Legal Services Board Budget Acceptance Criteria: Office for Legal Complaints' 2025/26 Budget

This paper addresses the Legal Services Board's (LSB) Budget Acceptance Criteria for the Office for Legal Complaints' (OLC) 2025/26 budget.

For the purposes of this submission, "customers" refers to both users (or "consumers") of legal services and providers of legal services who are parties to complaints referred to the Legal Ombudsman (LeO).

Summary

LeO is on track to deliver its commitments in 2024/25

- LeO has continued its strong underlying performance in resolving complaints. Following its transformation, it has made a step-change in annual output, going from historic levels of around 6,500 complaints or fewer to nearly 8,000 a year – an almost 25% increase – on a sustained basis.
- In the first half of the year the number of complaints LeO resolved (4,099) went beyond minimum delivery forecasts and approached the upper range of its business plan forecast – representing a 6.7% increase on the same period in 2023/24.
- Overall, 44.2% of cases taken on by LeO for some type of resolution were resolved within 90 days (an additional 100 cases year-on year, despite being a small percentage decrease).
- A higher proportion of complaints resolved by LeO in 2024/25 to date are those needing an in-depth investigation: 13.8% more than the same period last year. This focus on resolving older cases means average customer journey times will continue to fluctuate.
- The average end-to-end customer journey time for cases of all complexities is under 300 days, with almost half of LeO's cases now being resolved in under 60 days.
- For cases needing an in-depth investigation, of all complexities, the average time to investigate once allocated to an investigator is 160 days. For all cases, including early resolutions, the average time from allocation to an investigator to resolution is 110 days.

LeO is seeing sustained higher demand from consumers unhappy with legal services

- Persistently high numbers of people who've relied on legal services are turning to LeO with concerns. Demand for LeO's help has never returned to pre-pandemic levels, with more than 9,000 new complaints projected for 2024/25 and 2025/26.
- When comparing 2024/25 against 2019/20, there has been a near 27% increase in complaints (around 1,600 cases) that require early resolution or investigation (LeO's core demand). In 2024/25, LeO is expecting core demand to be between 8% and 13% higher than in 2023/24.
- The biggest shift has been in demand for investigations – those cases which demand significantly higher levels of resource and which make up the unallocated investigations queue.

- Oher than pandemic-driven issues such as delays, there appears to be no specific driver of demand. The marked feature of LeO's data is that, over several years, standards of neither service nor complaints handling have improved – and in some areas, have worsened.

LeO is delivering sustainably, but higher demand means reductions in the queue will slow

- LeO's model is fundamentally sustainable; it can continue to meet high demand on an annual basis, even under scenarios where demand increases further. In 2025/26, even with no investment in resource, it would resolve nearly 8,500 complaints.
- But with increased demand and at current resourcing levels, it can't reduce the number of people waiting for an in-depth investigation at the pace required to make the meaningful improvements to the experience of these customers.
- The imperative that LeO complete the remaining step of its transformation journey – bridging the gap between the current position and an excellent customer experience – underpins the 2025/26 budget.

LeO needs to bridge the gap and invest to save

- The OLC has carefully considered resourcing options going forward: in particular, the balance to be struck between investing in resource to reduce the queue of people waiting; to help the legal sector prevent demand and consumer detriment at source; and to ensure LeO is harnessing the power of technology to enhance its service and generate savings and efficiencies, now and in the medium to long term.
- On balance, the OLC thinks it is appropriate to invest across all three areas – to ensure that LeO is not just reducing a historic backlog, but preventing that backlog arising again, and delivering its ambition to be a world-class Ombudsman. This is reflected in the proposed budget of £19.8 million: 10.2% higher than 2024/25.
- Approaching half (47%) the budget increase reflects an investment in investigator resource – nearly three-quarters of which relates to reducing the queue and improving customers' experience. LeO will reduce waiting times by 26% against 1% without investment, and end the year with a queue 30% lower than it would be without investment.
- To cover only non-discretionary increases, LeO would need a 4.7% budget increase. With this budget, however, LeO could not make meaningful headway into its queue; it would be unable to intervene meaningfully to influence future demand; and couldn't realise the benefits of new technologies for its customers and those who fund it.
- For 2027/28 – into the new strategy period – in a central scenario, even with increasing demand, LeO would not need to replace investigators leaving the service, enabling a managed decrease of investigation resource and budget.

LeO will drive higher standards and enhance transparency

- As a key cross-cutting intervention for 2025/26, LeO will work with the sector and regulators to develop and launch a model complaints handling code and procedure – and emphasise the centrality of regulators' role and commitment in delivering a cultural shift in legal complaint handling.
- LeO will also continue to provide targeted support for high generators of complaints or providers that demonstrate significant failings in complaints handling, with view to managing specific drivers of demand.
- The OLC is also setting out a viable path, alongside the likely costs and impacts, to enhancing the transparency of LeO ombudsman decisions within the 2024-27 strategy period – recognising the importance of maintaining momentum while managing the risks inherent in this significant change. If LeO progressed these plans in 2025/26, the total year-on-year budget increase would be 12.7%.
- We are also proposing to increase LeO's case fee – recognising the role of this income in both offsetting the levy and in incentivising better complaints handling through underlining the "polluter pays" principle.

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

    a. assumptions around the volumes predicted for 2025/26, including data on the number of new cases in the current year to date and an assessment of the likely impact of key external factors on demand. Please include information about how the organisation would respond in the event of volume fluctuation

As with Ombudsmen in other sectors, the resources required to deploy the Legal Ombudsman are, in part, a factor of the scheme's own efficiency and effectiveness in resolving the complaints consumers refer to it. However, they are in equal part a factor of the legal sector's attitude toward consumer complaints, the effectiveness with which concerns raised by consumers are responded to at first tier, and how well the sector engages with and addresses the root causes of complaints, so the same issues don't arise again.

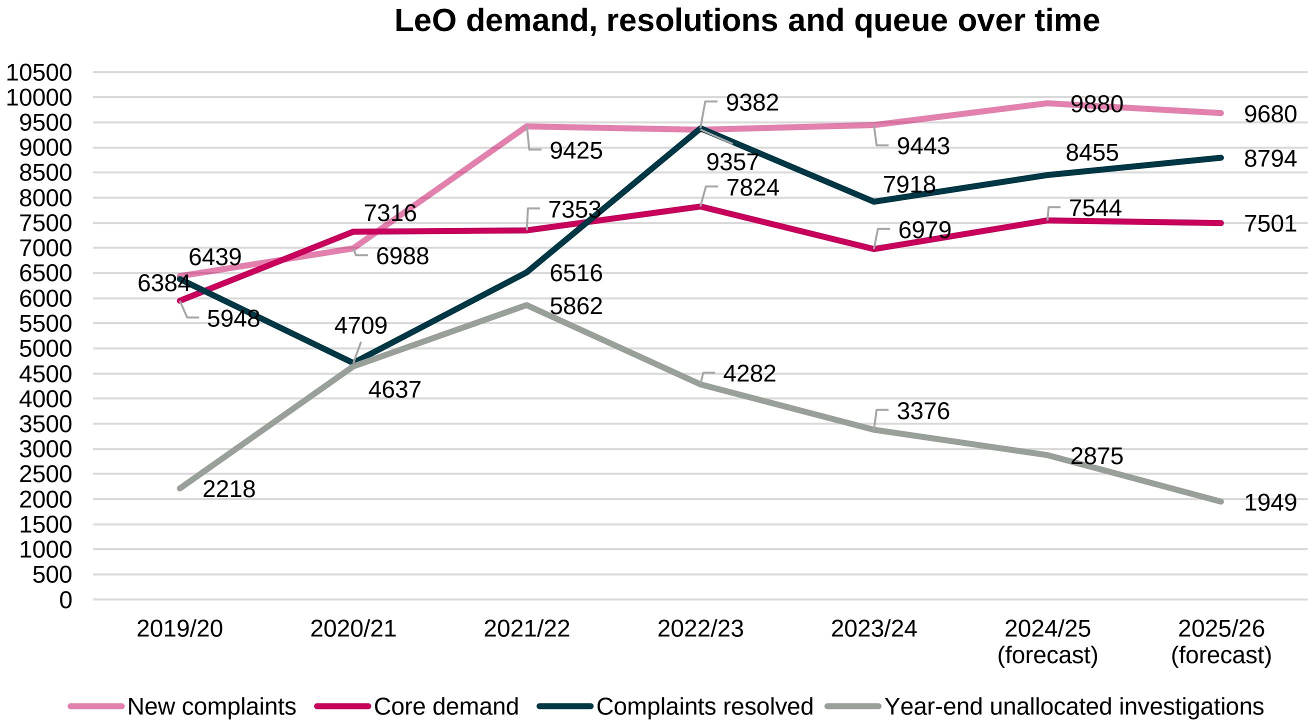
In recent years, LeO has transformed its service; compared with historic levels, it is resolving 25% more complaints year-on-year. Over the same period, however, demand for the scheme has continued to grow, and it has seen a consistent and concerningly high incidence of both poor service and complaints handling being delivered by legal providers. This is a clear indicator that consumers are being let down. It's a position that isn't sustainable for those using legal services, who need to be able to rely on providers to deliver consistently high standards. And it means LeO can't currently deliver an acceptable standard of service to the parties relying on it for outcome.

