

November 2021

OLC Business Plan & Budget 2022/23

Introduction

1. This paper addresses the Legal Services Board (LSB) budget acceptance criteria for the Office for Legal Complaints (OLC) 2022/23 budget.
2. Option one of the proposed budgets for 2022/23 is as set in the previous (2021/22) Business Plan: £15,024,352.
3. Option two for the 2022/23 budget is £15,212,448. This is an increase of £188,095 over the budget ask for 2022/23 at the levels originally planned for 2022/23 (Year 2) and outlined in the 2021/22 Business Plan. This forms part of the two-year approach to stability, recovery and improvement.
4. The LSB set eight budget acceptance criteria, which are:
 - **Criteria 1:** A clear 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,
 - 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, this 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.
- **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 colleagues and the Legal Ombudsman's 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.

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

Criteria 1

A clear 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,*
- 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).*

a) Demand and volume

Detailed performance forecasting has been carried out based on the operational assumptions and factoring in additional assumptions being brought in from the mid-year review.

Incoming cases to the Legal Ombudsman increased between 2019/20 and 2020/21 from a usual monthly figure of 495 cases to 609 cases – a increase of 23%. Through 2020/21 and into 2021/22 it has remained static at circa 600 cases accepted into the Pre-assessment pool. There is no clear trend or analysis available to explain this demand shift there were historic differences in the way demand was reported. Through 2020/21 and into 2021/22 the monthly demand of 600 cases reported is consistent – we have no evidence to suggest this demand will alter. Changes will be monitored and reported on a monthly basis allowing the Legal Ombudsman to respond to this. The impact of any implementation of demand management measures as outlined in Section 3 of the consultation document and draft 2022/23 Business Plan will be assessed.

Detailed performance forecasting has been carried out based on the operational assumptions and factoring in additional assumptions being brought in from the mid-year review. These include

1. Reasonable adjustments in expected output - following the impact of COVID; and
2. the potential of rolled over annual leave - the impact of increased days being carried over from 2020/21 to 2021/22 which may potentially continue into Y2.

Our projections show that with all proposed initiatives, including on further proportionality and demand management, we would reduce the PAP by the end of 2023/24 to a forecast figure of between 750 and 1600. This is Option Two in our budget proposals. These changes are included in section three of the consultation document on page 31 (Appendix A).

Implementing proposed initiatives with the exception of further proportionality and demand management (Option One) shows a reduction in the PAP by the end of 2023/24 to a higher forecast figure of 2985.

Neither of these forecast trajectories takes 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.

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. Early closures, proportionality and demand management which will have a significant effect on low and medium customer journey cases from Year 2 and into Year 3.

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
21/22 BP Assumption	5129	5262	5340	5339	5282	5225	5166	5048	4939	4870	4785	4696
21/22	4840	4924	5068	5552	5664	5677	5797	5916	6041	6287	6507	6732
22/23	6702	6661	6585	6493	6394	6278	6157	6038	5903	5764	5617	5493
23/24	5283	5069	4870	4670	4479	4256	4045	3838	3616	3404	3183	2985

PAP Size - Reduction of 10% from porportionality demand												
Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
21/22 BP Assumption	5129	5262	5340	5339	5282	5225	5166	5048	4939	4870	4785	4696
21/22	4840	4924	5068	5552	5664	5677	5797	5916	6041	6227	6387	6552
22/23	6426	6260	6057	5848	5631	5403	5169	4944	4700	4459	4209	3980
23/24	3710	3436	3177	2916	2665	2383	2111	1844	1563	1290	1009	751

Customers will benefit from the outcomes of new cohorts of staff appointed in July 21 and September 21. We have already seen good Q2 performance from this cohort. The key benefit of staff recruited in Q2 2021/22 will be seen in Q1 2022/23. We also expect to see the benefits of the remainder of the cohort recruited in (15 FTE) September contributing into year 2022/23 as they become fully established investigators.

Better, real time forecasting has allowed the team to not only forecast numbers required but also determine when in the year they need to be recruited to maintain service to our customers. This wasn't fully in place in Q1 and 2 in 2021/22.

The number of cases resolved will increase from a forecast of 5069 in 2021/22 to a minimum of 7046 in 2022/23 and to a minimum of 8317 in 2023/24. However, the table below sets out these figures and the additional closures that are expected from the early resolution work that has begun this year.

With the introduction of proportionality demand there is an impact to closures from an investigation. Investigator resource will be required to dismiss cases identified which will reduce the minimum total for 2022/23 to 6064. The total closures from all activity is expected to be significantly higher with 9052 case closures which will support the reduction of the PAP to circa 750 by year 2023/24.

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

Current Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
BP Assumptions	473	520	569	596	600	600	602	619	611	611	625	629
21/22	488	458	491	418	392	388	405	406	400	392	418	413
Early Closures (GN,ROM)	53	53	69	64	61	97	50	50	50	50	50	50
Nudge Therapy							25	25	25	25	25	25
GET Investigator	0	0	0	0	0	0	0	0	0	41	41	41
Increased Productivity of underperformers	0	0	0	0	0	0	0	0	0	46	46	46
21/22 - Below the line activities	541	511	560	482	453	485	480	481	475	554	580	575

22/23	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cases closed after investigation	514	525	560	576	583	600	605	603	620	622	631	608
Early Closures	50	50	50	50	50	50	50	50	50	50	50	50
Nudge Therapy	25	25	25	25	25	25	25	25	25	25	25	25
GET Investigator	41	41	41	41	41	41	41	41	41	41	41	41
22/23 - Below the line activities	630	641	676	692	699	716	721	719	736	738	747	724

23/24	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cases closed after investigation	694	698	683	684	675	707	695	691	706	696	705	682
Early Closures	50	50	50	50	50	50	50	50	50	50	50	50
Nudge Therapy	25	25	25	25	25	25	25	25	25	25	25	25
GET Investigator	41	41	41	41	41	41	41	41	41	41	41	41
23/24 - Below the line activities	810	814	799	800	791	823	811	807	822	812	821	798

An expected lower attrition rate on new cohorts also adds to the improved performance with the ground work being laid in 20-21/22 with a new induction process and focus on training. To ensure continued accuracy and validity, the performance assumptions are reviewed on a monthly basis with each business area owner. This will ensure the capture of all valid assumptions and test performance against forecasts. This more robust process began in 2021/22 and will support the forecasting going forward into 2022/23. This modelling and forecasting has also been tested by the Performance and Quality Task Group, a subgroup of the OLC Board.

b) Staff costs

The table below shows the posts which form the staffing establishment and the basis for the budget proposal, and the total cost including national insurance and pension contributions 2022/23.

Option one

Salary Expenditure	2021/22		From 21/22 Business Plan		PROPOSAL		movement		2023/24	
	FTE	Staff cost	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	£2,524,115	3.6	£205,980	44.7	£2,524,115
Corporate	5.1	£404,777	5.1	£404,777	5.0	£396,620	0.0	-£8,157	5.0	£396,620
Finance	5.0	£252,963	5.0	£252,963	5.0	£264,754	0.0	£11,792	5.0	£264,754
Human Resources	7.0	£363,194	6.0	£324,997	8.8	£468,268	2.8	£143,271	8.8	£468,268
Facilities			1.0	£38,197	1.0	£38,422	0.0	£225	1.0	£38,422
IT	11.0	£582,518	11.0	£582,518	11.0	£595,952	0.0	£13,434	11.0	£595,952
Legal	4.0	£198,870	4.0	£198,870	4.0	£199,675	0.0	£805	4.0	£199,675
Strategy and Governance	2.0	£141,717	2.0	£141,717	0.0	£0	-2.0	-£141,717	0.0	£0
Business Intelligence	3.0	£155,451	3.0	£155,451	3.9	£194,771	0.9	£39,320	3.9	£194,771
Programme Management & Assurance	4.0	£218,645	4.0	£218,645	6.0	£365,652	2.0	£147,007	6.0	£365,652
Policy and Impact Work	6.0	£227,146	6.0	£227,146	6.2	£296,882	0.2	£69,736	8.2	£376,882
External Affairs	5.4	£196,622	5.4	£196,622	5.6	£266,134	0.2	£69,512	7.6	£346,134
Research	0.6	£30,525	0.6	£30,525	0.6	£30,748	0.0	£224	0.6	£30,748
Operations	220.7	£8,783,999	229.6	£9,114,310	224.8	£8,977,894	-4.8	-£136,416	231.6	£9,224,140
GET	34.4	£1,037,812	31.9	£920,812	31.9	£906,636	0.0	-£14,176	31.9	£906,636
Ombudsman	11.4	£728,880	12.0	£763,371	11.0	£679,664	-1.0	-£83,707	11.0	£679,664
Ops Management	3.0	£204,870	3.0	£204,870	4.0	£272,325	1.0	£67,456	4.0	£272,325
Resolution Centre	161.0	£6,169,260	171.9	£6,582,080	168.1	£6,499,001	-3.8	-£83,079	174.9	£6,745,247
Service Complaints & Quality	5.8	£323,293	5.8	£323,293	7.8	£462,783	2.0	£139,490	7.8	£462,783
Operational Transformation and Impact	5.0	£319,885	5.0	£319,885	2.0	£157,485	-3.0	-£162,400	2.0	£157,485
									0.0	£0
Holiday pay adjustment		-£100,000		£0		£0		£0	0.0	£0
Annual awards / Apprentice Levy		£132,600		£132,600		£133,300		£700	0.0	£133,300
Total	267.7	£11,361,880	276.7	£11,792,191	275.7	£11,932,191	-1.0	£140,000	284.5	£12,258,437

¹ The overall FTE figure in Operations for the proposed 21/22 budget has a slight decrease due to staff movements and internal moves to support the Business Plan initiatives relating to new ways of working.

Option two

			From 21/22 Business Plan		PROPOSAL					
Salary Expenditure	2021/22		2022/23		2022/23		movement		2023/24	
	FTE	Staff cost	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	£2,524,115	3.6	£205,980	44.7	£2,524,115
Corporate	5.1	£404,777	5.1	£404,777	5.0	£396,620	0.0	-£8,157	5.0	£396,620
Finance	5.0	£252,963	5.0	£252,963	5.0	£264,754	0.0	£11,792	5.0	£264,754
Human Resources	7.0	£363,194	6.0	£324,997	8.8	£468,268	2.8	£143,271	8.8	£468,268
Facilities	0.0	£0	1.0	£38,197	1.0	£38,422	0.0	£225	1.0	£38,422
IT	11.0	£582,518	11.0	£582,518	11.0	£595,952	0.0	£13,434	11.0	£595,952
Legal	4.0	£198,870	4.0	£198,870	4.0	£199,675	0.0	£805	4.0	£199,675
Strategy and Governance	2.0	£141,717	2.0	£141,717	0.0	£0	-2.0	-£141,717	0.0	£0
Business Intelligence	3.0	£155,451	3.0	£155,451	3.9	£194,771	0.9	£39,320	3.9	£194,771
Programme Management & Assurance	4.0	£218,645	4.0	£218,645	6.0	£365,652	2.0	£147,007	6.0	£365,652
Policy and Impact Work	6.0	£227,146	6.0	£227,146	6.2	£296,882	0.2	£69,736	8.2	£376,882
External Affairs	5.4	£196,622	5.4	£196,622	5.6	£266,134	0.2	£69,512	7.6	£346,134
Research	0.6	£30,525	0.6	£30,525	0.6	£30,748	0.0	£224	0.6	£30,748
Operations	220.7	£8,783,999	229.6	£9,114,310	227.8	£9,165,988	-1.8	£51,678	234.6	£9,412,235
GET	34.4	£1,037,812	31.9	£920,812	31.9	£906,636	0.0	-£14,176	31.9	£906,636
Ombudsman	11.4	£728,880	12.0	£763,371	14.0	£867,759	2.0	£104,388	14.0	£867,759
Ops Management	3.0	£204,870	3.0	£204,870	4.0	£272,325	1.0	£67,456	4.0	£272,325
Resolution Centre	161.0	£6,169,260	171.9	£6,582,080	168.1	£6,499,001	-3.8	-£83,080	174.9	£6,745,247
Service Complaints & Quality	5.8	£323,293	5.8	£323,293	7.8	£462,783	2.0	£139,490	7.8	£462,783
Operational Transformation and Impact	5.0	£319,885	5.0	£319,885	2.0	£157,485	-3.0	-£162,400	2.0	£157,485
									0.0	£0
Holiday pay adjustment		-£100,000		£0		£0		£0		£0
Annual awards / Apprentice Levy		£132,600		£132,600		£133,300		£700		£133,300
Total	267.7	£11,361,880	276.7	£11,792,191	278.7	£12,120,285	2.0	£328,095	287.5	£12,446,532

