in December 2021 in line with their requirements.

Criteria 8

A summary of the governance processes involved in preparing the submission, including confirmation that the submission has the formal support of the board.

Following on from the 2021/22 Budget and Business Plan, we have introduced further rigour to the management of the Business Plan submission and the progress and management of the deliverables and activities.

Progress against milestones is shared and discussed with The Executive monthly and shared with the Management Team for information and engagement purposes.

Following the 2021/22 Lessons Learned with Executive and Board colleagues, further planning and collaboration with OLC Board members has been factored into the planning cycle to allow comments and feedback to be incorporated accordingly.

A separate milestone report has been produced and shared for LSB colleagues, highlighting the key Board meetings and relevant approvals.

During the latter stages of Q2, the formation of a revised Performance & Quality Task & Finish Group has taken place. The first meeting was held on the 1st October2021, and the final meeting to support the submission took place on 21 January 2022. The final Budget Business Plan submission was discussed with the OLC Board in early February 2022 and approval was subsequently obtained.

The Audit Risk and Assurance Committee (ARAC) received a Budget Setting Assurance paper in January 2022 detailing the budget setting process and evidence how each of the six criteria have been met. The criteria included the following:

- The consultation is thorough and any key points coming out of it are picked up by the Executive
- Robustness of the process preparation
- Checking and validation of the assumptions used and the related risks
- Simulations done to demonstrate impact changing the assumptions. ‘What if’ scenarios to reflect those risks
- Checks/verifications built into to ensure accuracy of the output
- Actions taken to deliver the outputs by the agreed timetable/deadlines.

Board approval

The draft Budget and Business Plan consultation was approved by OLC Board in November 2021.

The 2022/23 Budget and Business Plan received the approval of the OLC Board in February 2022.

Appendix B details the key milestones for the 2022/23 budget submission.

Appendix A: LSB Budget Acceptance Criteria for OLC 2022/23 Budget

- **Criteria 1**: In accordance with Schedule 15 s23(3) of the Act, an indication of the amount and distribution of resources deployed in the operation of the ombudsman scheme and the amounts of income OLC expect to arise from the operation of the scheme. This should include a clear and plausible breakdown, explanation and justification of:
    a) assumptions around the volumes predicted for 2022/23, including data on the number of new cases in the current year to date and an assessment of the likely impact of Covid-19 on demand. Please include information about how the organisation would respond in the event of volume fluctuation.
    b) staff costs and numbers broken down by function, making reasonable assumptions for vacancies
    c) estimated split of expenditure between:
        i) handling complaints about legal services,
        ii) policy and impact work, in particular to analyse and feed back to the sector learnings from handling complaints, and
        iii) anything else not covered by (i) and (ii).
- **Criteria 2: Transparency about performance, which should include:**
    a) analysis of actual performance to date in 2021/22, with reference to the minimum delivery expectations in the 2021/22 budget application
    b) risks and how they are being managed and mitigated for:
        i) the remainder of 2021/22, and
        ii) 2022/23, including an overview of sensitivity analysis of key assumptions around income prediction, case complexity and other factors
    c) the forecast performance trajectory from the present until sustainable acceptable performance is expected to be achieved mapped against different budget scenarios (analysis by month), and
    d) a summary of key current and planned initiatives designed to achieve sustainable acceptable performance, including specific actions and timeframe.
    e) Contingency plans should the forecasted performance trajectory not be met.
- **Criteria 3**: A robust business case that clearly demonstrates the linkages between any additional resources sought to the expected benefits across operational performance (including staff morale), policy and impact, and other relevant activities.

- **Criteria 4**: An explanation of how value for money will be delivered and measured.
- **Criteria 5**: An explanation of how the proposed budget would promote equality, diversity and inclusion for both the Legal Ombudsman's colleagues and customers. As part of this, details of any plans to measure for any disproportionality of complaint outcomes.
- **Criteria 6**: A summary of where the budget has changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.
- **Criteria 7**: The submission should confirm that the OLC has submitted a medium-term financial plan that reflects these acceptance criteria to the Ministry of Justice (MoJ), and that wider engagement with the department has taken place consistent with the tripartite operating protocol.
- **Criteria 8**: A summary of the governance processes involved in preparing the submission, including confirmation that the submission has the formal support of the board.

OLC / LSB - High-level milestones

21/22

Key Dates

Budget & Business Plan

June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Project Kick off		LSB – issue draft budget acceptance criteria		18.10.21 - OLC Board approval of mid-year stock take, draft budget, business plan and consultation	Formal consultation launched 1 Nov – 13 Dec	Medium term financial plan to MoJ	OLC Board review of Budget & Business Plan	OLC Board approval of Budget & Business Plan	22.03.22 - LSB Board Meeting – approval of Budget & Business Plan
				21 Oct – Issue LSB draft papers	5.11.21 – Issue LSB draft budget papers and mid-year stock take	Consultation closes (13.12.21)		25.02.22 – Issue LSB final budget and business plan submission	MoJ confirm OLCs revenue & Budget
				28.10.21– Informal OLC / LSB Challenge meeting	30.11.21 - LSB Board Meeting – mid – year stock take, feedback on draft budget and business plan	LSB – issue final budget acceptance criteria			

Unplanned

Managing Risk

Significant Risk

On Track

Complete