The rest of this section sets out the picture of demand for LeO in more detail. This is the basis for investment in LeO's ability to reduce waiting times in the face of high demand, and capacity to help the sector to prevent that demand at source.

Demand for LeO over time

From 2019/20 to 2022/23 the number of new customer complaints brought by consumers to the Legal Ombudsman (LeO) rose from approximately 6,400 to more than 9,400: a 48% increase. Demand has never returned to pre-pandemic previous levels, with similar volumes received in 2023/24 and projected for 2024/25 and 2025/26. The upward pressure LeO has experienced is consistent with a trend reported across the Ombudsman and complaints landscape, as discussed in more detail later in this section.

Growth in underlying demand has translated into a nearly 27% increase in complaints (around 1,600 cases) that require early resolution or investigation (LeO's core demand) when comparing 2024/25 against 2019/20. As reported in the OLC's annual report and accounts, in 2023/24, having anticipated a 10% reduction in new customer complaints due to changes to Scheme Rule time limits, new complaints actually increased by 0.8%.



More widely, as highlighted throughout this submission, LeO has continued to generate efficiencies and improvements through technology, process and culture change. Despite significant challenges, including investigator attrition, in 2023/24 LeO reduced the number of people waiting for an investigation by 21.2%, following a 27% reduction in 2022/23.

In 2023/24 LeO also improved accessibility of its service through its website, providing better navigation and clearer information for consumers on whether and how LeO can help with their complaint. This has contributed to the equivalent of an over 7% fall in Quarter 1 2024/25 of people completing LeO's online complaint form too early. This is an estimated 650 "premature" complaints a year that LeO has successfully directed to service providers to try to resolve at tier one, which it otherwise would have needed to accept into its process as new complaints.

LeO's transformation and move to early resolution have delivered significantly increased output, demonstrating its model is sustainable into the future. But as indicated in previous budget cycles, LeO can't continue to deal with demand at this level while still making headway into its queue at an acceptable rate. The imperative that LeO improve customers' experience at the necessary pace underpins the budget proposal set out later in this document.

Demand in 2024/25 to date

As set out under the next criteria, LeO's forecasting approach involves exploring a range of scenarios, based on current data and assumptions refined over time.

As a central forecast, LeO expects core demand (complaints taken on either for early resolution or in-depth investigations) to increase between 8.1% and 13% year on year (7,500 to 7,900 cases). Alone, demand for in-depth investigations – which determines the volume of unallocated investigations – is anticipated to increase from 2023/24 levels by between 10.2% and 14.9% (4,060 to 4,230 complaints).

The application of discretion to accept complaints outside new time limits in the first year generated increased workload at the front-end of LeO's process. This meant that around 600 complaints referred to LeO in 2023/24, including 310 needing in-depth investigations, were only formally accepted by LeO in 2024/25, becoming reportable as core demand (and, for those needing investigations, as unallocated investigations).

Forecast demand for the year to date is shown in the table below. There is more about LeO's 2024/25 performance to date under criteria 2; as outlined in that section, for the first time post-transformation, LeO's mid-year reforecasting has resulted in an increase in its expectations for how many complaints it will resolve.

	Quarter 1	Quarter 2	Quarter 3 (forecast)	Quarter 4 (forecast)	Total (forecast)	2023/24 actual (forecast variance)
Contacts	**29,172**	**30,251**	**30,000**	**30,000**	**119,423**	**125,448 (-4.8%)**
New complaints	**2,529**	**2,529**	**2,411 – 2,652**	**2,411 – 2,652**	**9,880 – 10,362**	**9,443 (+4.6% – +9.7%)**
Online	2,110	2,275	2,192 – 2411	2192 – 2411	8769 – 9207	
Non-online	419	254	219 – 241	219 – 241	1,111 – 1,155	
Total 2024/25 core demand	**1,905**	**2,039**	**1,800 – 1,972**	**1,800 – 1,972**	**7544 – 7888**	**6,979 (+8.1% – +13.0%)**
Early resolution demand	841	941	852 – 937	852 – 937	3,486 – 3,656	3,295 (+5.8% – +9.0%)
Investigations demand	1,064	1,098	948 – 1,035	948 – 1,035	4,058 – 4,232	3,684 (+10.2% – +14.9%)

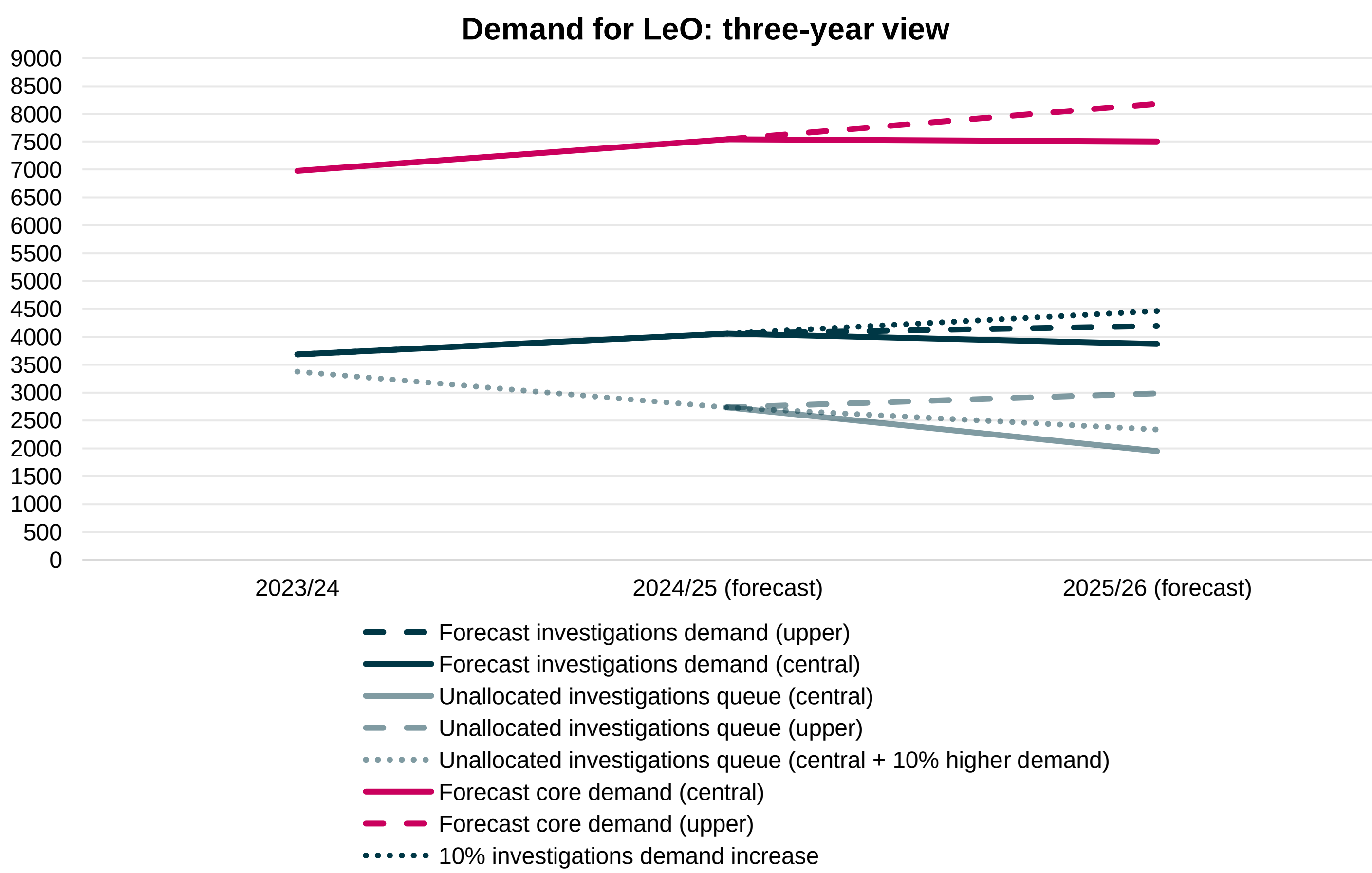
Expected demand in 2025/26

In preparing this submission, LeO has assessed several scenarios for 2025/26. These involve demand trends ranging from a marginal year-on-year decrease of 0.6% – in light of targeted feedback to the sector, in addition to improvements made to LeO's customer channels – to an increase of 8.5%.

Even a marginal decrease, however, wouldn't enable LeO to materially reduce the queue and improve customers' experience at current resourcing levels. And at these levels of forecast demand, without investment in capacity, there is an increased risk that the volume of unallocated investigations will rise in the event of any unexpected headwinds.

The table below sets out LeO's central to upper assumptions for demand, with the chart showing the range of possible scenarios.