2 The overall FTE figure in Operations for the proposed 21/22 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

Option one

Business area	2021/22 Budget	2022/23 Budget (in 21/22 BP)	2022/23 Budget	2023/24 Budget
Operational delivery	£8,783,999	£9,114,310	£9,111,194	£9,357,440
Policy and Impact Work	£227,146	£227,146	£296,882	£376,882
Corporate Functions and business support	£2,350,734	£2,450,734	£2,524,115	£2,524,115
Total staff salary expenditure	£11,361,880	£11,792,191	£11,932,191	£12,258,437
IT & Telecoms	£1,379,534	£1,379,534	£1,419,534	£1,419,534
Premises & Facilities	£772,023	£772,023	£572,023	£572,023
Other staff expenditure	£205,012	£218,012	£195,012	£195,012
depreciation	£353,480	£443,480	£531,480	£531,480
other costs	£399,113	£419,113	£374,113	£374,113
Total non-salary expenditure	£3,109,162	£3,232,162	£3,092,162	£3,092,162
Total revenue expenditure	£14,471,042	£15,024,352	£15,024,352	£15,350,599

Option two

Business area	2021/22 Budget	2022/23 Budget (in 21/22 BP)	2022/23 Budget	2023/24 Budget
Operational delivery	£8,783,999	£9,114,310	£9,299,288	£9,545,535
Policy and Impact Work	£227,146	£227,146	£296,882	£376,882
Corporate Functions and business support	£2,350,734	£2,450,734	£2,524,115	£2,524,115
Total staff salary expenditure	£11,361,880	£11,792,191	£12,120,285	£12,446,532
IT & Telecoms	£1,379,534	£1,379,534	£1,419,534	£1,419,534
Premises & Facilities	£772,023	£772,023	£572,023	£572,023
Other staff expenditure	£205,012	£218,012	£195,012	£195,012
depreciation	£353,480	£443,480	£531,480	£531,480
other costs	£399,113	£419,113	£374,113	£374,113
Total non-salary expenditure	£3,109,162	£3,232,162	£3,092,162	£3,092,162
Total revenue expenditure	£14,471,042	£15,024,352	£15,212,448	£15,538,694

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.

76% of total staff costs are for operations staff.

Only 2% of staff costs are spent on policy and impact. This includes the cost of feeding back to the sector learnings from handling complaints.

2022/23

This reflects the full year effect of the 2021/22 budget, and some minor adjustments to individual posts such as incremental promotion.

There are minimal changes; the addition of 2 Team Leaders and an Operations Manager. These posts are critical to the operational resilience and delivery. 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 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.

There have been some reductions in budget requirements on non-salary expenditure which partially mitigates this 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.

Whilst the budget has been prepared on a like for like basis, recent changes to National Insurance rates will add a further £95,000 to the budget.

There are further inflationary pressures that we can't absorb within this budget. This includes the potential for public sector pay awards. We have not put a pay award into the budget at this stage. A pay award of 1% would cost £120k, and 2% would cost £240k. Not

offering an inflationary pay award in 2022/23 could counter our strategies for retention and recruitment. At the time of the drafting, we are awaiting guidance from the MoJ on the lifting of the pay freeze.

2023/24

This builds on the 2022-23 budget and adds resources (2 External Affairs Officers and an investigator) to focus on transparency and reporting as well as learning and insight work.

The Executive are considering further possible growth and change areas for discussion with OLC Board.

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;*
- 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, with reference to the commonly agreed dataset), and*
- d) a summary of key current and planned initiatives designed to achieve sustainable acceptable performance, including specific actions and timeframe.*

a) Performance 2021/22

Analysis of actual performance to date in 2021/22, is outlined in the Mid Year Review for 2021/22 which is part of the documentation provided in Appendix A and is based on the commonly agreed data set which is shared on a monthly basis.

b) (i) Risk Management - *Risks and how they are being managed and mitigated for the remainder of 2021/22.*

Strategic risks and issues are closely monitored, with enhanced reporting shared with the Executive Team on a monthly basis 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 have been approved by the OLC Board.

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

Risk / Issue name	Ref	Current Risk / Issue score	Agreed actions	Due dates / Status	Trend	Target score
There is currently a substantial backlog of cases waiting to be worked (pre-assessment pool) causing significant delays to decision times	SI01 (Strategic Issue) Risk Theme: Operations	20	1. A formal project to be initiated which looks to focus on how LeO's Pre-Assessment Pool (PAP) can be reduced 2. An ideas station to be launched to capture improvement ideas across the organisation with a specific 'ideas to reduce the PAP' category. 3. A process to be established to ensure the ideas station is regularly reviewed and that PAP ideas are being prioritise. 4. A comms plan to be established to ensure regular, effective engagement across the organisation. 5. Impact assessment of in flight activities.	Complete Complete Complete 31/12/21	↔	N/A as issue.
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.	SR01 (Strategic Risk) Risk Theme: Reputation	20	1. To monitor PAP Strategic issues as these are intrinsically linked and review / oversight appropriately 2. Ongoing attendance and collaboration at various challenge advisory board meetings. 3. Create a forecasting model which shows business performance trajectory considering business plan assumptions to ensure accurate position 4. Enhance reporting – BI team to review the process that drives reporting (example drumbeat, reporting period) as well as the metrics that we are reporting on.	31/03/22 (ongoing) 31/03/22 (ongoing) 31/11/22 31/03/22	↔	12

There is a risk of an 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.	OPSDEL. R01 (Business unit) Risk Theme: Operations	25	1. Strengthen Governance arrangements within operational area including tracking of formal actions, minutes etc. 2. Lack of central reporting of performance based risk analysis, performance variation reporting and agreed case holdings, with tangible reasons as to why 3. Various HR people plan activities with regards to strengthening performance management framework / HR policies and guidance for people managers. <i>Actions tracked within SI01 also support mitigating activities with regards to this risk.</i>	31/10/21 31/10/21 Various dates 22/23	↔	12
There is a risk of being unable deliver tactical solutions to reduce backlogs to an acceptable level caused by inadequate prioritising and selection of solutions or insufficient resource leading to adverse public / stakeholder scrutiny.	OPSDEL. R01 (Business unit) Risk Theme: Operations	25	1. Strengthen Governance arrangements within operational area including tracking of formal actions, minutes etc. 2. Lack of central reporting of performance based risk analysis, performance variation reporting and agreed case holdings, with tangible reasons as to why 3. Various HR people plan activities with regards to strengthening performance management framework / HR policies and guidance for people managers. <i>Actions tracked within SI01 also support mitigating activities with regards to this risk.</i>	31/10/21 31/10/21 Various dates 22/23	↔	12

There is a risk of being able to recruit, train, develop and retain suitable colleagues caused by resource management, people plans and undesired culture leading to sub-optimal business performance and adverse / public confidence.	OPSDEL. R03 (Business Unit) Risk Theme: People	25	1. HR Policies, clear guidance around how to consistently deliver people support and performance management and other people related concerns 2. Delivery of People Strategy 3. procure and partner with managed Recruitment Partner to support attraction strategy and wider geographic pool for operational recruitment 4. Understand and respond to key themes of attrition to build retention strategy 5. Undertake external pay benchmarking to provide evidence based approach to attraction and retention	1 and 2 phased delivery Q4 21/22- Q4 22/23 Q4 21/22 & Q1 22/23 Q1 22/23 Ops Q4 21/22 & corp Q1 22/23	12
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(ii) Sensitivity Analysis – Risks and how they are being managed and mitigated for 2022/23, including an overview of sensitivity analysis of key assumptions around income prediction, case complexity and other factors.

Forecasting model

The full forecasting, including a breakdown of assumptions, is contained within Section 2 of the consultation document and at Appendix A.

Performance forecasts and trajectories are based on LeO Q1 actual performance and are underpinned by the assumptions that are set which drive and impact performance. Available resource which 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 adjustment for specific staff and ramp up of additional holiday carried over from the Covid year. Robust control around the forecasts are now in place, the assumptions are 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 modelling against complexity of case and worst, likely and best case planning scenarios. These visuals are included in Section 2 of the consultation document and in Appendix A.

The forecasting model and the trajectories which it drives are subject to test from the OLC sub group, the Performance and Quality Task and Finish Group.

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 21-22 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 on the case fee income. Sensitivity analysis around the impact on the levy will be provided at a later date.

c) Performance improvement and forecast delivery 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)

Analysis of performance improvement and forecast delivery for 2022/23 and 2023/24, prior to the delivery of the new approach set out in Section Three, can be found in Section 2 of the Business Plan consultation document (Appendix A). Significantly, the overall PAP journey trajectory has been further revised to take account of the budget option outcomes and is included on page 31.

Trajectories based on the assumptions, categorised by high, medium and low complexity of cases and against a best, likely and worst case scenarios have been provided on case closures and volume of pre-assessment pool.

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

The table below sets out the broad range of activities that are taking place this year and next in order to move towards sustainable and acceptable performance.

We have already set out that recruitment is central to achieving the forecasts which are set out above, however we also know that achieving this with the current model will be challenging given the numbers which have been gained from recent campaigns.

The move towards a managed recruitment service will support this, both in ensuring that we are as attractive to new recruits as possible, and also saving operational hours from this work (1,245 hours was lost from operations through the July and September recruitment rounds).

However, we will need to go further and we are in the process of drawing up plans to work towards a national recruitment campaign and options for satellite hubs. This area of work will allow us to be confident in reaching the forecast figures and gaining a greater degree of sustainability.

Other options are also being considered such as working with the MoJ to explore removing the restrictions in the Legal Services Act which prevent us from using agency staff.

We know that the forecast figures do not represent an acceptable level of performance, which means we need to find ways to go beyond these figures. Work such as the GET Investigators and Specialist Law teams should deliver efficiencies within the process. To go beyond this, we are looking to the work which is being generated as a result of the Scheme Rules review. We are in the process of trialling a project which will allow us to make substantial improvements to the number of cases waiting in the PAP by considering dismissing those where there is no evidence of a service failing or where the detriment to the customer is minimal. Initial indications lead us to believe that, if appropriately resourced, this initiative could help reduce the PAP by around 800 cases in under 6 months. We are also actively developing a set of flexible criteria which could enable us to reduce levels of incoming demand by around 10%. In doing any of this work we will need to be alive to the risk of pulling experienced staff away from other areas of the business process and we will need to consider the needs of consumers.

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	Completed: - Recruitment of over 70 new roles within the business since April. - Revised induction process which is now moving to a “Grad Bay” structure to support new starters. Ongoing: – Managed recruitment service to find the right number/quality of people are identified for roles	Implementing the outcomes from this work. It will also go further to address and overcome pre-existing constraints which are limiting the schemes ability to deliver. For existing staff the focus will move to themes such as talent management and succession strategy, career progression, employee engagement, and leadership and management development. These are

	meet forecast targets	– Build our attraction strategy for new recruits to make the Legal Ombudsman an employer of choice for both existing and new staff in a highly competitive job market.. – Options for a national recruitment campaign and hub strategy. – Benchmarking pay and conditions. Review and agree revised Reward and Recognition Strategy (end of Q4). – Organisation-wide training needs analysis. (Q4) –	already contained within the People Strategy.
	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.	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 (complete) – Initiation of GET Investigator pilot(complete) – Test potential further proportionality to determine complaints which are likely to	Mainstream PAP pilot projects where appropriate ie... Guided Negotiation and Reasonable Offer Made Review impact of GET Investigator role on case flow and transfer into business as usual if appropriate

		result in no poor service earlier in the process and without the need to await further for investigation.	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 for investigation. This will involve investment of experienced and skilled Ombudsman resource at the front end. Consider 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 of 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

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 which maintained the 2021/22 budget into 2022/23 and did 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 operation at leadership and management support and additional NI costs.

The costs of additional operations leadership (One Operations Manager and two Team Leaders) are essential investments as we seek to further focus on performance improvement including managing performance variation. These posts directly contribute to operational performance and delivery to the customer. The make-up of the workforce has changed in 2021/22 and will continue to alter in 2022/23 - it which move to over 40% of investigation staff being new to post 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 of the budget adds additional costs of £188,000 for a specialist team of Level 2 ombudsman focussing on cases at the initial entry point into LeO. This skilled team will access cases whilst in the PAP with a view to making early decisions on whether those cases can be concluded without the need for investigation. The use of our most experienced Ombudsman level resource in this initiative will provide assurance as to the quality of the outcomes and will ensure that all customers have the chance to argue for their case to be fully investigated, thereby ensuring that the interests of the most vulnerable customers are not prejudiced.

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 1200 to 1600 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 initiative will also provide scope for levels of forecasted demand to be reduced by up to 10%. 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 750 and 1600 against a current forecast of 2985 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.

The additional investment of £188,000 represents 1.25% 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% - 39%.

Criteria 4

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

In developing the 2021/22 Business Plan the Executive reflected on the fact that historically the Legal Ombudsman had monitored the cost of delivering the Scheme by reference to a Unit Cost financial measure which was calculated by dividing the cost of delivering the Scheme by the number of cases concluded in the relevant period. The Executive acknowledged that this measure did reflect in very simple terms the cost of running the Scheme but argued that it was a one-dimensional metric that did not adequately reflect the value and breadth of work carried out by the Legal Ombudsman.