Central to upper forecasts	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**	**Variance from 2024/25 central reforecast**
New complaints	2420 – 2,662	2420 – 2,662	2420 – 2,662	2420 – 2,662	9,680 – 10,648	9,880 (-2.1% – +7.8%)
Total core demand	1,804 – 1,967	1,939 – 2,116	1,849 – 2,017	1,909 – 2,083	7,501 – 8,183	7,544 (-0.6% – +8.5%)
Early resolution demand	835 – 918	970 – 1,067	880 – 968	940 – 1,034	3,625 – 3,987	3,295 (+10% – +21%)
Investigations demand	969 – 1,049	969 – 1,049	969 – 1,049	969 – 1,049	3,876 – 4,194	(-4.5% – +3.4%)



Demand outlook

LeO has also estimated demand in the longer term, and what this would mean for the queue of people waiting, while recognising the challenges with confidence levels when projecting future demand in this way. This forecasting shows how LeO's increased level of output would mean it could meet rising demand:

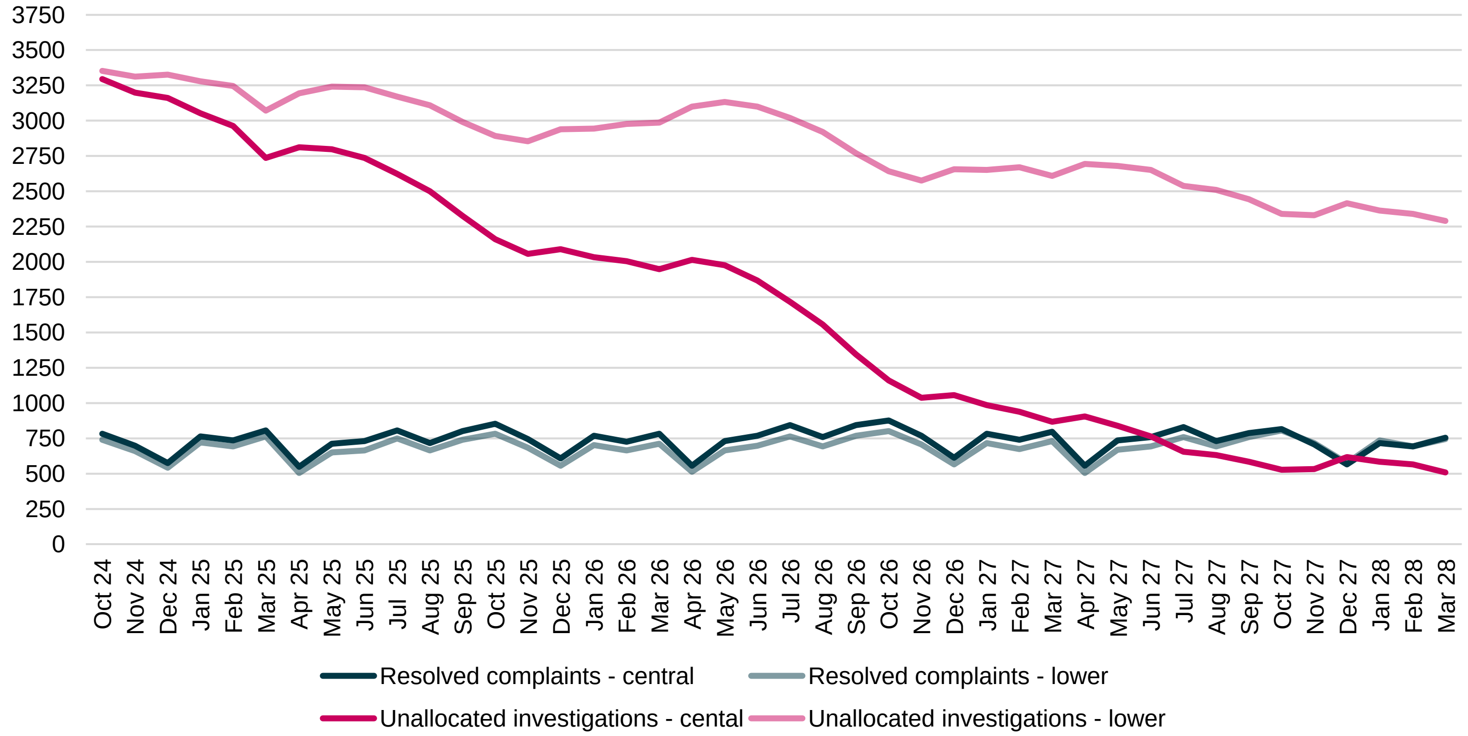
- If demand increases at a similar rate as seen this year for two years (5%), then LeO would reach an acceptable position in terms of its queue and wait times by the end of 2026/27
- If demand remains static in 2025/26 at the levels seen in 2024/25, LeO would reach that position by quarter 3 2026/27.
- Even in a worse case scenario, with 10% higher demand, LeO could still cover incoming demand, with the queue continuing to fall – albeit very slowly.
- For 2027/28 – into the new strategy period – in a central scenario, even with increasing demand, LeO would not need to replace investigators leaving the service, enabling a managed decrease of investigation resource and budget.

This demonstrates clearly that LeO's underlying model is sustainable. It is the need to improve customers' experience within an acceptable timeframe that underpins the proposed investment in resource.

If demand trends reversed, then LeO would be able to improve customers' experience more quickly. For every 1% reduction in in-depth investigation demand, it would see 40 fewer unallocated investigations at year-end. A 5% reduction in 2025/26 would see the backlog at approximately 1,770 (instead of 1,959) and working-level queue by quarter 3 2026/27.

The view to March 2028 is set out in the graph below.

April 2025 to March 28 trajectory: long-term forecast (5% year-on-year increase in core demand)

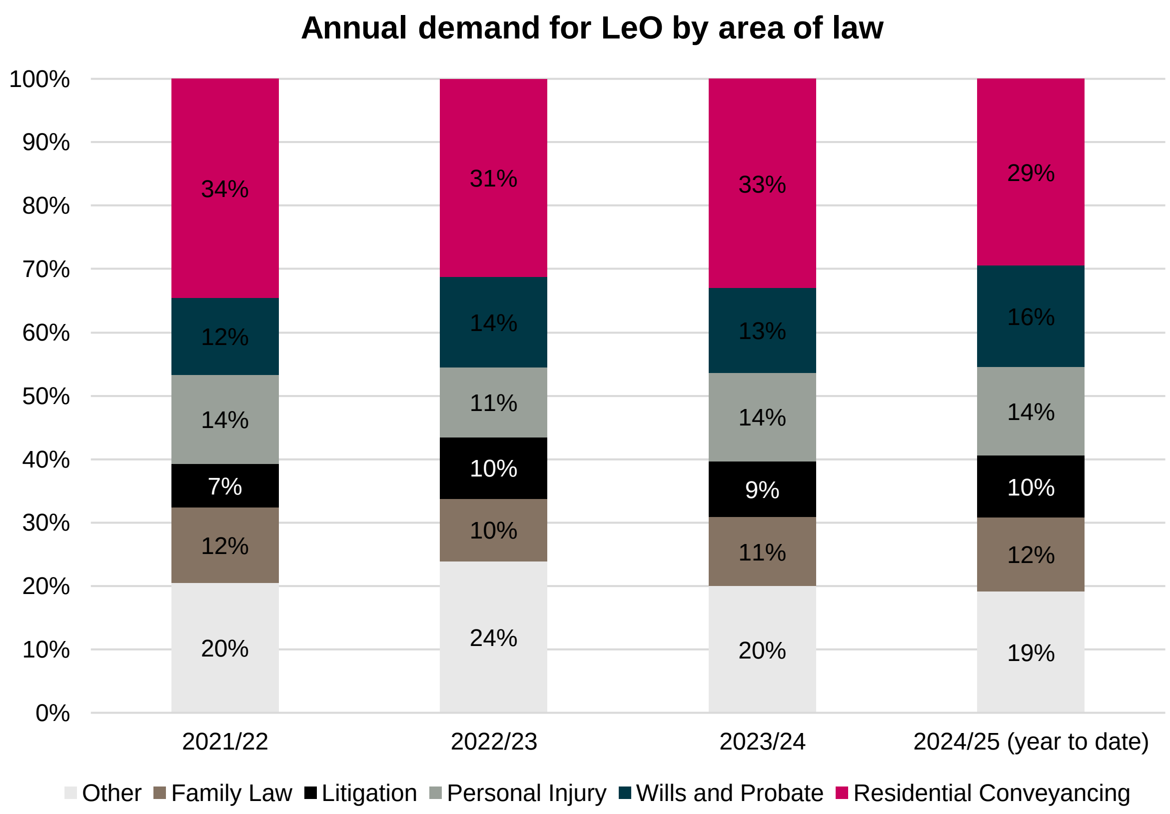


External factors that could influence demand

As highlighted earlier, underlying demand for the Legal Ombudsman, as with Ombudsman schemes generally, reflects the robustness of the sector's approach to anticipating and preventing consumer detriment, including via good complaints handling.

These sector-specific factors are set against a backdrop of consumers' growing awareness of their right to redress and confidence to pursue complaints – facilitated by the accessibility of online advice and channels through which to do so. At the same time there remains a core number of "silent sufferers" who aren't aware how to complain, don't have the confidence to do so or who don't believe it will make a difference.

LeO's analysis suggests that other than pandemic-driven issues such as delays, there appears to be no specific driver of demand in terms of area of law (shown in the chart below) or complaint issue. But the marked feature of LeO's data is that, over several years, standards of neither service nor complaints handling have improved – and in some areas, have worsened.



The table below outlines potential issues that could change demand for LeO in the coming months.

Issue	Potential impact on demand
The quality of service providers' first-tier complaint handling	If a legal provider's level of service has fallen short, it isn't inevitable that a complaint will be referred to LeO. However, LeO continues to find evidence of poor service first-tier complaints handling in 46% of complaints it investigates overall – with persistent issues in the quality and tone of providers' responses. In addition, a combined 49% of people told the LSCP that they didn't know, or weren't sure, how to make a complaint about legal services. LeO data shows that substantial volumes of people are still approaching LeO without having been through their lawyers' in-house process – and it continues to see evidence of poor or completely absent signposting to LeO.

	Improvements (or otherwise) in this area have the potential to substantially influence demand for LeO going forward – but depend on a cultural shift (see below)
The legal sector's culture toward complaints and LeO's insights and interventions	LeO has a central role in supporting the LSB's focus on driving world-class first-tier complaints handling. But a significant shift in complaint culture, led by regulators and the profession – underpinning positive engagement with LeO's insights and interventions – is required to address unnecessary escalation of demand to LeO. This also extends to the sector's wider attitude to feedback on the service they've provided, so this is embraced as an opportunity to improve, rather than ignored or dismissed. For context, a 5% decrease in demand would translate to 375 fewer cases being taken on by LeO to resolve. This equates to 8 investigators' time.
Consumer sentiment and propensity to complain	The UK customer satisfaction index indicates customer satisfaction levels are at their lowest since 2010, with satisfaction with complaints handling also declining. A continued trend in dissatisfaction may increase the likelihood of people bringing a complaint to the LeO. Conversely, low levels of overall consumer trust and confidence in the legal sector and mechanisms for redress could see fewer complaints. The most recent LSCP tracker survey shows a high proportion of people wouldn't trust a legal provider to deal with a complaint properly. Other external factors such as cost-of-living pressures may also be a driver of consumer propensity to complain – both as a result of consumers looking for cheaper services over quality ones, and feeling a greater need to seek financial redress when something goes wrong.

'Mass' issues such as firm closures and failures	While firm failures are difficult to predict – with regulators continuing to focus on the earlier identification of risk – there is an ongoing possibility that service provider closures could drive complaints to LeO on a large scale. The high-profile closures of firms such as Axiom Ince and SSB Law have highlighted clear gaps in consumer redress and the risk of consumer detriment. LeO plays a key role in ensuring that, where redress is possible, customers who have received poor service from these firms can still receive they outcome they require. The active signposting of affected customers to LeO could drive demand, especially if consumers' expectations aren't effectively managed. It highlights the need for LeO to be adequately resourced and agile to respond to sudden spikes in demand. It has made £90,000 in bad debt provision in view of its recent experience being unable to recover case fees from failed firms (see section on case fee income)
Changes in the political and economic landscape	The new government will have different policy and spending priorities. HM Treasury has indicated that reform will be needed in tax and spending. These changes, as well as developments in interest rates, could affect the incomes of millions of people across the UK. LeO has previously seen how the cost-of-living, and general consumer confidence, impacts both consumer spending behaviour, propensity to complain, and service provider behaviours in relation to remedying poor service. This could lead to an increase in complaints. Some wider changes may influence specific areas of law. For example, lower interest rates could make buying and selling property more appealing. Conveyancing is the area of law driving most complaints to LeO by volume; more transactions may result in more complaints.

The development and use of AI	Legal services are already being influenced by AI and wider technology innovations. On one hand, greater efficiency, accessibility and potentially lower costs for legal services could increase consumer satisfaction and reduce complaints. However, the risks associated with AI are not fully known; for example, consumer detriment could arise from algorithmic decision-making, some consumers may be unhappy with services being delivered in this way, and the use of AI gives rise to new issues in terms of the speed with which things go wrong, the complexity of understanding what has happened, and where responsibility lies. Future developments, including in regulation, will have a bearing on the prevention of consumer detriment – and in turn on whether this translates into demand for LeO.
Developments in the legal market, legal need and wider justice system	The UK legal services market continues to change: overall growth could result in more complaints, simply by volume of transactions. Research by the LSB and Law Society has also demonstrated the extent of unmet legal need. While welcome, progress in addressing this may increase demand for legal services, and in turn for LeO. The MoJ continues to consider how to reduce court backlogs, including increasing the use of online dispute resolution. Ombudsman services are being considered as part of this system and may result in more people being routed to LeO as a result.

LeO's ability to meaningfully influence demand depends to a significant extent on legal providers' willingness to engage with LeO at an operational level. It also depends on the quality of legal regulators' and professional bodies' strategic engagement with LeO, and on regulators' willingness to use tools at their disposal to encourage and enforce better behaviour. To effectively anticipate demand for forecasting purposes, LeO also depends on receiving intelligence from the sector about emerging issues that could generate referrals to the Ombudsman – which is why the OLC asks a specific question about this in its business plan and budget consultations.

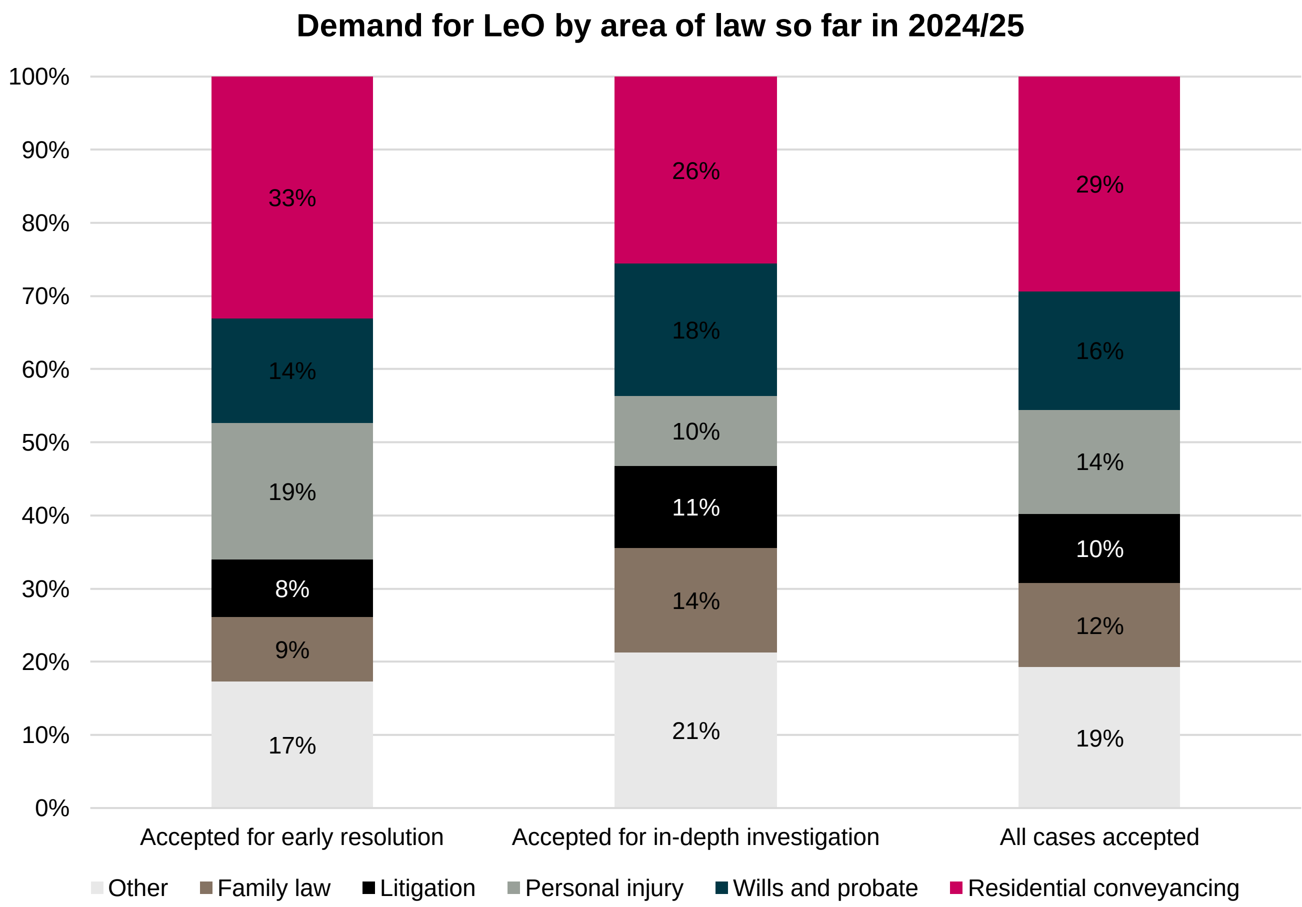
Last year's budget submission explained the work LeO planned to build its capability to analyse the reasons underlying demand. Under its new strategy, LeO has made tangible steps forward: building capacity and capability to enhance our understanding of demand for LeO, how that is fed back to the sector via learning and insight, and LeO's strategic relationships. LeO is actively engaging with regulators about the data it currently shares on a regular basis and how this can be used more effectively to identify emerging issues in firms' standards of service and complaints handling that are giving rise to consumer detriment. Further plans in this space are detailed under criteria 3 and 4.