In an effort to identify a tool which provided the desired level of granularity the Executive looked at how other ombudsman schemes reported on their financial performance. Following this research, the Executive concluded that alongside the Legal Ombudsman 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 the Executive reflected on models used within the public sector and settled upon the NAO 4E's model as a tool that could provide additional granularity that was sought.

The 4 E's model has been used by the Legal Ombudsman over the course of this financial year to date and has been reported as part of the Agreed Data Set accompanied by a simple RAG rating and brief supporting narrative for each metric. However, the Executive acknowledge that this initial iteration of the tool only provides a point in time snapshot of the VFM metrics and does not enable stakeholders to track the performance trajectory and outputs that have been evidenced over the course of the year. In an effort to enable stakeholders to derive increased benefit from the reporting of VFM in the ADS, the Executive propose refreshing the VFM tool in the monthly ADS by the introduction of some additional metrics and month on month statistics, as set out below.

				March	April	May	June	July	August	September
Economy										
PI17	Budget variance against forecast		Link	8%	-13%	-10%	-14%	-11%	-1%	-5%
KPI07	Quarterly and rolling turnover rate		Link	9.90%	9.10%	9.60%	11.20%	11.20%	15.60%	15.50%
Efficiency										
KPI06	Unit Cost		Link	£1934	£3313	£3271	£2706	£2226	£2136	£2866
PI01	Service Level - General Enquiries Team		Link	99%	60%	45%	55%	94%	98%	55%
MI12	Files closed pre investigation		Link	2287	1600	1858	1926	1841	1627	1324
KPI08	Volume of cases awaiting assessment (PAP)		Link	4637	4829	4840	4924	5068	5552	5664
MI11	Cases closed		Link	488	552	458	491	418	393	388
BM01	Productivity per (established) investigator		Link	91.27%	79.52%	75.87%	89.21%	78.57%	77.14%	77.30%
BM03	% established investigators		Link	82%	100%	100%	100%	81%	80%	72%
PI14/PI15	External engagement		Link	2	2	2	0	0	1	2
Effectiveness										
MI11	Cases closed by agreed outcome		Link	38%	36%	38%	39%	34%	36%	37%
KPI02	Customer Journey Time (end-to-end KPI)	l	Link	40%	70%	68%	68%	74%	65%	61%
		m	Link	29%	84%	91%	79%	72%	66%	54%
		h	Link	25%	0%	23%	21%	9%	17%	0%
PI03	investigation age (average days)	l	Link	96	95	90	91	81	97	96
		m	Link	140	147	127	144	139	148	149
		h	Link	135	179	226	254	266	217	168
KPI03	Customer Satisfaction		Link	89%			88%			
KPI01	Quality - Reasonable Outcome		Link	93%			92%			90%
PI08	Quality - Reasonable service		Link	91%			89%			93%
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							

The Executive believe that 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.

The Executive and 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.

The Executive think that this revised VFM model, along with a supporting narrative, will also enable stakeholders to track the Legal Ombudsman's delivery of its 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 above table would support the narrative coming from the agreed data set that the front end of our process is working well and providing an effective process for the handling of new enquiries.

However, the resolution centre output is being compromised both by fluctuations in the output of the Legal Ombudsman's more experienced investigators and by the fact that 20%, and growing, of the investigatory workforce is made up of relatively new starters whose productive output is lower than that of an experienced investigator. The table also evidences that a minority of cases are closed informally and that the bulk of cases require some degree of Ombudsman input which increases cost and protracts the investigation process. The level of customer satisfaction as well as quality of output and service remains positive and suggests that the level of work the Legal Ombudsman provides is of a high standard once an investigation is commenced.

The data would also support the assumption that the Executive's 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 above 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 talk to:

- The introduction of RPA in 2021/22 which is already disrupting established practices and freeing up resource for operational work.
- 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 appointment of a dedicated ombudsman on a secondment basis to drive forwards initiatives like the service provider advice line and all the planned insight and engagement work 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 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 narrative would also enable the Executive to talk to work being done on early resolution in the PAP which is improving customer experience but is not (for historic reasons) reported in monthly closure figures.

It is the added granularity of the revised tool when combined with the supporting narrative that will enable the Executive to provide stakeholders with increasing levels of assurance that the Legal Ombudsman is committed to delivering value for money.

The Executive acknowledge that 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 the Legal Ombudsman's 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. Therefore, we are not yet in a position to report against the 4th E: Equity, but we will be 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

The Executive have 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 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 the Executive to have greater oversight of the work being done in each of those areas and the risks facing each team.
- Where required, all of 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 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.

This level of rigor informs 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. The Executive are confident that this detailed level of planning when combined with the performance improvement and innovation activities that are ongoing will help ensure that the Legal Ombudsman delivers a value for money service.

Looking forwards, into 2022/23, we are actively considering the potential benefits of accessing external independent knowledge and expertise to conduct a peer review, our review 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 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 Equality, Diversity & Inclusion (ED&I) Manager early in 2021/22.

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

Strategic EDI 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 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 equality and diversity focus in the provision of our service.

Building our Community

We will continue to work closely with 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.

Over the last few months, 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 have 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 & Inclusion Training

Development of a 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 /retain talent will be a priority area of focus for training. Recognising the critical importance of senior commitment and leadership, we have identified inclusive leadership training for the Board and Executive Management to increase competence and confidence in mainstreaming and embedding ED&I in LeO, the management of staff and delivery of our service.

The ED&I manager will also be working closely with HR to deliver the key objectives of the People Plan 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 will review and update our current induction and learning and development programme to include focus on ED&I issues. This will have a direct impact on providing an inclusive customer service and improve the feeling of inclusivity within the organisation. The ED&I manager will deliver a 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 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 change to business process which could raise Equality, Diversity or Inclusion 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 things like 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 organisation 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 impacts 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 stakeholder consultation on the 2022/23 Budget and Business Plan is 5 Nov – 13 Dec and therefore unable to evidence at this point against these criteria.

Stakeholder events and meetings will take place during this period, and the key themes from the events and written submissions will be reviewed in late December.

In the 2021/22 Business Plan we made a commitment to transparency and accountability. Throughout the current business year regular engagement has taken place with stakeholders either through meetings, blogs or the sharing of the Agreed Data Set, with a view to ensuring that there is an understanding of the ongoing progress and challenges at the Legal Ombudsman. Stakeholders have told us that we are “really motoring” and we’re “clearly doing the right things”.

In addition, a Challenge and Advisory Group was set up in April with members from key stakeholder organisations. Information about performance, PAP initiatives, Scheme Rules and some of the key challenges have been shared and discussed with this group.

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 are awaiting clarification from MoJ as to when they want our MTFP. This is currently scheduled as a December deliverable in LeOs milestone plan.

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 21/22 Budget and Business Plan, LeO 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 on a monthly basis and shared with the Management Team for information and engagement purposes.

Following the 21/22 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 1 Oct 2021, with a view to scheduling more into diaries ahead of the final budget submission to OLC Board in Q4.

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

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

Consultation

BUSINESS PLAN 2022 - 23

CHAIR'S INTRODUCTION



The role of a Legal Ombudsman

Ombudsman schemes operate around the world, across many different markets and sectors. They are widely recognised for their ability to resolve disputes with impartiality, but minimum formality, providing a trusted alternative to the courts. In many cases Ombudsman schemes have been established by businesses or service providers to promote consumer confidence in access to their markets.

Having a thriving and effective Ombudsman scheme within a legal services market is clearly essential. Legal services occupy a uniquely important part in our lives. Comparisons with other private sector transactions can be neither valid nor helpful with legal services often better seen as a public good.

A thriving and effective Ombudsman supports access to justice, providing advice and signposting to the public and making recommendations for improvement in service provision that go beyond simply resolving the individual dispute. It also addresses any inequality in the position of service providers and those service users who may be less likely to challenge and complain.

This consultation document has at its heart the provision of a thriving and effective Ombudsman scheme, meeting the needs of legal services providers and service users. When will the Legal Ombudsman be able to deliver this service and how much will this cost? This document aims to provide a clear and persuasive answer to both of these questions.

Three parts to the consultation

Last year's consultation focused on the future and what the Legal Ombudsman scheme would need to do to deliver tangible improvements for its service users and to rebuild the confidence and trust of its stakeholders. This year's consultation combines both a backward and a forward look – a mid-year review of the first six months of 2021/22; a revised future improvement trajectory; along with a draft Business Plan setting out provisional plans for 2022/23.

The aim in this single document is to set out clearly and transparently what the Legal Ombudsman has achieved against its three Business Plan priority areas; what it hasn't and why not; and to question what it can and should do about this. Where we have answers, we have shared them. Where we are looking to you for answers, we have been clear about this.

Progress has been made

The Business Plan for 2021/22 set out five commitments that would be delivered: A commitment to change; a commitment to reduce the backlog; a commitment to being transparent and accountable for delivery; a commitment to our people; and a commitment to doing things differently. Progress against many of these commitments has been substantial. In the mid-year review we want to do justice to this. As one sector leader recently put it "you are clearly motoring". My sense is that few now doubt the

hard work that is being put in, or that what the Legal Ombudsman is doing will deliver sustainable changes in the longer term, but this is a significant undertaking and it is taking time. You don't doubt the inputs but you need to see the outputs and to understand what impact this is delivering for consumers and legal service providers.

As the Legal Ombudsman has sought to deliver substantial organisational turnaround and transformation, it's become clear that its overall offering as an employer is not helping to attract and retain staff in the numbers set out in the Business Plan, undermining the achievement of the Business Plan forecasts. The mid-year review sets out the scale of ongoing change required and what is being done urgently to address this, alongside questioning when these less visible changes will have an impact on what is most visible – namely case closures and the size of the backlog.

As we move into the second half of the year it is essential that the Legal Ombudsman, the Board of the Office for Legal Complaints (OLC), and our stakeholders understand the causes of the problems along with the radical and pressing actions that now need to be taken to address these. This includes being both transparent about where the Legal Ombudsman's 'hands are tied' and setting out clearly what action should be taken to overcome these constraints.

The questions we've asked ourselves

This is an open document where we have asked ourselves some difficult questions: Should we maintain the budget? Is there a risk of not being able to spend this next year because we cannot get the right people? How is the sector likely to respond? What are the implications of asking for a reduced budget? We have tried to show you our 'working out' in responding to these questions.

We have also asked ourselves what's the change of direction now required? What different needs to happen? What could be done if the Legal Ombudsman's hands weren't tied? Ultimately all of these questions come down to *'What could change the Legal Ombudsman's ability to get the people it needs?'*

Importance of the consultation questions

This level of openness and transparency matters. In the 2021/22 Business Plan we willingly committed to more public dialogue and enhanced public accountability and we've been true to this over the last six months. Previous consultations have indicated a desire for more information on performance and a desire to understand more about what the Legal Ombudsman is doing in response to the challenges it faces. This consultation should therefore be read alongside the more detailed performance information that has been shared this year, including through the commonly agreed dataset, and regular stakeholder engagement and updates.

This transparency will continue. The OLC recognises that the Legal Ombudsman is an improving organisation, but it is not improving quickly enough; that it is working in a difficult environment that is affecting many sectors; and that the big challenge is around getting and retaining the right people. We want to use the consultation to find out what more could be done, to continue to adjust and learn. We welcome your consideration and response.

CHIEF OMBUDSMAN OVERVIEW



The recovery journey

The Legal Ombudsman's Business Plan for 2021/22 set out the basis on which we would seek to deliver recovery and much needed stability. We were always clear that this could not happen overnight and therefore set a two-year improvement trajectory with a focus on investment in people and new ways of working in 2021/22 leading to incremental growth and stabilising the backlog into 2022/23. At the mid-year point of 2021/22 this remains our focus.

We committed to being open and transparent and to providing a mid-year review which forms the first part of this consultation document. This is an opportunity to show both what has been achieved and also the challenges that we have faced.

We are behind the trajectory of performance improvement and recovery that we set ourselves and we are currently forecasting a longer recovery journey through 2022/23 and beyond than was initially thought. This will raise understandable questions about when an acceptable level of service will be reached. The forecasts in section two of this consultation show that 2022/23 will see further pace brought to this as significant investment in recruiting and training new investigators begins to deliver increased productivity. Our review of Scheme Rules and associated wider business process change are being progressed urgently this year and next. We will deliver these changes in parallel with benefits realising over 2022/23 and into 2023/24. A final revised forecast taking account of these more radical changes is included in section three. This crucially sets out the Legal Ombudsman's vision for delivering an acceptable level of service for customers, providing a benchmark against which the Legal Ombudsman and any dispute resolution scheme in legal services should be judged in the future.

Recognising progress

Significant progress has been made in stabilising the Legal Ombudsman and delivering on Business Plan commitments over the first six months of 2021/22. These include:

- Delivering more case closures with significantly less investigators. The first 6 months saw a 30% year on year increase despite being 16 to 20% down on established investigative FTE.
- Already delivering a significant change by doing things differently and more proportionately, investing in early resolution work that has delivered 392 case closures without the need for investigation. This work will continue to offer additional early closures, and improved customer journey times for these customers, at a stable rate with up to 800 delivered across the year; opportunities to speed up the complaints process have been successfully piloted and mainstreamed and are already delivering improvements with more in the pipeline for later this year.
- More efficient investigations with quicker investigation times across all case complexities. These are 10% quicker overall.

- Making real progress on addressing performance variations. Individual productivity figures have improved in year by one case closure per established investigator per month.
- Developing our workforce planning. Recruited into 70 operational roles, with 50 external appointments and a further 12 investigators expected each from September and November recruitment campaigns.
- Developing, recruiting and training into a new GET Investigator role which maximises case closures and allows for the more effective use of expensive investigator resource.
- Investing more in our people and improving the organisation's culture with staff engaged in the recovery process and sharing expertise. Developing a clearer understanding of the issues and required solutions.

However, against this backdrop we have faced challenges which have impacted upon our performance:

- A difficult recruitment market meaning that we do not have enough people in the right roles. This is critical to our delivery plans and we know we are not the only organisation or sector affected by this.
- Unanticipated loss of key staff which has removed crucial skills and experience and has critically undermined our ability to reach Business Plan targets.
- Continued increase in demand, growing by 23% between 2019/20 and 2020/21, and maintaining at similar levels the first half of this year.
- The ongoing impact of Covid which continues to affect both staff and those of legal services providers.

The importance of our people

The draft Business Plan for 2022/23 continues our focus on our people and delivering different ways of working. Our progress is being critically undermined by not having the required number of people in the business and significant shortages in the labour market at a time when we are upscaling and investing in new investigative teams to address the backlog.

We know that the investigator community are key to customer outcomes and delivering an improved trajectory. We will need to retain our focus on supporting existing and new teams to deliver, whilst also implementing further changes to help ensure that our people are able to deliver as effectively and as efficiently as possible.

What needs to be done differently?

Keeping course with that strategic focus and multi-year plan of improvement remains the right approach and will deliver given time. We remain committed and convinced that we are doing all of the right things to improve our service. We are also now clear that it will take longer than we had anticipated to remove the backlog of people waiting to access an investigation.

If we continue to work within the current parameters and restrictions our initiatives and improvement plans alone will not clear the inherited backlog by the end of 2023/24. To shorten the journey to an acceptable position we must therefore think even more radically and look at the best ways to overcome these challenges, both

internally and within the environment we operate within. The restrictions on the scheme need to be openly acknowledged, addressed and removed. Further step changes are needed alongside those already delivered in 2021/22.

We are open to thinking differently around our approach and this consultation is focused on a constructive conversation with our stakeholders on the approaches to these challenges.

SECTION ONE: 2021/22 MID-YEAR REVIEW

In setting out its Business Plan for 2021/22, the Legal Ombudsman acknowledged the extent of stakeholders' expectations for an improvement in the experience of those who use the service, and therefore the need for change. The organisation's leadership made a commitment to take steps to improve performance and lay the groundwork for future stability. It welcomed the provision of additional funds, explained how these would be used and the impact that could be expected over a two-year period, with a commitment to new ways of working and significant growth in output from new investigators in year two.

This mid-year review re-visits the plan and provides a report against progress in the first six months. It shows an organisation that has made significant progress, particularly in identifying the opportunities for process improvements and starting to make changes which will have a long-lasting impact. Despite these best efforts, an exceptionally challenging employment market has had a negative impact on operational performance. Some of the challenges faced by the Legal Ombudsman are internal constraints or those over which it has some control and which can be addressed in the rest of 2021/22 and 2022/23. Others are external and will require more time to change,

Section Two of this document sets out what this is likely to mean for the rest of the year and into future years. Section Three sets out what more will be done to directly address and overcome these challenges.

1. Towards sustainable improvement: Delivery against priorities for 2021/22

Priority One: To support existing staff to increase performance and productivity.

People are critical to the success of the Legal Ombudsman, and it was clear that change was needed to improve staff engagement and make sure that the right support was in place to enable people to succeed in their roles. Underpinning the delivery of the Business Plan in 2021/22 has been the investment the Legal Ombudsman has made in its people and organisational culture, bringing a different and increased level and type of engagement and cohesion to the workforce.

This has included an organisation-wide initiative to work towards a common purpose of improving customer service. Many have demonstrated creativity and commitment in identifying solutions to problems and then working to pilot and implement change. Leadership development has taken place to get the right balance between supporting and developing people and delivering outcomes for customers.

Whilst individual productivity (in terms of the number of cases closed) against the previous year has improved, the ability to reach the Business Plan case closure target and the unacceptable wait times for customers has been compromised by insufficient people in the organisation to deliver the service required.

The scale of the challenge

Since the start of 2021/22 the Legal Ombudsman has been around 20% below established investigator numbers: In April there were 14 fewer investigators than required, in June 20 fewer, and in September 16 fewer. This is despite the fact that more than 50 external people have joined the organisation in operational roles in the first six months of the year.

Whilst significant investment in recruitment and training new investigators will bring returns in the long run, this level of change and transition across operational and corporate support roles clearly brings a degree of instability in the short term, including losing productive investigator closures from internal movers. By November 2021 there will be a split within the business of 58% established and 42% non-established within the investigator community. This means there is a significant proportion of less experienced staff who require careful support and management, particularly as it takes time to develop casework competency with operational staff.

Balancing priorities one and two

The ability to manage business as usual (BAU) alongside recovery projects, improvement initiatives and rebuilding the corporate capacity and resilience means that key staff have been stretched across multiple projects. The mid-year review has highlighted the challenge between the ability to maintain case closures this year, but at the same time increase operational resources (to increase closures in the future) and deliver pilot projects (to refine operational processes and speed up case closures). Within operations the business is continually calling on a relatively small pool of high performing staff to keep up BAU whilst supporting these other areas.

Addressing performance variation

The Legal Ombudsman recognises the need to provide a value for money service and that includes having each team member delivering results in whichever part of the organisation they work. There is a disparity between top performing team members and those that need to achieve more, and this has brought strong focus on addressing performance variation and delivering value for money. This level of scrutiny contributes to increased attrition¹ which has a direct impact on case closures but is the right thing to do for stakeholders and customers.

Impact on the pre-assessment pool (PAP)

Through the first six months of 2021/22, the length of time for an investigation to conclude from the point at which it has been removed from the pre-assessment pool (PAP) fell by 9.83% which is on average a 12-day reduction from 2020/21. That is an improved service for those customers who are allocated an investigator.

However, a consequence of the lack of investigator resource is that customers' wait times to have their investigation start continues to be at an unacceptable level and the pool of cases awaiting investigation has continued to increase. There remains a substantial and unacceptable number of customers waiting for an investigation at the

¹ Circa 70% of the 19 operational resignations in 2021/22 had a corresponding concern about successful completion of probation or reaching required levels of output and performance for customers.

start of the process with cases waiting to be worked causing significant delays to the overall timeliness.

At the end of September the PAP stood at 5677 against a Business Plan forecast of 5225.

Priority Two: To identify innovation opportunities that speed up the complaints process.

A key ask from stakeholders last year was to focus on doing things differently. The Business Plan made it clear that, whilst additional capacity was essential to reducing the backlog and improving the experience of customers, there was a need for change.

Significant activity has been undertaken to identify, test and implement business process change. This has focussed on streamlining and simplifying processes, ensuring proportionality and seeking opportunities for early resolution approaches. At certain points in the first six months a huge percentage of operational staff have been involved in both contributing to, and implementing, new ways of working. Because of the balance of skills in the workforce and the consistent resourcing challenge the Legal Ombudsman has had to be agile and deploy resources and prioritise daily. The challenge of the PAP is shared by all. Investigators, General Enquiries Team and ombudsman work in a task and finish way, whilst others are focussed on testing new ideas or resolving cases for customers. Going forward the Legal Ombudsman will frontload resources and the process to manage cases that join the PAP in an even more proactive way.

Innovation work started

The focus has been on finding ways in which customers cases in the PAP are addressed as quickly as possible. Alongside this a number of initiatives have been implemented which have delivered efficiencies in the process and reduced investigation time across all case complexities. Inevitably, this work requires a substantial input from experienced staff and so has a negative impact on resources in the short-term. It will continue to be essential to find the right balance between the investment in change and maintaining business as usual.

Specific initiatives include:

Opportunities for the early resolution of cases in the PAP, without the need for a full investigation. These are cases where first tier offers are consistent with the likely outcome of a full investigation.

Status: Guided Negotiation and Reasonable Offer Made have been piloted and moving into mainstream work. Further projects being scoped as a result of Scheme Rules work.

Impact: Reasonable Offer Made and Guided Negotiation projects have resolved 392 cases without the need for a full investigation. It is expected that in the full year, approximately 800 cases can be resolved

in this way. Work is underway to ensure the appropriate reporting of this activity.

Specialist law teams are being trialled in direct response to stakeholder feedback. They are currently focused on probate and personal injury.

Status Pilot phase established in Q2.

Impact TBC. Expectation that specialist knowledge will lead to faster outcomes for customers and support identification of themes for learning and insight.

General Enquiry Team Investigator (GETi) role has been created to provide investigation-ready files and close low complexity cases at an earlier stage.

Status Pilot phase established in Q3.

Impact Data due in Q4. Expectation that role will speed up timeliness of investigations and therefore case closures levels.

Process reviews to identify a wide range of efficiencies and delivering on those such as scoping complaints and endorsement of decisions.

Status Projects undertaken on key areas as quality reviews have indicated improvements are required.

Impact Updated guidance and refinements of process which will support timeliness and streamlining.

“Grad bay” will see new starters grouped into two teams with designated team leader, buddy and ombudsman support. This will better support them through the probationary period.

Status Implemented for September new starters.

Impact TBC.

Robotic Process Automation (RPA). Will free up manual intervention into the 110,000 enquiries coming in and will also lead to further exploration of changes to how we create files, capture data and communicate with customers at the front end.

Status Phase 1 of RPA was launched in Q2 and transfers complaints from the online complaint form to CMS. Phase 2 is in development.

Impact Phase 1 saves 0.4FTE of GET Adviser time allowing time to be spent on customer facing activity.

Priority Three: To focus learning and insight work on providers who require support to prevent and resolve complaints.

In 2021/22 the aim has been to respond to requests for support and engagement from the sector, whether through training or policy work, and to begin building stronger internal mechanisms for generating learning and feedback from legal service providers. A cross-organisational Learning Group has been established and an Advice Line for service providers has just been launched. A Personal Injury thematic report is being finalised and has been shaped through early conversations with the sector.

Online workshops on the top five areas of law took place in the early part of the year and further workshops are scheduled for the second half of the year as face-to-face engagement begins to be more commonplace once again.

Work has also taken place in the first half of the year to support the Solicitors Regulation Authority /Council for Licensed Conveyancers transparency projects as well as looking at the feasibility of publishing full Ombudsman decisions as a way of enhancing the insight and impact from casework.

In the Business Plan a clear commitment was made to transparency and being accountable for performance. This has been met through an open dialogue being established and maintained with all stakeholders on Business Plan progress, performance and forecasts. An engagement plan has been in place across the year to ensure that stakeholders hear from the Legal Ombudsman and the OLC at key points, whether through the frequent Voluntary Assurance letters to the LSB (which are published), blogs or openly sharing the most recent commonly agreed dataset update.

The Stakeholder Challenge and Advisory Group was established in April and has met several times with a view to understanding and advising on recovery plans.

2. Understanding the challenges: What's constraining improvement?

While there are some very encouraging underlying signs of improvement as a result of the changes that are already in train, it's important to be realistic about the impact of the two most significant challenges facing the organisation as it seeks to improve.

The first of these is the scale of the improvement required. At the start of 2021/22 the backlog of work - which had built up as a result of historic underperformance and the Covid pandemic - was greater than the most optimistic forecast of what the organisation could achieve in-year and was higher than the entire annual output achieved in the previous year. Improvement plans have always required a medium to long-term view. The operational cost of servicing such a backlog is not insignificant. It requires additional ongoing communication and can mean longstanding complaints are more challenging to resolve. The passage of time can cause the parties to a complaint to become more entrenched in their positions, or the recall of events can become less clear.

As noted earlier in this section, the major reason for the failure to meet Business Plan targets has been the prevailing employment market conditions which have affected the ability to reach the required numbers of people in investigative teams. This has included recruiting sufficient numbers of new people of the right quality alongside an unexpected increase in the number of people leaving the organisation. The established investigator FTE has been 16% below 2021/22 Business Plan assumptions, at points below by as much as 20%. This has been the direct contributing factor to the decline in closures and reduces ongoing productivity as it takes new investigators significant time to become established.