Current mechanisms in place to identify drivers of demand include:

- Using regular meetings and engagement with stakeholders as opportunities to discuss live and potential issues that are or could drive demand.
- Regular horizon-scanning reports prepared for the OLC Board, together with an annual strategic horizon-scanning exercise.
- Forums within LeO that facilitate discussions around emerging trends and issues where a coordinated approach is required. These forums have continued to be strengthened as part of developing LeO's learning and insight capacity and capability.
- The use of internal intelligence and reports highlighting service providers generating notable volumes of complaints and facility within LeO's case management system (CMS) to identify files of interest.

LeO's response to fluctuations in demand

The chart below shows how the complaints triaged by ombudsmen at the front-end of LeO's process in the first half of 2024/25 break down by area of law. It highlights how complaints involving some areas of law are more likely than others to be suitable for early resolution, rather than needing a full, in-depth investigation (although some complaints initially put forward for early resolution aren't ultimately able to be resolved this way, and are added to the investigation queue). As set out in the next criteria, investigation demand is a key driver of unallocated investigations.



As outlined earlier in this submission, LeO's focus on proportionality and efficiency since 2021/22 has significantly increased its output in terms of complaints resolved. This has meant higher demand has been absorbed without substantial increase in operational resource. In the 2024/25 budget submission, the OLC highlighted that, if demand continued to grow, LeO's ability to continue to deliver improvements in customers' experience would depend on securing additional resource – either in-year or in future years.

A range of ongoing initiatives that are delivering further efficiencies and improvements in customers' experience, as well as value for money, are detailed under criteria 2 and 5. They are also an important part of the picture of LeO's responding to and absorbing demand as far as possible.

At the same time, LeO continues to improve the quality and timeliness of intelligence it is capturing about trends in demand, to ensure it understands fluctuations and drivers, helping to target support for legal providers. It has already identified those generating high volumes of complaints, and/or whose standards of first tier complaints handling are particularly problematic – and will be working with regulators to set out areas of concern and secure support for interventions.

However, LeO's current and proposed innovations and efficiencies won't deliver gains on the same scale as the transformational change that has already been delivered. It is also clear that only a longer-term shift in both culture and practice within the legal sector in respect of complaints will shift the dial on demand for LeO on a meaningful scale.

For this reason, the OLC is proposing in this submission an investment in operational resource as a response to increased demand. This will ensure that LeO can continue to resolve complaints at a rate higher than incoming demand, so it can reduce the remaining investigation queue and improve customer experience at an acceptable pace.

While this accounts for just under three-quarters of the investment, a proportion (14%) of the additional investigator resource will be directed to support the delivery of targeted learning and insight to the legal sector, helping to address demand at source. An equal proportion will support LeO's commitment to deliver a leading Ombudsman scheme, enhancing both its service and impact, as well as delivering greater value, through technology and innovation, including AI.

The business case for this investment, as well as resource elsewhere in LeO, is detailed under criteria 4.

b. estimated staff costs and full-time equivalent numbers for 2025/26 broken down by function. This should outline the assumptions made for vacancies and for the pay award to staff in 2025/26

The expenditure table under point c below provides staff numbers (FTE) by function. The primary drivers of the year-on-year variance in staff costs are:

- An anticipated pay award, which accounts for 32.6% of the budget increase. LeO, like the LSB, has used a 'best guess' assumption of 4% for a 2025/26 pay award, pending Cabinet Office guidance.
- 21.8 FTE additional investigator resource (47% of the increase, of which just under three-quarters relates to reducing LeO's queue and the remainder to supporting AI development and learning and insight interventions).
- 1.9 FTE team leaders to support additional investigator resource (5.4%).
- 2.5 FTE IT resource (4.5%)
- Increase in executive leadership costs (2%)
- HR recruitment administrator (2%).

As part of the budget review process, LeO's Executive team explored ways to fund resourcing increases through savings in other areas, including non-staff costs. An example of this is the 2.5 FTE additional IT resource, which is fully funded by savings in infrastructure and service cost improvements. This means that not all additional roles listed require an increased budget.

There is more detail under criteria 4 about the benefits of LeO's planned investment in investigator resource and other roles.

The vacancy factor is reflected in LeO's staff projected turnover assumptions, which are built into budget performance trajectories and forward recruitment plans for 2025/26. LeO monitors operational attrition and forecasts and recruitment schedules on a monthly basis to ensure these assumptions are accurate and that vacancies are filled. In LeO's corporate teams, the impact of the vacancy factor is more manageable in-year given the lower numbers of staff, and no significant attrition is expected.

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

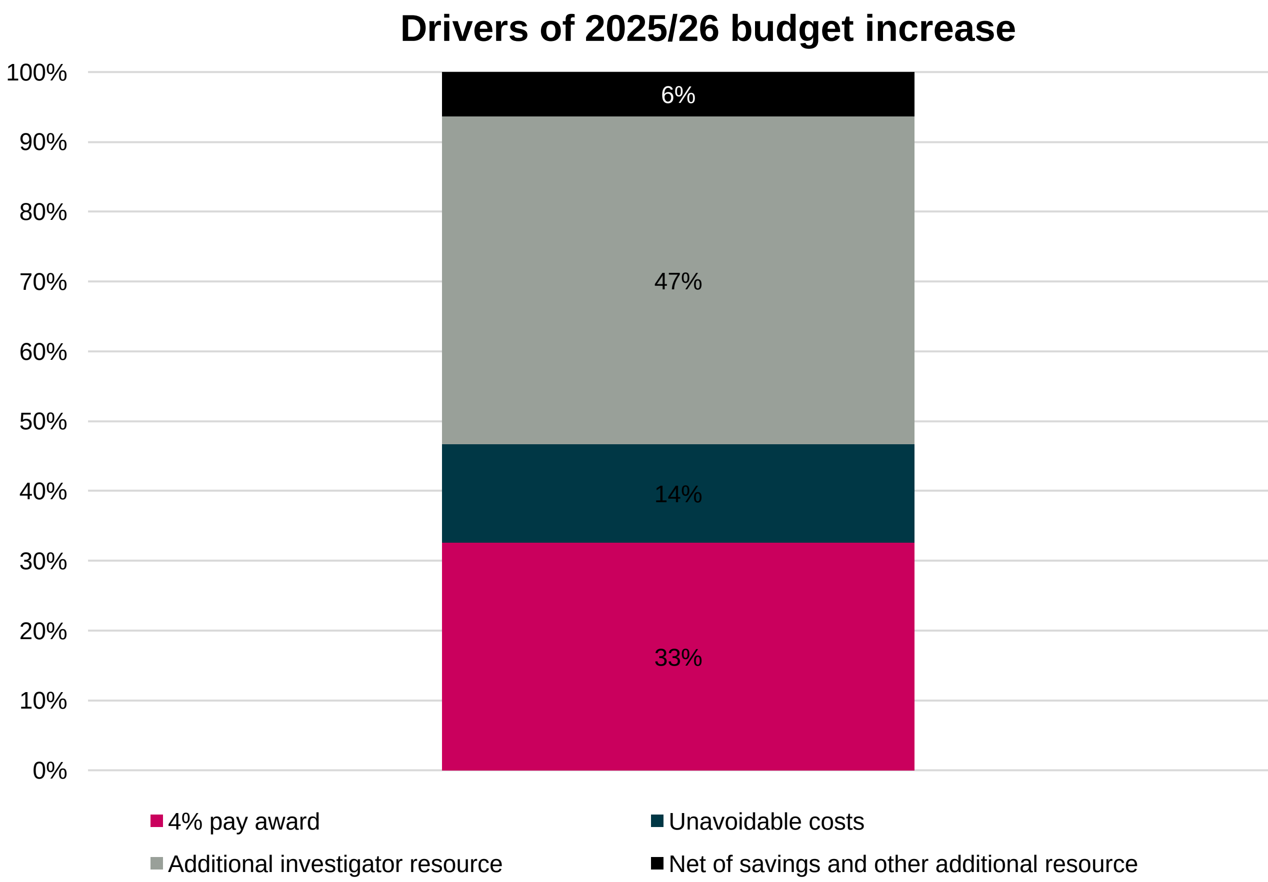
iii. anything else not covered by (i) and (ii).

Expenditure

Following detailed consideration, the OLC is proposing a budget for LeO of £19,784,220 in 2025/26. This is £1,834,618, or 10.2% higher, than in 2024/25.

Of the total increase:

- 47% relates to the additional investigator resource
- 32.6% relates to the anticipated 4% pay award
- 14.1% relates to non-discretionary or unavoidable costs
- 6.3% relates to the net of savings and other additional resource.



Even without additional investment in operational resource, the unavoidable expenditure LeO must incur would involve a budget increase of £856,767 (4.7% higher than the 2024/25 budget.