The Legal Ombudsman is tackling these two challenges. There are measures that can be taken which are completely within the organisation's own control, whilst there are some measures which are not possible to progress without the support and assistance of stakeholders. Each measure requires resources which need to be seen as a necessary investment in the future improvement of the scheme.

Becoming an employer of choice	
What the Legal Ombudsman is doing/ will do	Taking steps to tackle this through the People Strategy. This will, among other things, review the employee proposition taking account of the approach to diversity, pay and reward, and the development of our people. In Q3 2021/22 working with a managed recruitment service with specialist recruitment skills to identify a broader range of potential applicants and to conserve internal resource for delivering business as usual.
Where further help is needed	These steps will not deliver sufficient change in the short term. In similar circumstances many other organisations have the freedom to contract out some of their workload, through the engagement of agency or temporary casework staff. The Legal Ombudsman is unable to do so under the provisions of the Legal Services Act and will seek support from stakeholders for a review of these provisions.
Improving our process	
What the Legal Ombudsman is doing/ will do	A number of process improvements are already in hand and are set out under Priority Two.
Where further help is needed	There are inefficiencies in the way that the Scheme Rules define the process for dealing with complaints. This can lead to

	duplication of work and frustration for both the service provider and the complainant. Some of these changes come down to reinterpreting the Scheme Rules to deliver process efficiencies but many require actual change. The Legal Ombudsman has brought forward a review of its Scheme Rules to Q3 and will formally consult with the sector before the end of the year.
Responding at pace to recruitment problems	
What is within the Legal Ombudsman's control	Three recruitment rounds have taken place bringing in 50 new people from outside the organisation. MoJ support for a managed recruitment partner to support the pipeline of investigators from January 2022 has been secured.
Where further help is needed	The Legal Ombudsman faces a number of restrictions on flexibility to procure and contract recruitment solutions. Reducing the business case approvals process when quite small amounts of spend are required on advertising or to procure the use of a specialist agency to fill roles will allow for a more agile, proportionate, faster response to challenges as they occur. The Legal Services Act only allows those directly employed by the Legal Ombudsman to investigate casework. The use of agency or interim staff are not permitted, eliminating the opportunity to fill roles quickly and respond to surges in workload. Along with the rest of the public sector the Legal Ombudsman has been subject to a pay freeze for its staff this year. Grade bandings and corresponding pay structures are relatively flat and career opportunities can be limited both in corporate and operational roles. Work needs to take place with MoJ colleagues to understand how to address this challenge.

SECTION TWO: LOOKING FORWARD – WHAT CAN CUSTOMERS EXPECT THROUGH TO 2023/24

In the context of its performance and improvements in the first six months, the Legal Ombudsman continues to assess the impact on the performance trajectory for the remainder of 2021/22 and into future years. This includes assessing the ongoing and planned benefits of new ways of working and analysing the impact of the ways in which further efficiencies in our process can be created through the delivery of Priority Two. Key to this is bringing further rigour to the modelling and ensuring confidence in the underpinning assumptions. This is essential in terms of the integrity of the relationship with stakeholders and not over-promising and under-delivering.

The revised performance trajectory, based on delivering against the actions planned for the remainder of 2021/22 is set out below in Section Two. These show that, with the right people in place, a change in performance will be delivered across 2022/23 which will continue to produce new ways of working and reaching historic levels of closures for the Legal Ombudsman. This brings with it a sustained and substantial reduction in customer journey times as the wait time either to achieve an early resolution or access an investigation continues to decline. Alongside quicker investigation times achieved this year this will deliver an overall improving, if not yet acceptable, customer experience. 2023/24 not only sustains but improves upon this upward trajectory.

This trajectory shows an improving picture from a very difficult starting point. The scale of the inherited backlog in the PAP was larger than the entire output of the organisation in 2020/21 and this remains a critical factor as the Legal Ombudsman emerges from a highly destabilised number of years. Whilst the backlog will stabilise and reduce in 2022/23, it remains at an unacceptably high level because of that starting point. As a result, within current parameters, although the backlog will be at a more manageable level and customer times will have reduced, there will still be a substantial backlog by end of 2023/24.

The forecast and trajectories outlined in this section do not yet take account of planned changes including changes to our Scheme Rules and further change to business process. The Legal Ombudsman remains confident that we can achieve an acceptable level of service, but the process will take longer and is not as linear as originally planned. It is clear that further and more radical change is needed. Section Three sets out how the Legal Ombudsman will seek to deliver that change.

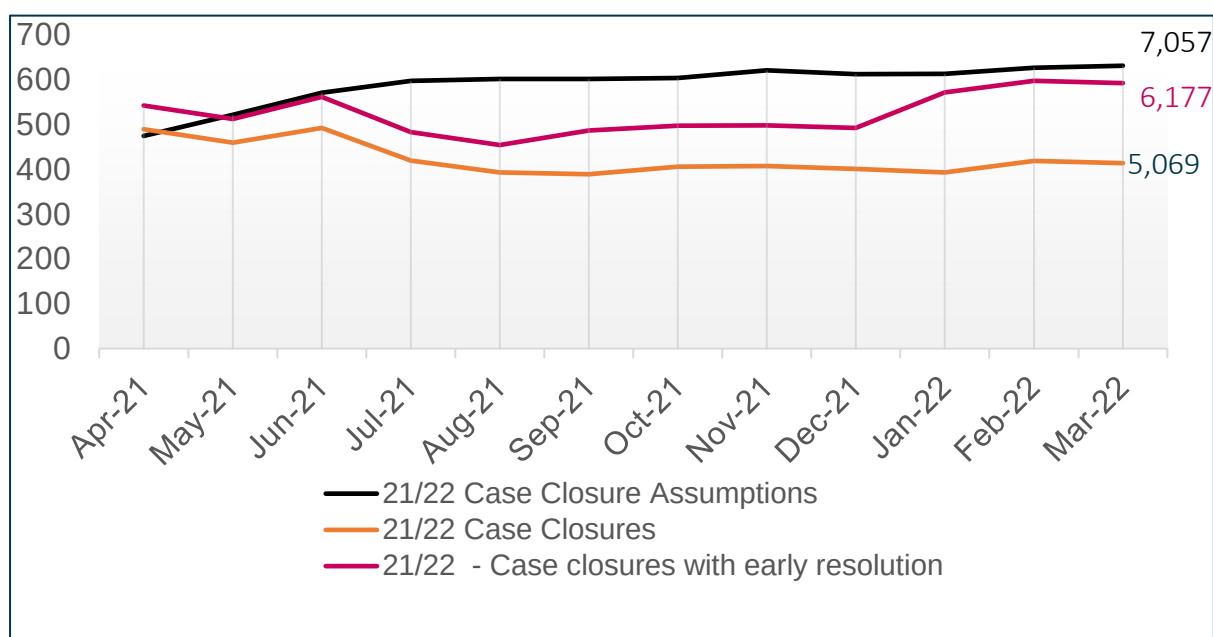
1. What the forecasts show: 2021/2022

The current Business Plan set out 2021/22 as a year of recovery and stabilising the performance position with closures increasing and the PAP continuing to grow but reducing by the end of the year. The analysis set out in the mid-year review demonstrates an improved year on year performance position in the first half of 2021/22 (despite a below planned FTE position) but a position that is below Business Plan assumptions for closures and with a PAP backlog above the forecast position.

The remainder of 2021/22 is focused on recovery and also continues to be hampered by the restrictions and challenges faced in the first half of the year – particularly with a significantly below forecast capacity of investigative FTE, high levels of attrition and other key assumptions impacting heavily on the ability to meet closure targets set out in the Business Plan. This is a position which is recovered to some extent by the hugely successful impact of Early Resolution initiatives which is delivering significant numbers of additional case closures without the need for investigation. “Reasonable Offer Made” and “Guided Negotiation” together have resolved 392 cases without the need for a full investigation. This is projected to rise to c.800 cases across 2021/22 with a reduction in customer journey time for these case types. Further emphasis on delivering a proportionate approach to investigations will ensure that customers’ expectations as to likely outcome are clearly managed from the outset. This will ensure that cases are only progressed where a full investigation is necessary.

The latest revised forecast below shows the extent to which closure numbers are below the figures originally set out in the 2021/22 /Business Plan. By taking into account additional numbers from early closures (Guided Negotiation and Reasonable Offer Made) the numbers remain below the Business Plan forecasts but with a reduced 12.4% gap between Business Plan assumptions and our forecast performance as a monthly average.

Closure forecasts 2021/22



From a customer perspective, customer journey times will continue to increase across 2021/22 as the organisation continues to recover from increased attrition and as the number of customers awaiting an investigation grows. This will be offset to some extent by the increased number of early resolution closures and more efficient investigations.

Early resolution work is delivering significant numbers of additional case closures without the need for investigation. For these customers this delivers significant benefits with a reduction of overall customer journey times by 52%. Over time the early resolution closures will contribute to an overall positive impact on customer journey time.

More efficient investigations will also continue driving quicker investigator times across all complexities. The table below provides a comparison of the first six months for 2020/21 and YTD 2021/22 with a 10% reduction in investigative times across all case complexities compared to the previous year.

Case investigation times

Case Complexity	20/21 First six month (days)	21/22 First six months (days)	Variance	% Variance
Low	98	92	-6	-6%
Medium	165	142	-23	-14%
High	271	218	-53	-20%
All	122	110	-12	-10%

2. What the forecasts show: 2022/23 to 2023/24

The forecast below sets out the expected performance position for the customers of the Legal Ombudsman across 2022/23 and 2023/24.

The Legal Ombudsman will deliver increased and sustained improvements in performance across 2022/23 and 2023/24. Case closures will increase, and customer journey time will reduce as the backlog of customers awaiting to access investigation reduces.

Closures increase early in 2022/23 and continue to increase by over 20% and to historic high levels throughout the year as new teams come to productivity and new ways of working continue to deliver. Case closures begin to increase in Q1 as the gap between in post FTE and budgeted FTE is bridged. The positive impact of new teams of investigators recruited through 2021/22 is a crucial element of this. New teams will be trained through an improved induction and onboarding process which will support them to reach productive levels in 2022/23 more quickly than previously expected. The aim is for new investigative teams to become productive quickly, with both new and existing teams being retained and supported to maximise their productivity and performance.

Increased productivity is also expected from closer management of performance and of underperforming individuals in particular. Current productivity is running at 5 closures per month, and this is expected to increase to 5.8.

Increased closures and continued backlog recovery work will have a positive impact on customer journey time. The forecast shows that with budgeted FTE in post and increased productivity, the wait time in the Pre-Assessment Pool will reduce by the end of 2022/23 by 29%, in comparison to our final projected position in 2021/22. The chart below shows the reduction in customer journey times by case complexity as the PAP reduces. This leads to a more sustained acceptable position. The best case scenario shows that further reductions in the overall customer journey time are possible, for example by increasing early resolution closures, work to address proportionality of investigations and if investigations continue to be completed more efficiently.

Reductions in customer journey times

Trend PAP volume	Complexity	% reduction Year-end to Year 2 (2022/23)
Best Case Scenario	Low	21%
	Medium	22%
	High	78%
Likely Case Scenario	Low	16%
	Medium	6%

	High	65%
Worst Case Scenario	Low	9%
	Medium	-9% (Increase in days)
	High	51%

By 2023/24 a significant change is made with sustained delivery of closures of 800 per month which includes the expected addition of early closures. This delivers closure levels significantly above historic peak performance monthly closure averages and provides a significant rate in reduction of the PAP. By the end of 2023/24 forecasts show that overall output for the organisation will sit at 9,708 closures which is over double the rate of output achieved in 2020/21.

Case closures 2022/23

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cases closed after investigation	514	525	560	576	583	600	605	603	620	622	631	608
Early Resolution Closures	116	116	116	116	116	116	116	116	116	116	116	116
22/23 Overall Total	630	641	676	692	699	716	721	719	736	738	747	724

Case closures 2023/24

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cases closed after investigation	694	698	683	684	675	707	695	691	706	696	705	682
Early Resolution Closures	116	116	116	116	116	116	116	116	116	116	116	116
23/24 Overall Total	810	814	799	800	791	823	811	807	822	812	821	798

3. Pre-assessment pool (PAP) trajectory

The table below sets out the forecast for the PAP based on a core demand of 600 per month. A case goes into the PAP where full information is available and a review has taken place to determine the likely complexity of the investigation. The complaint will be added to the PAP to await a detailed assessment by an investigator.