The unavoidable, non-discretionary increases (pay award and an additional £258,367) LeO must cover relate to:

- £598,000 for a 4% for pay award.
- £90,000 provision for bad debts relating to firm closures following regulatory intervention or insolvency, where LeO can't recover case fees. No provision was made for this in the 2024/25 budget, with LeO diverting resources from other budget lines to compensate for an increasing level of bad debts seen throughout this year. Given the ongoing risk this presents, it has been included for 2025/26 based on 2024/25 levels.
- £52,332 interest for LeO's new building lease.
- £48,859 lower interest income expectations.
- £39,012 mandatory apprentice levy.
- £11,500 for the anticipated increase in annual cost of the service complaints adjudicator.
- £10,500 for an increase in life assurance and income protection policies.
- £6,164 depreciation for assets already on the asset register.

Further low-discretion increases include:

- £83,000 in IT costs for AI/automation development and software subscriptions £11,000 for external legal support and advice on complex legal casework challenges and the legal implications of initiatives like AI and decision transparency.
- £8,000 to cover an anticipated increase in the number and level of service complaint remedies
- £6,500 in other staff costs, driven by an increase in occupational health provision

There is more detail about the benefits of the additional resource sought under criteria 4.

In 2025/26, LeO's operational teams, responsible for handling complaints about legal services (c.i), represent 75% of salary expenditure (74% excluding the 6 FTE allocated to support learning and insight interventions and technology development).

Roles directly focused on enabling LeO to identify and feed back learning and insights about legal services ("policy and impact" – c.ii), including those which support external stakeholder engagement, trend analysis and designing targeted interventions, represent 2.2% of salary expenditure. Including the Head of Communications, Engagement and Impact, whose role additionally covers wider executive leadership and communication responsibilities (including internal staff engagement), this function represents 3.3% of salary expenditure. This isn't directly comparable to last year's estimate, which included staff focused on internal engagement.

In last year's submission we said LeO would be assessing the extent to which learning and insight should be factored into operational resource planning, recognising the key contribution of LeO's case handlers in identifying issues driving demand for LeO, and supporting learning and feedback activities such as developing and delivering targeted interventions and other tools and resources. As detailed throughout this submission, LeO's 2025/26 trajectories have accounted for 3 investigator FTE being drawn on in this way.

When this is factored in, roles directly and indirectly focused on learning and insight, including executive leadership, represent 4% of salary expenditure.

The OLC is also including in this 2025/26 submission an optional additional budget provision that would enable it to progress plans to publish full ombudsman decisions – in line with the indicative costs included in recent engagement with the LSB. This amount of £435,872 covers both the staff and non-staff costs outlined in detail under criteria 4. It would bring the total 2025/26 budget to £20,220,092: a 12.7% increase on 2024/25, with decision transparency representing 19.2% of this increase.

Draft 2025/26 budget

Salary expenditure	2024/25	2025/26	2024/25 FTE	2025/26 FTE
Corporate	**£3,331,105**	**£4,023,912**	**54**	**62**
Business Intelligence	£290,628	£310,104	3.9	4.9
Corporate*	£185,232	£1,014,528	1	8
Executive and Board Support	£144,192	£151,860	3	3
Communications, Engagement and Impact	£602,004	£568,164	10.3	10
Facilities	£43,080	£44,856	1	1
Finance	£403,452	£308,076	7	6
Human Resources	£608,842	£581,880	10.8	11
IT	£412,305	£513,300	7	9.5
Legal	£233,280	208,152	4	3.6
Programme Management & Assurance	£408,090	£322,992	6	5
Operations	**£11,099,807**	**£12,028,591**	**226.8**	**250.4**
General Enquiries Team	£1,074,703	£1,153,440	31.8	34.2
Early Resolutions Team**	£728,980	£652,740	16.1	13.6
Ops Management	£413,040	£317,760	5	4
Ombudsmen	£2,314,648	£2,432,028	35.5	37.6
Resolution Centre	£5,677,148	£6,688,111	126.6	150
Service Improvement and Quality	£686,640	£607,464	10.8	11
Operational Transformation and Impact	£83,352	£0	1	0
Staff awards	£121,296	£138,036		
Apprenticeship Levy	£0	£39,012		
Total salary expenditure	**£14,430,912**	**£16,052,503**	**280.8**	**312.4**

**In 2024/25 “Corporate” included the Chief Ombudsman only 2025/26; it now includes the whole Executive team*
***In 2024/25 “Early Resolutions Team” was referred to as “Front End Team”*

Non-salary expenditure	2024/25	2025/26
Accommodation, travel and subsistence	£30,864	£21,084
Depreciation	£631,380	£637,544
Interest receivable	-£309,157	-£260,298
IT and telecoms	£1,608,598	£1,692,004
Other costs	£541,874	£725,891
Other staff costs	£278,884	£295,512
Premises and facilities	£736,247	£619,980
Total non-salary expenditure	**£3,518,690**	**£3,731,717**

Total	**£17,949,602**	**£19,784,220**
Decision transparency (staff and non-staff costs	£0	£435,872
Total costs including decision transparency	**£17,949,602**	**£20,220,092**

2. Transparency about performance, this should include:

a. analysis of actual performance to date in 2024/25 in an updated full year forecast, with reference to the minimum delivery expectations in the 2024/25 budget application

The OLC reports regularly on a range of metrics relating to LeO’s performance, including via the historic commonly agreed dataset. The OLC and LeO continue engage with LSB around agreeing a revised set of metrics and reporting cycle going forward, to enable the LSB, MoJ and other stakeholders to have meaningful strategic insights into LeO’s performance. The OLC Chair has continued to write to the LSB Chair with additional voluntary assurance.

2024/25 performance against minimum delivery expectations

	Quarter 1	Quarter 2	Quarter 3 (forecast)	Quarter 4 (forecast)	Total (forecast)
Contacts	**29,172**	**30,251**	**30,000**	**30,000**	**119,423**
Original expectation	*34,031*	*34,906*	*36,156*	*37,648*	*142,741*
New complaints	**2,529**	**2,529**	**2,411 – 2,652**	**2,411 – 2,652**	**9,880 – 10,362**
Original expectation	2,720	2,720	2,720	2,720	10,880
Core demand	1,905	2,039	1,800 – 1,972	1,800 – 1,972	7,544 – 7,888
Early resolution demand	841	941	852 – 937	852 – 937	3,486 –3,656
Investigations demand	1,064	1,098	948 – 1,035	948 – 1,035	4,058 – 4,232
Complaints resolved	**2,045**	**2,054**	**1,938 – 2,056**	**2,177 – 2,303**	**8,211 – 8,455**
Original expectation	*1,859 – 2,015*	*2,002 – 2,178*	*1,875 – 2049*	*1,966 – 2,162*	*7,702 – 8,404*
Unallocated investigations queue (end of quarter)	**3,495**	**3,433**	**3,326 –3,159**	**3,073 – 2734**	**3,073 –2,734**
Original expectation	*3,344 – 3,071*	*3,185 – 2,655*	*2,980 – 2,161*	*2,769 – 1,643*	*2,769 – 1,643*

LeO has continued its strong underlying performance in resolving complaints. It has made a step-change in annual output, going from historic levels of around 6500 complaints or fewer to nearly 8,000 a year – an almost 25% increase – on a sustained basis.

In the first half of 2024/25:

- The number of complaints LeO resolved (4,099) went beyond minimum delivery forecasts and approached the upper range of its business plan forecast – representing a 6.7% increase on the same period in 2023/24.
- At the same time, core demand – demand for LeO's intervention through early resolutions or in-depth investigation – has increased beyond business plan forecasts. LeO's revised core demand forecast for the year is 7,500 – 7900 cases (compared with approximately 7,000 in 2023/24). Demand had been expected to reduce by an estimated 15% due to Scheme Rules time limit changes, but has been offset by a sustained general increase (as discussed in criteria 1).
- The biggest shift has been in demand for investigations – those cases which demand significantly higher levels of resource and which make up the

unallocated investigations queue – which has risen from a forecast 3,450 to 4,050 – 4,250 cases.

- LeO has maintained a central operational focus on reducing the number of unallocated investigations, with volumes falling again in Quarter 2 as new investigators grew in productivity, but higher demand has slowed the rate of decrease. The queue is outside the expected range at 3,433; however, if LeO had ended the year with a queue in line with its original forecast, rather than with an additional 376 cases as a result of challenges with Scheme Rules implementation, the queue would have been within the expected range (2,655 – 3,185).
- The average end-to-end customer journey time for cases of all complexities is under 300 days, with almost half of LeO's cases now being resolved in under 60 days.
- The average time to resolve complaints by early resolution – which represent around half of LeO's resolutions – was 48 days, which remains within the 60-day expectation.
- Overall, 44.2% of cases taken on by LeO for some type of resolution were resolved within 90 days (an additional 100 cases year-on year, despite being a small percentage decrease).
- A higher proportion of complaints resolved by LeO in 2024/25 to date are those needing an in-depth investigation:13.8% more than the same period last year. This focus on resolving older cases has a bearing on overall average customer journey times, which will continue to fluctuate depending on the nature and age of the complaints being resolved.
- For cases needing an in-depth investigation, of all complexities, the average time to investigate once allocated to an investigator is 160 days. This has remained consistent throughout 2024/25. For all resolved cases, including early resolutions, the average time from allocation to an investigator to resolution is 110 days.
- Compared with the same period in 2023/24, LeO has reduced the number of in-depth investigations taking more than 540 days to resolve by 2.7%, and the most complex cases taking over 720 days by almost 2.5%.

b. risks and how they are being managed and mitigated for:

i. the remainder of 2024/25

ii. 2025/26, including an overview of demand forecasting, sensitivity analysis of key assumptions around income prediction, case complexity and other factors

Strategic risks and issues are closely monitored, with enhanced risk-management reporting considered by LeO’s Executive Team on a regular basis and full risk assurance reports discussed at Audit and Risk Assurance Committee (ARAC) each quarter.