Incoming cases for the PAP increased between 2019/20 and 2020/21 by 23%, or from an average of 495 per month to 600 per month. There is no clear trend or analysis available to explain this demand change but the rate of demand in reporting is now consistently at this level and we are confident that demand will remain at this

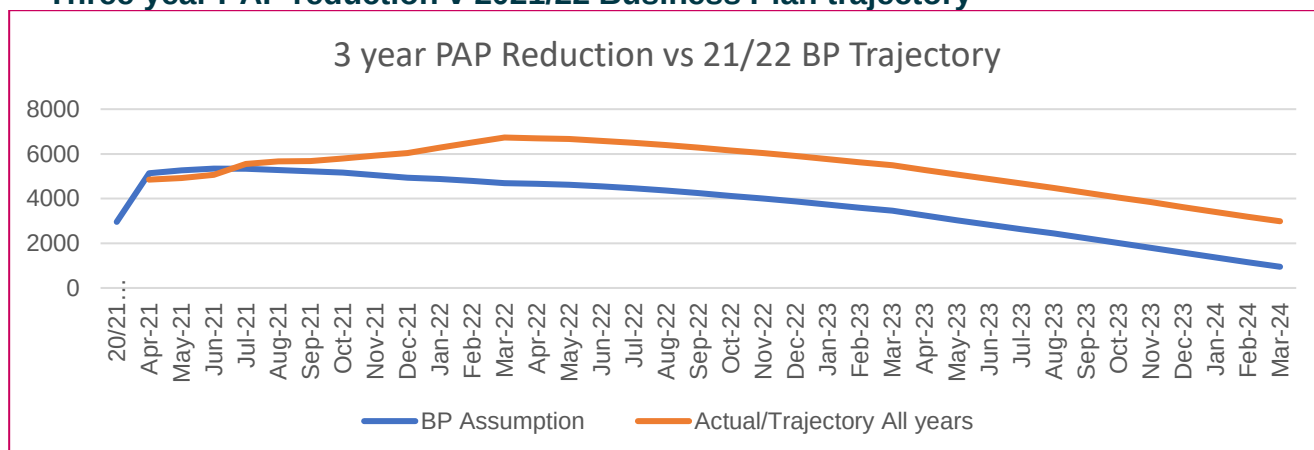
stable rate into 2022/23. Changes will be monitored and reported on a monthly basis allowing us to respond to this. The impact of any implementation of demand management measures as outlined in Section 3 will be assessed. The trajectory below takes into account a Q4 known performance spike in year which will inflate the PAP and occur as General Enquiry Team resourcing increases and focuses on incoming cases. As can be expected, with a reduced level of resourcing driving reduced case closures, the numbers on the PAP are forecast to continue to increase until the second half of 2022/23. After this point case closure numbers increase as the PAP decreases. The 2023/24 forecast continues this trend as the balance within the investigator community shifts to a higher level of established investigators.

A larger than anticipated PAP in years one and two drives the year three final number of 2,985.

Cases in the PAP

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
21/22 BP Assumption	5129	5262	5340	5339	5282	5225	5166	5048	4939	4870	4785	4696
21/22	4840	4924	5068	5552	5664	5677	5797	5916	6041	6287	6507	6732
22/23	6702	6661	6585	6493	6394	6278	6157	6038	5903	5764	5617	5493
23/24	5283	5069	4870	4670	4479	4256	4045	3838	3616	3404	3183	2985

Three year PAP reduction v 2021/22 Business Plan trajectory



4. Confidence in revised forecasts

An essential element of forecasting future performance trajectory is continuing to monitor and assess the assumptions that underpin this. The 2021/22 Business Plan was built using assumptions which underpinned the forecast trajectory. Monitoring the performance of the assumptions throughout the year against variables of worst, likely and best-case scenarios, adds control and provides current and accurate forecasting as it shows a clear view of business performance against the Business Plan.

Monthly reviews also support a proactive approach to mitigate issues specifically around attrition. This provides transparency across all business areas, creating a joined up and collaborative way of working.

This enhanced understanding and reporting means the Legal Ombudsman can offer assurance to stakeholders that the forecast positions are robust and are based on real time information which triangulates data from HR, finance and the business, and flows into updated performance forecasts.

As a result of this work, these assumptions about the customer journey have now needed to be updated:

Covid-19	The forecast was based on an assumption that the impact of Covid-19 on staff would reduce much more quickly during the year. Instead significant numbers of staff continued to be impacted by school closures in particular.
Annual leave	As a result of Covid-19 staff were allowed to carry over a higher level of annual leave. This has resulted in increased leave being taken over recent summer months and therefore reduced operational working days available.
Staff numbers	As previously noted the expectations for recruitment have not been realised in practice. The number of established investigators within the business is around 20% less than expected and required.
Attrition	Attrition figures within operational teams have consistently increased since April 2021. Resignations in September and October cite career progression and terms and conditions as reasons for departure in 67% of the cases. Between April and September 2021 there were 19 resignations from operations, 14 of those were linked to performance challenges. A natural movement after Covid-19 and a highly competitive labour market and skills shortage linked to an increased focus on performance outputs for customers is driving a higher level of attrition.
Sickness	The assumptions take into account long term sickness as an FTE loss with an increase in mental wellbeing playing a significant factor. Short term sickness also impacts performance but is not monitored in the assumptions but is recognised that this will need building into future assumptions.
Reallocations	Reallocations are a direct impact of attrition and long-term sickness as individuals case holdings are moved to another team member to ensure the customer journey is not delayed further. In turn this means that fewer cases are taken from the pre-assessment pool. Reallocations increase in line with attrition and long-term sickness.
Demand increase	Demand for the Legal Ombudsman service has increased since 2019/20. The number of cases being added to the pre-

assessment pool was 23% higher in 2020/21 than in 2019/20 and is forecast to be similar for 22/23.

The forecasts for the second half of 2021/22 have all been thoroughly tested by the OLC Board's Task and Finish Group and the assumptions have been revised based on the following:

- Reduced levels of available investigative resource as a result of increased levels of attrition, sickness and reallocations against the original Business Plan assumptions.
- The impact of new investigation teams both in terms of the time when they join and the expected productivity levels up to an established level.
- Managed recruitment service will have a significant impact on reaching the budgeted FTE in Q1 of 2022/23 and prevent loss of resource from operations to support recruitment.
- Investigator numbers will reach expected levels going into Q1 2022, starting with an FTE in post of 132.33 which will be supported by the new recruitment partner.
- The expected split of established against non-established will start with a 60/40 split which will have a temporary negative effect on closure numbers. The gap will decrease as new cohorts move to established, meaning closure numbers will increase throughout the year.
- Early resolutions for customers in the form of Reasonable Offer Made and Guided Negotiation will continue to offer additional closures at a stable rate throughout the year and are a valid addition to the overall closures numbers.
- Customers benefit in a reduction in their overall journey. On average the customer journey time for a customer with a low complexity case is 303 days. The average journey time for a case resolved via an early closure average is 145 days. This results in a 52% reduction in overall customer journey time. The expectation is that the customer journey time will reduce as we continue to work through the backlog.
- Established investigator productivity of an average of 5.8 case closures per month, which will be driven by performance management of members who are currently not performing to that level.
- The new GET Investigator role is included in the trajectory and expected to deliver 41 closures per month. This is based on current performance and is also supported by more resource being planned to support this process.

SECTION THREE: BUSINESS PLAN AND BUDGET 2022/23

As with the current Business Plan, the plans for next year focus on continuing to rebuild organisational stability and performance levels. The work that has taken place in 2021/22 provides firm foundations for progression next year, so 'Plan A' will continue.

While section two demonstrates that Plan A is already delivering benefits, it is taking too long to reduce the PAP backlog and secure a sufficient improvement in customer experience. The challenges faced by the scheme are substantial. It is clear that, in addition to delivering the two-year plan, further and radical change is now needed if these challenges are to be addressed.

Ultimately, the critical questions that must be answered by the 2022/23 Business Plan are: 'What will change the Legal Ombudsman's ability to get the people it needs?' and 'What will deliver an acceptable service as quickly as possible?'

The 2022/23 Business Plan identifies further activities and initiatives which provide the significant change that is required. The four significant and radical interventions at the heart of Plan A Plus are:

- Changing the Scheme Rules to rebalance the legal framework towards minimum formality in resolving complaints.*
- Committing further to early resolution and proportionality.*
- Introducing demand management to provide greater control over the number of cases accepted for investigation.*
- Ensuring outsourcing and operational partnerships are made possible*

The Legal Ombudsman is committed to implementing the change required at pace and assessing all possible options for achieving that change as quickly as possible.

1. Overview of priority areas

Priority One: Support our people to increase performance and productivity.

During 2022/23 Priority One will build on the progress made in 2021/22 to stabilise performance and will support the Legal Ombudsman's people to deliver a step change in performance across the year. The Legal Ombudsman will be an employer of choice for both existing and new staff to ensure the business is resourced with the right number and quality of people. The Legal Ombudsman will ensure it has the flexibility to attract, appoint and retain the people it needs.

The focus areas will be:

- *Attracting and retaining the right people.*
- *Developing our people.*
- *Addressing performance variation.*
- *Organisational stability*

The expected outcomes from this work are:

- *Increasing the levels of case closures by over 20% over the course of the year to historic high levels for the Legal Ombudsman. Forecast average above 700 closures per month with the addition of early resolution closures.*
- *Delivery of the People Strategy which will support the retention and development of people at the Legal Ombudsman.*
- *Greater level of stability within operational teams and in key corporate functions which supports overall organisational performance.*

Attracting and retaining the right people

Post-Covid retention has become a significant challenge for both operational and corporate staff. 67% of those staff leaving in September and October have said they are doing so as a result of better employment pay/prospects elsewhere and recruitment has been difficult. During 2021/22 this is being tackled by:

- Ensuring the right level of resources are in place for the start of the 2022/23 business year to hit the ground running.
- Benchmarking pay and employee terms and conditions with other employers.
- Exploring the benefits of linking pay to performance.
- Working with a managed recruitment service to draw on expertise in attraction strategies and national recruitment campaigns, to improve reach in the recruitment market at national level.
- Exploring options to pilot a hub approach, to target recruitment in different areas.

In 2022/23 the Legal Ombudsman will:

- Continue to invest in recruitment, onboarding and training new investigators but do so in a more responsive, nurturing way which will drive lower early attrition and increased productivity at an earlier stage.
- Support line managers who will be leading a changed workforce, where the balance between new and established investigators will be almost 50/50 and bring new leadership challenge and opportunity.
- Learn the lessons from the attrition and exit data, alongside the pay benchmarking research to better understand what is needed for an attractive pay and benefits employee proposition.
- Take the learning from having a remote and a hybrid workforce whilst determining how we best support our people no matter where they work.
- Work with governance partners to remove the barrier to outsourcing elements of casework and allow greater flexibility of approach.
- Develop a more agile approach to deploying people to priority areas of service.
- Develop a wider attraction and retention strategy for the whole business.
- Shift from being a single location business to a more dynamic location strategy including the use of a pilot hub model, learning from the impact of hybrid working and national recruitment.
- Investigate locations where the Legal Ombudsman's terms are competitive and target those areas for potential hub locations.

Developing people

As well as getting the right people in place it is vital that those who already work at the Legal Ombudsman are supported to reach their full potential, with access to development opportunities and progression, as well as being supported to deliver the level of performance which is required.

The Legal Ombudsman's People Strategy will deliver elements which are time-critical to the delivery of an improved service and begin the process of building the right employer offering.

In 2022/23 the Legal Ombudsman will:

- Develop a new Competency and Performance Management Framework that will address variation in performance where necessary but also provide the means to recognise and reward excellence and support employee development and aspiration.
- Review job descriptions as a means of recognising excellent performance and behaviours.
- Identify training needs and skills gaps across the organisation, to inform future development programmes.
- Continue to develop the "Grad Bay" approach so that new operational staff are fully inducted and supported and move to full productivity as early as possible.
- Develop a talent management and succession planning strategy.
- Build on existing employee engagement mechanisms.

Addressing performance variation

There is still too much variation between staff who are performing at the expected level and those who are not. Performance data in 2021/22 has allowed a greater understanding of this split and work is taking place to link tools such as workload management and forecasting which will allow individuals and team leaders to track progress and for the business to map this against further performance trajectories. Reducing these variations is key to driving consistent performance and meeting the forecast as set out in Section Two, which will deliver better outcomes for customers.

In 2022/23 the Legal Ombudsman will:

- Continue to focus on addressing performance variation, supported by the performance management framework set out above.

Priority Two: Deliver improvements to streamline handling of complaints and deliver a more proportionate service focused on early resolution.

Priority Two will build on the significant progress made this year in delivering new ways of working and more effective ways to achieve early resolution and seek sustainable transformative change through Scheme Rules review and process change.

The benefits from the PAP reduction pilot projects will be mainstreamed and driven through and we will continue to implement other new innovations and improvements.

Alongside this the Legal Ombudsman will also consider options to address the backlog through outsourcing.

The focus areas will be:

- *A review of the Scheme Rules.*
- *Early resolution and proportionality.*
- *Demand management.*
- *Outsourcing and partnerships.*
- *Mainstreaming Pre-Assessment Pool pilot projects.*
- *Making the most of new technology.*

The expected outcomes from this work are:

- *Minimum decrease in the pre-assessment pool of 1,000 customers.*
- *Revised and implemented Scheme Rules with subsequent process change which, together will deliver a more efficient and proportionate approach to the resolution of complaints with benefits realised as we move into 2023/24.*
- *Redefine the business process to ensure a proportional service which gets to the right decision for consumers and service providers as quickly and effectively as possible.*

The significant interventions at the heart of Plan A Plus fall under this priority area and are:

Review of the Scheme Rules

The Scheme Rules set out the way in which complaints will be dealt with by the Legal Ombudsman. Over time they have constrained the way the organisation can operate and have created inefficiencies. Work has taken place in 2021/22 to identify some key areas where changes to the rules would allow a more efficient approach to the resolution of complaints. Such changes would of course be subject to public consultation, which is expected to take place towards the end of 2021/22 and result in process re-design in 2022/23.

The key areas for review in 2021/22 are:

- Reviewing the scope and application of Scheme Rule 5.7 which provides for circumstances in which an Ombudsman can decide to dismiss a complaint either in full or in part.
- Addressing the high level of demand for investigations to be determined by an Ombudsman decision.
- The application of case fees to incentivise early resolution.

The key areas for review in 2022/23 are:

- Implement Scheme Rule and process changes which will deliver a more efficient approach to the resolution of complaints
- Complete a more wide-ranging and radical review of the Scheme Rules, which will take longer to complete and is likely to lead to further process re-design.
- Evaluate projects undertaken to date to assess whether they have had sufficient impact or further initiatives are required.

Early resolution and proportionality

Proportionality is a means of ensuring that, after an initial review, cases will only be passed for investigation where it appears that there is evidence of both a service failing on the provider's part and a significant detriment to the consumer which warrants redress. It is also a means of ensuring that the cases which are passed for investigation are concluded at the earliest possible opportunity if it transpires that there has been no service failing or detriment to the consumer.

Nearly half of all the cases investigated by the Legal Ombudsman result either in an outcome that the service provided was of a reasonable standard or that the detriment to the consumer was either negligible or non-existent. All of these cases will have waited a significant amount of time in the PAP without any indication as to the likely prospects of success. Once accepted for investigation, the time taken and resource expended in carrying out a full investigation on these cases could be better deployed investigating those cases where there is an obvious service failing, significant detriment or public interest.

Work is already ongoing to identify cases in the PAP where the likely outcome is a no poor service finding so that an ombudsman can consider whether they should be dismissed at that point. Further work is in progress to enable cases that have been accepted for investigation to be concluded at the earliest possible opportunity where

it is evident that the service was of a reasonable standard. Initial indications suggest that around 25% of cases in the PAP, where no outcome has been offered through the first-tier complaint handling process, could be suitable for early closure or dismissal which could provide a significant reduction in the PAP and customer wait times.

Work is also ongoing to define a set of financial thresholds and objective criteria which, if not met, would enable an ombudsman to consider dismissing a case where there is evidence of poor service on the provider's part on the basis of proportionality.

Additionally, a proportion of customers elect not to pursue their complaints through to conclusion or fail to engage with the Legal Ombudsman's processes. Identifying and dealing with those cases as soon as possible, either in the PAP or once accepted for investigation, will enable operational resource to be redeployed to cases where an investigation is needed and will add value.

Given the limitations of the data collected when a case goes into the PAP, to deploy any of the above initiatives each case in the PAP will have to be reviewed. This will require operational resource to be diverted from mainstream work or additional resource to be recruited.

In 2022/23 the Legal Ombudsman will:

- Develop the proportionality criteria for cases with low level detriment / impact and pilot that initiative.
- Consider the viability and potential implications of deploying a proportionality test to all cases that are currently waiting in the PAP.

Demand management

Across the Ombudsman sector, demand management is a tool which is often deployed to enable a scheme to have greater control over the volume of new cases being accepted for assessment and investigation and to ensure that levels of demand can be met with existing resources.

As work progresses to reduce the size of the existing PAP over the remainder of 2021/22 and into 2022/23, consideration will be given to applying an increased level of control over the volume of new cases being added to the PAP on a monthly basis.

To support this initiative a set of flexible criteria will need to be developed to enable the Legal Ombudsman to assess at the earliest possible opportunity whether or not new cases should be added to the PAP. The criteria will need to be structured to ensure that they can be flexed to maintain demand at a sustainable level and complement the existing PAP reduction initiatives. Consideration will need to be given to ensuring that any such criteria do not adversely affect those customers who most need the services of the Legal Ombudsman. They must also enable the Scheme to be able to identify and action low impact - high volume themes and trends in the sector or at a specific service provider.

Currently, the Legal Ombudsman can only decline to investigate a case once it has been accepted as being in jurisdiction. One of the key proposals for changes to the Scheme Rules is the ability to dismiss a complaint before it is accepted – this would mean that cases would not be added to the PAP and the customers' expectations could be properly managed from the outset.

Given historic closure and outcome profiles, it is anticipated that the application of demand management could reduce levels of incoming new cases by around 10-15% and those levels could increase if the thresholds and criteria are flexed.

In 2021/22 this initiative will be piloted under the provisions of the existing Scheme Rules to accurately assess and quantify the impact and implications of this change.

In 2022/23 the Legal Ombudsman will:

- Implement changes to approach, mainstreaming into our process based on an assessment of impact and implications subject to regular review.

Outsourcing and partnerships

In 2022/23 it will be essential that the Legal Ombudsman has the ability to outsource delivery of its services. To do so will require a change to primary legislation. Over the remainder of 2021/22 consideration is being given to the feasibility of outsourcing any aspect of the operational process to a third-party external complaint resolution provider. In doing so consideration would need to be given to how quality and service standards would be maintained and assured. An outsourced service with a specific target for the backlog will be scoped.

In 2022/23 the Legal Ombudsman will:

- Work with others to make this change possible and make sure we are ready to take advantage of this.

Mainstreaming Pre-Assessment Pool pilot projects

In 2021/22 the focus has been on balancing resources between case closures and intervening in the customer queue and supporting early resolution.

In 2022/23 the Legal Ombudsman will:

- Move into business-as-usual projects such as Guided Negotiation and Reasonable Offer Made contributing an expected 600 additional early closures per year (This is slightly lower than the expectations for 2021/22 as the proportion of cases open to this approach will reduce slightly as cases are worked through).
- Nudge theory closure will also add an additional 100 closures per year
- Review and implement the GET Investigator role which is still in the pilot phase, provided it is proved to support performance and productivity.

Making the most of new technology

Innovation work which focuses on how technology is used will continue to be tested in 2022/23 with the aim that the technology will support both the complaints process

and the ability to learn from casework and share this with the wider sector. There will be a specific focus on reshaping the service at the initial enquiry stage of the complaints process to give greater clarity to customers using the Legal Ombudsman's service.

In 2022/23 the Legal Ombudsman will:

- Maximise the use of the Robotic Process Automation deployed in 2021/22 and extend its use to increase automation of manual tasks resulting in staff time savings and improved service to customers.
- Scope improvements in the website and internal IT interfaces to support customers in accessing the service.
- Test the value of other IT solutions and consider whether and how they will support deliver to customers.

Priority Three: Developing learning and insight mechanisms to increase impact of work and support improvements in the sector for providers and consumers.

Whilst both the Legal Ombudsman and stakeholders recognise the importance of this work, the greatest proportion of organisational focus will continue to remain on the operational performance of the business. However, Priority Three will build on the progress made this year to build the internal structures to generate learning and insight and the mechanisms to provide feedback to service providers at the point at which it is needed.

The focus areas will be:

- *Providing targeted learning and insight for service providers, making better use of the valuable insight we hold.*
- *Increasing the visibility and impact of casework through better use of existing powers to increase transparency and publish findings in the public interest, delivering on our commitment to full transparency and enhanced public reporting.*
- *Using engagement opportunities to demonstrate the impact of the Legal Ombudsman, including the support it provides to 110,00 contacts a year.*
- *Responding to changes in the legal services sector and in the external sector.*

The expected outcomes from priority three work are:

- *Increased reporting of LeO's findings for insight and learning.*
- *Progressing our approach to transparency of investigations.*
- *Active contributions to debates around transparency, quality indicators and the unregulated sector more broadly.*
- *A wider range of engagement points with service providers both during the complaints process and more widely. Working towards more rigorous management of "at risk" providers, appropriate support mechanisms and transparency of investigations.*
- *Sector has a clearer understanding of the business process and how they can best help support early resolution.*

Providing targeted learning and insight

The Legal Ombudsman has already begun to identify how it can better engage with service providers, to provide learning and insight at all stages of the process. This means the opportunity for early advice to support the first-tier process, feedback for those firms who have high volumes of complaints, through to publishing more complaints reports or information on complaints where there is learning or a public interest in doing so.

In 2022/23 the Legal Ombudsman will begin implementation on aspects of this engagement to provide clearer insights into the impact of the scheme and how learning and insights can be shared more widely with the sector.

Responding to changes in the sector

At the same time the legal sector continues to evolve and it is vital that the experience and knowledge of the Legal Ombudsman are represented in discussions about how to respond.

In 2022/23 the Legal Ombudsman will support wider sector work on areas such as transparency of information and redress for the unregulated sector.

2.What this means for customers in 2022/23 and 2023/24?

The significant interventions at the heart of Plan A Plus under Priority Two will reduce the PAP and improve the overall customer experience by reducing both wait time and customer journey time for our customers. With senior level Ombudsman resource deployed to the front end of the business process we can accelerate the delivery of proportionality and demand management and its impact on the PAP backlog. This experienced resource would be deployed to review cases in the PAP and assess, at the earliest possible opportunity, those complaints which can confidently be identified as having no likely prospect of success. Those cases will be processed under Scheme Rule 5.7 which provides a number of situations where the Ombudsman, in his/her opinion, may feel that complaints may be dismissed or discontinued. This would include dismissals on the basis that it would be disproportionate for a full investigation to be carried out given the probable outcome. Senior Ombudsman involvement in this initiative will provide assurance as to the quality of the outcomes and will ensure that all customers have the chance to argue for their case to be fully investigated, thereby ensuring that the interests of the most vulnerable customers are not prejudiced. This approach, whilst resource intensive, will enable new cases to be processed much more quickly.

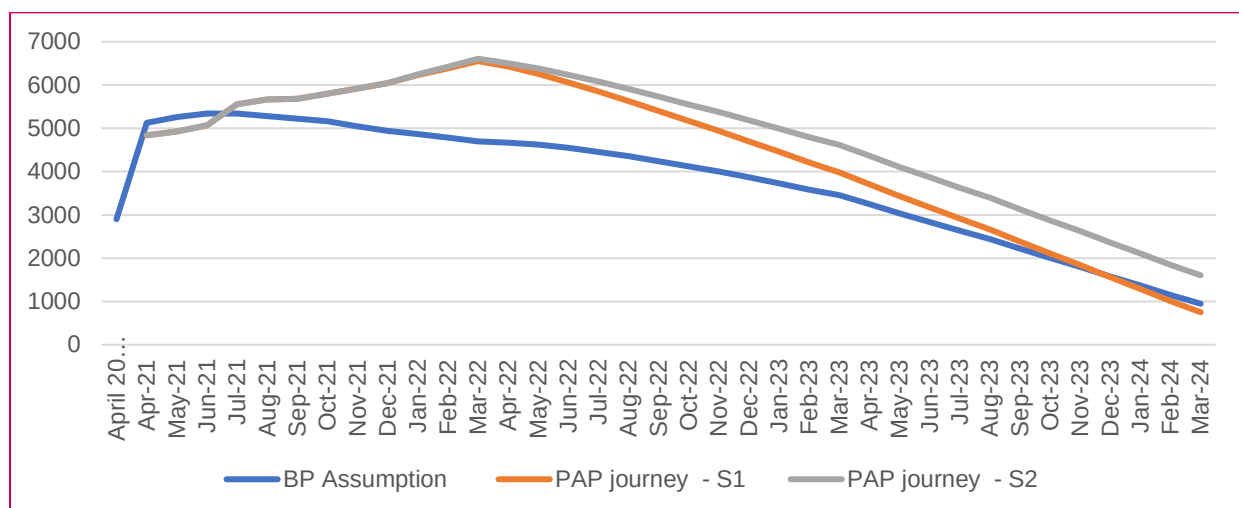
This will reduce the customer journey for a significant proportion of those waiting in the PAP. The application of a proportionality test to these cases could, it is anticipated, reduce the PAP by between 1200 to 1600 cases in 2022/23.