As part of the risk management framework, the Executive Team proactively discusses project, strategic and business-unit risks. New risks are identified and mitigations and controls captured on an annual basis and approved at the OLC Board in summer.

The list below details the 2024/25 strategic risks and issues which received OLC Board approval in July 2024. There are two new risks which relate to demand and delivery of the strategic objective for LeO's impact, supporting the OLC 2024-27 strategy and business plans to deliver it.

- **Strategic Issue 1**: LeO still has an unacceptable queue of cases awaiting investigation.
- **Strategic Issue 2**: LeO is not attracting and retaining high-calibre employees within corporate and operational (other than BAU investigators).
- **Strategic Issue 3**: LeO is not attracting and retaining high-calibre investigators with the ability to achieve and maintain high productivity.
- **Strategic Risk 1**: There is a risk that LeO fails to deliver the improvements in customer experience set out in the business plan, including customer journey.
- **Strategic Risk 2**: There is a risk that LeO lacks leadership resilience as a result of pressures or gaps at Executive and/or Management team level, potentially impacting on LeO's ability to effectively deliver on strategic and business plan commitments, or to respond to emerging pressures and demands.
- **Strategic Risk 3**: There is a risk that the OLC budget variance at the end of the financial year will be outside the tolerance level.
- **Strategic Risk 4**: There is a risk that the revised Scheme Rules do not deliver the anticipated improvements in customer experience, efficiency and proportionality or have an unacceptable detrimental impact on any group(s) of customers.
- **Strategic Risk 5**: There is a risk that the GPA Hub does not meet the requirements of LeO's Birmingham office headquarters, alongside any budgetary pressures which will need to be factored into future budget submissions. This will also be managed alongside the Edward House renewal as we approach agreement on the final terms.
- **Strategic Risk 6:** There is a risk that a range of factors could contribute to LeO not being able to deliver its strategic objective to build the impact of LeO's learning and insight and influence improvement. This includes the effectiveness of relationships and collaboration, sufficient resource and sufficient development of capacity and capability in this area.
- **Strategic Risk 7**: There is a risk that LeO can't absorb further increases in new customer complaints within existing resource levels.

The following table highlights key actions being taken to mitigate and manage risks and issues are particularly relevant to demand, the unallocated investigation queue, and LeO's forecast trajectories.

Strategic Issue (SI)01: LeO still has an unacceptable queue of cases awaiting investigation; and **Strategic Risk (SR) 01: There is a risk that LeO fails to deliver the improvements in customer experience set out in the business plan, including customer journey.**
• Improved working practices within the front end of LeO's process. A particular emphasis on cross department working and closer collaboration with Ombudsmen. Having better access to skills and knowledge at the earliest stage of the process, support a "right first-time" approach, reducing rework and delivering increased capacity to take on more complex tasks. • Improved support of new investigators through a new Support and Development Framework. This includes the replacement of LeO's previous Quality and Feedback model with a more individualistic approach to support, that will concentrate on the specific area of development as opposed to a "one size fits all" approach. This tailored support is designed to expedite new investigator ramp-up, giving productivity earlier in the induction process, while delivering improved quality. • Improving the speed and quality of casework by reducing ombudsman decision "work in progress", through targeted interventions in LeO's oldest cases focused on progressing stalled cases. Using a "duty ombudsman" to provide daily support with investigators' technical questions. Specific ombudsman support for new starters to increase consistency of approach and support early investigator relationships. • Ongoing to work to maintain sustained unallocated Investigations reduction, assessing progress against forecast and business plan activities. Ensuring stakeholder confidence through transparency around performance, improved performance reporting, and regular engagement. Ongoing review and oversight from OLC and its Performance Sub-group to ensure trajectories are realistic and evidence-based where possible. • Lean review of LeO's in depth investigation process, to include the exploration and implementation of automation and AI. Improving processes and augmenting investigators' work with technology will increase the speed of case progression and resolution. • Plans to enhance learning and insight activities targeting high-volume providers to deliver reductions in incoming investigations demand.
Strategic Risk (SR) 04: There is a risk that the revised Scheme Rules (SR) do not deliver the anticipated improvements in customer experience, efficiency and proportionality or have an unacceptable detrimental impact on any group(s) of customers.
• Internal monitoring of the impacts of the new SRs, and reporting to OLC on an exceptional basis on any significant adverse impacts on factors such as levels of demand, access to justice or the implications on customers with particular EDI characteristics • Existing suite of reporting within PowerBi enables LeO to understand where the application of the SRs is having an adverse impact on operational delivery or creating bottlenecks which can be addressed as required.

• Quality framework enables LeO to go through sign-off process with decision-making staff and to track the practical application of the new SRs through quarterly quality reviews and dip sampling. • The criteria used for the application of discretion is under continuous review, given the circumstances where it will be fair to apply it will evolve over time as awareness of the new rules increases). This approach will enable LeO to ensure discretion is only applied where it is fair and reasonable to do so.
Strategic Risk (SR) 07: There is a risk that LeO can't absorb further increases in new customer complaints within existing resource levels.
• Continuing to identify and implement a range of measures to increase efficiency and capacity, to offset incoming demand – as set out in detail under 2d. • Recruitment of key delivery-focused roles to support learning, insight and strategic engagement – helping prevent demand at source. • Increasing analysis of historic and current years' complaints trends, including identifying legal providers driving high volumes of complaints who would benefit from targeted intervention. • Ensuring LeO has appropriate forums in place to enable regular and effective strategic engagement with both regulators and professional bodies – in view of the role of both in bringing about a culture shift in the sector's attitude and approach to complaints.
Business risk (Operations): There is a risk of being unable to deliver tactical solutions at an acceptable pace to swiftly reduce backlogs
• Collaboration between HR/MI/Operations to ensure the effective flow of information between all leadership levels and HR specialists. HR provides updates/next actions about escalated employee relations matters and organisational plans. • Assumptions review, where live data, provided by team leaders to a designated distribution list, is robustly interrogated to ensure accuracy and to agree approach. • Structured policies updated annually and when required, tested and amended with legal and use updates to ensure fitness for purpose. • Innovations and pilots, including on low complexity complaints (now business as usual) and evidence bundling.
Business risk (Operations): There is a risk of an inability to deliver operational performance expectations.
• In line with an agreed terms of reference, performance is discussed in line with the agreed data set metrics, key exceptions are discussed and management actions agreed. Key areas of concern are escalated to the management and executive teams for consideration. Actions and decisions are recorded and tracked. • Engagement with a range of stakeholders to update on LeO's performance. • Focus on pilots and initiatives to improve efficiency and productivity, responding with agility and helping to reduce complaints being added to the investigations queue.

- Regular meetings and updates to ensure initiatives are on track and risks, actions and expectations are met and logged. These are documented by LeO’s project/programme management function.
- Assessing metrics available on investigator performance and evidence gathered through support conversations. This is completed on a monthly basis, reviewing current and three-month outputs.
- Introduction of a hybrid induction to address attrition risk and ensure investigations resource is holistically supported throughout their first year and into established status.

Forecasting model

Forecasts and trajectories are underpinned by assumptions that are known to influence performance, and which are based on LeO’s actual performance to date. Under LeO’s strengthened forecasting model:

- Trajectories include sensitivity modelling against central to upper-case planning scenarios for each assumption. The forecasting model, underlying assumptions and the trajectories these drive are tested by the OLC’s Performance Subgroup and further scrutinised and challenged in OLC Board meetings.
- “Extreme” scenario mapping is included for the four assumptions that have the most significant impact, either in isolation or as a cumulative effect:
    - Attrition
    - Investigator productivity
    - Core demand
    - Sickness
- To ensure continued accuracy and validity, performance assumptions are reviewed monthly with each business area owner. Any variation from the central scenario is flagged for mitigating action, and forecasts are adjusted accordingly. This review also includes new risks as they arise.
- LeO’s Executive, alongside the OLC Performance Subgroup, completed a detailed review in July 2024/25 with a focus on demand, and in particular, the demand for cases that drive increases in unallocated investigations.

The move to PowerBI reporting in 2022/23 has increased the level of sophistication in reporting, with metrics integrated with risk appetite and risk tolerances. The risk tolerance levels inform the overall Red-Amber-Green status for each of the four quadrants on the top-level dashboard. The performance dashboard is refreshed quarterly, based on whether current data is within the agreed risk tolerance levels. Reports are presented to the OLC Board, MoJ and LSB each quarter.