This approach will also be complemented by a focus on managing the level of demand coming into the business. This senior 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. This will provide scope for levels of forecasted demand to be reduced by up to 10%. This initiative 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 750 and 1600, compared with a current forecast of 2985 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. Under current modelling within the existing business process, Year 3 shows a further improvement on low and medium complexity cases by a further 38% for low and 13% for medium. Significantly, this does not include the impact from the proposed changes and ways of working. Early closures, proportionality and demand management which will have a significant effect on low and medium customer journey cases from Year 2 and into Year 3. The data is not yet available to inform a robust model but, with the proposed changes and as we get to a position where the PAP is reduced significantly, we get closer to our existing average times for investigations (the point at which complaints are taken from the PAP until they reach closures). To date over the course of 2021/22 the investigation times for low complexity cases average 91 days, for medium complexity 141 days and for high complexity 211 days. As the PAP approaches a more manageable level the Legal Ombudsman will get closer to this level of sustainable acceptable performance.

Overall PAP Journey



2. What this means for the budget

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 provisional budget increase for 2022/23 to £15,024,352.

In putting together this budget, amidst significant inflationary and capacity pressures, the OLC has asked itself some difficult questions:

- Should the budget be maintained?
- Is there a risk of not being able to spend this next year because the right people cannot be recruited?
- What are the implications of asking for a reduced budget? How would this impact recruitment plans?
- How is the sector likely to respond?

We have actively considered and assessed, first of all, the possibility of no increase, maintaining the budget for 2021/22 into 2022/23 and not seeking the year two planned additional increase of 3.8% as set out in the 2021/22 Business Plan. This has been ruled out primarily 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. Our assessment has also taken account of the significant inflationary pressures faced and the lack of scope for further efficiency savings.

In essence, without this planned increase, LeO would not realise the benefits of the investment in 2021/22 and would not see the full effect of the new investigators increasing to productivity into 2022/23. 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.

Proposed budget for 2022/23: Two options

Two budget options have been actively considered and are presented for stakeholder comment:

Option one: Increase the budget for 2022/23 as planned in line with what was set out in the 2021/22 Business Plan – a total increase of **£553,310**.

Option two: Increase the budget by a marginal further 1.3% to **accelerate the delivery of radical options** – a total increase of **£741,406**.

Option One: Increase the budget for 2022/23 by 3.8% in line with the budget set out in the 2021/22 Business Plan

This option sees a proposed budget for 2022/23 of £15,024,352 – maintaining the Budget ask at the levels originally planned for 2022/23 (Year 2) and outlined in the 2021/22 Business Plan (3.8%). This forms part of the previously shared and agreed two-year approach to stability, recovery and improvement.

This planned increase will pay for the full year effect of new investigative teams recruited and trained in 2021/22 with new investigators increasing to

productivity over the course of 2021/22 and into 2022/23. In essence, this will allow the Legal Ombudsman to realise the benefits of new investigative teams through to 2023/24.

The budget request asks for funding for what we consider to be business critical to operational performance. We plan to add some operations leadership and management capacity to help continue focus on performance variation and to help manage the support needs of a less experienced investigative cadre. We will fund this from within the planned budget ask through savings generated elsewhere.

We plan to invest modestly in HR and Communications, but these will also be met within the planned budget and through savings.

We will absorb significant inflationary pressures as a result of the recently announced increase in National Insurance, adding £95,000 increase in staff costs, with additional inflationary pressures of £40,000 in IT costs.

The Legal Ombudsman recognises the pressure this places on the funding from the sector and a number of areas have been assessed to mitigate these increases as much as possible. This includes:

- £62,000 reduction in rent due to adjustment.
- £50,000 reduced depreciation requirement from longer asset life policy.
- £45,000 reduction in marketing and consultancy.
- £23,000 reduction in wider staff costs.

This totals a £180,000 reduction in budget requirement.

In addition, reflecting on the current retention and attraction challenges, and on the basis of more robust staff forecasting, potential overall attrition rates and consequent gaps in operations and corporate staffing levels have been better assessed.

This amounts to further £209,000 reduction in budget requirement to offset the total budget increase.

The combined effect of these changes is a £553,311 increased budget requirement against the budget for this year as indicated in the 2021/22 Business Plan.

This budget would deliver the forecast trajectory in closures and the PAP set out in Section 2 but would not deliver the higher forecast trajectory outlined in Section 3 on page 32 and which includes investment in proportionality and demand management measures.

What this does not take account of

There are several key elements which it has not yet been possible to forecast with accuracy:

Removal of public sector pay freeze. Following the announcement in the Chancellor's Autumn Budget regarding the public sector pay freeze guidance is being sought on the implications for the Legal Ombudsman. A pay award of 1% would cost £120k, and 2% would cost £240k. Not offering an inflationary pay award in 2022/23 could counter strategies for retention and recruitment.

Performance related increments. Consideration is being given to performance related increments for investigators to aid attraction and retention. This would be closely tied to performance, and so should be self-financing (fewer, higher paid investigators closing more cases).

Any additional or wider inflationary pressures – not least on staff costs – which requires further consideration. There are pressures within this budget which will be challenging and will reduce scope for capacity and resilience building in key support areas.

Business Area	2020/21 Out-turn	2021/22 Budget	2022/23 Budget (in 21/22 BP)	2022/23 Budget	2023/24 Budget
Operational delivery		£8,783,999	£9,114,310	£9,111,193	£9,357,440
Policy and Impact Work		£227,146	£227,146	£296,882	£376,882
Corporate Functions and business support		£2,350,734	£2,450,734	£2,524,115	£2,524,115
Total staff salary expenditure	£10,193,000	£11,361,880	£11,792,191	£11,932,190	£12,258,437
IT & Telecoms	£1,293,000	£1,379,534	£1,379,534	£1,419,534	£1,419,534
Premises & Facilities	£744,000	£772,023	£772,023	£572,023	£572,023
Other staff expenditure	£236,000	£205,012	£218,012	£195,012	£195,012
Depreciation	£291,000	£353,480	£443,480	£531,480	£531,480
Other costs	£407,000	£399,113	£419,113	£374,113	£374,113
Total non-salary expenditure	£2,971,000	£3,109,162	£3,232,162	£3,092,162	£3,092,162
Total revenue expenditure	£13,164,000	£14,471,042	£15,024,352	£15,024,352	£15,350,599
Impact of potential salary increase					
1% salary increase				£118,000	
Total revenue expenditure				£15,142,352	
2% salary increase				£237,000	
Total revenue expenditure				£15,261,352	

* salary increase provided for indicative effect

Option two: Increase the budget by a marginal further 1.3% to accelerate the delivery of radical options – a total increase of £741,406.

This option would be based on Option one but with the addition of a 1.3% budget increase of £188,000. This would allow investment in senior Ombudsman experience placed at the front end of our process to apply proportionality and demand management at a faster rate. This would deliver direct early Ombudsman closures to both existing complaints in the PAP and new complaints received. This will result in significant reduction on the forecast PAP over 2022/23 and 20/24 with an estimated

reduction between 33% and 39% by the end of year 2 and between 65% and 81% by the end of year 3 against the current forecasts.

The combined effect of these changes would be a £741,406 increased budget requirement against the budget for this year.

This budget would deliver the forecast trajectory on closures and the PAP set out in Section 3 delivering substantial reduction of the PAP over a quicker timeframe through investment in proportionality and demand management measures. This can't be achieved without that investment without a transfer of existing resource which would significantly reduce closures and negate the impact.

Business area	2020/21 Out-turn	2021/22 Budget	2022/23 Budget (in 21/22 BP)	2022/23 Budget Proposal	2023/24 Budget
Operational delivery		£8,783,999	£9,114,310	£9,299,289	£9,545,535
Policy and Impact Work		£227,146	£227,146	£296,882	£376,882
Corporate Functions and business support		£2,350,734	£2,450,734	£2,524,115	£2,524,115
Total staff salary expenditure	£10,193,000	£11,361,880	£11,792,191	£12,120,286	£12,446,532
IT & Telecoms	£1,293,000	£1,379,534	£1,379,534	£1,419,534	£1,419,534
Premises & Facilities	£744,000	£772,023	£772,023	£572,023	£572,023
Other staff expenditure	£236,000	£205,012	£218,012	£195,012	£195,012
depreciation	£291,000	£353,480	£443,480	£531,480	£531,480
other costs	£407,000	£399,113	£419,113	£374,113	£374,113
Total non-salary expenditure	£2,971,000	£3,109,162	£3,232,162	£3,092,162	£3,092,162
Total revenue expenditure	£13,164,000	£14,471,042	£15,024,352	£15,212,448	£15,538,694
Impact of potential salary increase					
1% salary increase				£120,000	
Total revenue expenditure				£15,332,448	
2% salary increase				£240,000	
Total revenue expenditure				£15,452,448	

* salary increase provided for indicative effect

Confidence in ability to spend the budget

The Legal Ombudsman is forecast to underspend by £659,000 in 2021/22. The main contributory factor to this has been the significant shortage of investigator FTE compared to those budgeted for in the Business Plan as set out above. In particular, LeO started the year with a significant shortage (14 FTE) of investigators. We have also seen a less than 50% return on targeted recruitment numbers in September and November. Essentially, from the outset, we have been recruiting to catch up, meet attrition and upscale with new additional teams - all whilst meeting the challenges of a candidates' labour market.

This may, of course, lead to questions from stakeholders around the risk of not being able to spend next year's budget if the Legal Ombudsman cannot recruit the right people. The Legal Ombudsman is confident, however, that the actions set out above in Section 3 mean that a full complement of investigators will be in place and ensure full budget spend next year. This includes the expansion of our recruitment options by moving to a national recruitment campaign and engagement of a managed

recruitment service, allied with moves to pilot a Hub approach and attraction strategies.

We have also undertaken a full review of our forecasting model and are testing this with a Performance & Quality subset of the OLC Board. This includes a full review of assumptions and strengthening of our forecasting modelling. We will be forecasting in 2022/23 on a real time basis with greater control and workforce planning to anticipate and replace attrition, minimising the opportunity for a future underspend.

SECTION FOUR: RESPONDING TO THE CONSULTATION

The OLC is seeking feedback from stakeholders on the 2022/23 Business Plan and Budget and at a critical time for the effective delivery of the Legal Ombudsman scheme. Whilst this consultation is for 2022/23, this document also makes it clear that 2021/22 is not over yet. Much is already in the pipeline and will determine the starting point of delivery in 2022/23.

What is clear is that change is necessary and this document shows the willingness of the Legal Ombudsman and the OLC to be bold and work at pace. This consultation offers an opportunity to hear directly from stakeholders on the feasibility and their appetite for some of these more challenging options.

Comments on all aspects of this document are welcomed, as well as any evidence supporting your views. Specific questions being asked are:

- 1) *This document is being shared with you following a year of enhanced public accountability. What are your confidence levels in the Legal Ombudsman scheme compared to this time last year?*
- 2) *Specificity is key for the credibility of the Business Plan but it is also important to avoid 'information overload'. What would you like to see more information or detail on in the final Business Plan issued in the New Year?*
- 3) *The Legal Ombudsman must avoid over-promising and under-delivering. To this end this document seeks to openly set out the different confidence levels in the impact of what is being proposed. Is this a helpful approach to adopt?*
- 4) *Historically there has been an emphasis on plans to tackle the size of the pre-assessment pool but there are better and more customer-centred ways of measuring sustainable acceptable performance. Should the Legal Ombudsman place more emphasis on individual customer experience, the value for money the service provides, the wider impact of the scheme or other measures?*
- 5) *What are your views about the proposed budget for 22/23? If you disagree with the proposed budget, what elements of the Business Plan should be changed in order to address this?*
- 6) *Are there further measures that LeO should consider implementing in order to improve its performance?*

Further information

If you have any questions concerning this publication or how to engage with us about our strategic planning, please email support@legalombudsman.org.uk.

If you require further information the Legal Ombudsman publishes a full range of [performance data](#) on its website.

This set of data was developed and agreed with both the Legal Services Board and the Ministry of Justice and provides a comprehensive overview of all areas of work from the overall customer journey time and satisfaction with the service provided, the number of cases in the Pre-Assessment Pool and quarterly turnover. Since August this information has been openly shared with all stakeholders, with a focus on the overall performance summary. This will continue throughout 2021/22 and into 2022/23 and feedback will be gathered from stakeholders to ensure the information in the dataset is effective and useful in bringing an understanding of progress and the changes being made by the Legal Ombudsman.

The KPI targets for next year will be set later in the business year once the performance forecasts and budget for the year are finalised.

Timing

The consultation runs from Friday 5 November to **12pm Monday 13 December 2021**. There will be opportunities for stakeholders to comment and contribute in person at events being held in early November.

Contact details

If possible, please send your responses electronically although hard copy responses by post are also welcome.

Email: consultations@legalombudsman.org.uk

Post: Legal Ombudsman, PO Box 6803, Wolverhampton, WV1 9WF

High-level milestones