Assumptions for 2025/26

Improving reporting of demand

In transforming its front-end process, LeO has substantially improved its understanding of how underlying demand in the form of new customer complaints flows through its process, including how they become either complaints that can be resolved at an early stage through early resolution, or which require a more in-depth investigation.

LeO completed a thorough review of performance assumptions in Quarter 2 2024/25 to assess accuracy against trajectories. Particular focus was given to increased levels of incoming demand and the bearing on trajectories for the remainder of 2024/25 and into 2025/26.

This highlighted that new customer complaints not received via LeO's website were not being captured due to historic limitations in its case management system (CMS). These technical issues were resolved during Quarter 2, and CMS changes now in place will ensure more accurate new customer complaint forecasts and reporting from Quarter 3 2024/25.

The impact of attrition and absence

Investigator attrition remains a key factor in LeO's performance. Attrition levels have continued on a downward trajectory since late 2023/24 and are now lower than LeO had forecast. Historically, LeO has sought to minimise the impact of high attrition with new recruitment. The benefit of lower attrition is that productive investigator numbers can grow; LeO's recent new starters will continue to improve productivity through in Quarter 3, increasing LeO's overall output. This additional capacity will go some way to reducing the volume of unallocated investigations in line with expectations.

Some of this benefit may be offset by higher-than-forecast rates of sickness absence, which affects both the volume of complaints being resolved and the volume that need reallocating to other investigators (and so slowing the pace of queue reduction). In the short-term, LeO's strengthened policies and reporting around absence and performance management has resulted in higher levels of sickness. A review of the drivers this highlights the impact of a small number of people with long-term or recurring absence who need complex support to return to work. LeO has increased capability and resilience at operational team leader level to ensure it is providing the support required – although given the nature of performance management and support interventions, higher absence levels will likely continue into 2025/26.

For the remainder of 2024/25, assumptions will include:

- Cases that have started as early resolutions, but go on to require an in-depth investigation.
- Assumptions around reallocations being amended to include the impact that long-term sickness has on allocating new cases to investigators.

These changes are reflected in the full set of assumptions below, including an explanation of how each factor impacts LeO's performance and noting any changes from 2024/25. These assumptions relate to LeO's investigations and early resolutions, but not to enquiries and cases resolved by an ombudsman's final decision.

Assumption and description	**2025/26 projected quarterly assumption – central forecast**	**2025/26 projected quarterly assumption – lower forecast**	**Impact**
Assumptions with the greatest impact on trajectories			
Cases added to the unallocated Investigations each quarter *This was included as part of core demand for 2024/25. It has been split out separately because this is the area of demand that specifically affects the volume of unallocated investigations.*	795	875	If this continues to increase, there will be an increase in the end of year unallocated investigations position.
Cases started as early resolutions, but found to require an investigation *New assumption for 2025/26. Where early resolutions can't be achieved, and cases require a more in-depth investigation, they will be added to the queue of unallocated investigations.*	174	174	If this continues to increase, there will be an increase in the end of year unallocated investigations position.

Investigator productivity – cases resolved per established FTE *Likely case was 3.8 in 2024/25.* *Unallocated investigations volumes are specifically impacted by in-depth investigations productivity. For forecasting, a more in-depth level of detail on productivity is used, which gives a more accurate forecast.*	11.4	10.8	An increase in productivity has a positive effect on the number of cases closed, customer service levels, the queue size and value for money.
Attrition – the number of investigators leaving investigations roles per quarter *The impact of secondments is now included in the attrition calculation for 2025/26; internal promotion and secondments have the same effect on trajectories as attrition.*	6.75 FTE	7.5 FTE	Reduced attrition has a long-term impact as more established staff are delivering productivity for longer before leaving LeO. This also reduces recruitment and onboarding for replacements, giving capacity to grow operations resource.
Maternity leave *Historic averages are used to estimate this effect, reflecting the challenges in estimating it for any given year.*	11.1 FTE	12.6 FTE	A decrease will increase investigator resolutions
All sickness *This is calculated monthly and averaged for a quarterly impact.*	36 FTE (average)	37.8 FTE (average)	An increase in sickness reduces the number of cases LeO can resolve and new cases that can be taken from the investigation queue.
Other assumptions			

Reallocations *The volume of cases that require a new investigator to be allocated to a case as a result of attrition.* *For 2025/26 volumes of cases that have been reallocated due to an investigator on long-term sickness has also been included*	111	123	Increased attrition and sickness increase the volume of reallocations. Each reallocation to a new investigator means that they cannot start a new unallocated investigation.
Reasonable adjustments *In line with 2024/25*.	6.0 FTE (average)	6.6 FTE (average)	Like other organisations, LeO's workforce includes people who need reasonable adjustments. This has an influence on productivity measured as cases closed per month. This assumption is based on current data and is subject to change and is linked to Occupational Health and Safety (OHS) outcomes. Any increase in reasonable adjustments being implemented will impact complaint resolutions and the size of the unallocated investigation queue, as investigators with a reasonable adjustment may take longer to resolve complaints and/or have a revised expectation for resolutions.
Overtime	33 resolutions	30	The use of overtime gives LeO access to resource that is fully-

			trained and which provides providing significantly more capacity than new cohorts that are ramping up from a skill and productivity perspective. LeO's refreshed overtime policy ensures staff wellbeing is at the heart of overtime decisions.
Artificial intelligence *Operational resource required to support testing and implementation of innovations*	9 FTE	9.6 FTE	Both LeO's use of AI and its expanded learning and insight programme will increasingly help support efficiency and productivity and reduce unnecessary demand. LeO needs to invest operational resource in both areas, given the essential role of operational knowledge of casework processes and learnings from complaints. Resource used in this way is not being used directly to resolve complaints; this may have an impact on resolutions in the short term but should deliver sustainable gains in the longer term.
LeO's impact on standards in the legal sector *Operational resource required to support learning and insight interventions*	9 FTE	9.6 FTE	

Case fee income

LeO is funded by a levy based on its annual operating cost less case fee income. It charges £400 for complaints resolved in the consumer's favour where the service provider didn't take reasonable steps to resolve the complaint.

In practice, a significant majority of LeO's budget comes from its levy income. Case fee income has fallen significantly following the introduction of early resolution, because case fees are not charged where no investigation has been carried out by LeO. In future, assuming the legal sector engages positively with LeO's insights and interventions, the case fee could be charged on an even smaller proportion of complaints.

LeO expects that around 50% of investigation case closures in 2025/26 (48% so far in 2024/25, and 43% in 2023/24) will be subject to a case fee. Based on current forecasts, case fee income will cover 6.6% of LeO's expenditure in 2024/25 (£844,416), and only 4.8% in 2025/26 (approximately £954,800). However, in 2024/25 LeO expects that 9.4% of its invoices won't be collectable due to firm failure.

As highlighted in previous years, there is a strong case for reviewing LeO's case fee arrangements. This includes the fact an increase in the level of the case fee is overdue – having not increased in line with inflation since LeO started work in 2010 – something LeO will look to remedy in 2025/26.

An increase in the level of the fee would not only be appropriate in light of inflationary increases in LeO's costs, but more case fee income would enable the overall levy contribution to be reduced. It could also help offset future investment in LeO's programme of insight, impact and engagement to drive better outcomes across the legal sector (alongside exploring how LeO, like some other Ombudsman schemes, could recover some of the costs of activities like training from those making use of them). From a commercial angle, and especially during challenging economic conditions, a higher fee could also help appropriately incentivising the earliest possible resolution of complaints.

As well as the level of the case fee, changes to the wider case fee structure could also benefit both LeO and legal providers. For example:

- Adopting a tiered structure based on the stage in LeO's process at which a complaint is resolved, would encourage more proportionate and quicker resolutions, improving the overall customer journey time, and reducing reliance on ombudsman resources which could instead be used to build the capability of other operational staff.
- Adopting a framework based on the "polluter pays" principle, where those who use LeO's service more pay more, would again incentivise providers to resolve cases either at first tier or at the earliest possible opportunity once a complaint has been accepted for investigation.

The OLC and LeO will seek views from stakeholders in 2025/26 on the appetite for change – including, as a first step, increasing the fee to at least £800. As highlighted previously, any changes would need to be fully costed and consulted on. LeO will begin this process in its 2025/26 business plan consultation, with a proposal to increase the level of the case fee in the first instance, before developing options for further consideration, including the potential for a tiered arrangement.

Any change would not only require consultation but a change to LeO's Scheme Rules and the approval of the Lord Chancellor, before being adopted. This suggests a timeline for implementation that goes up to, and potentially beyond, the end of 2025/26.

How changing the case fee could mitigate the levy: examples based on current forecasts

- On its own, increasing the case fee from £400 to £800 would generate double the income. This would make a difference of £954,800 – double the annual projected cost of publishing ombudsman final decisions.
- With a standard case fee of £800, and on the basis that ombudsman decisions make up 36% of cases where a fee is charged, charging £1,000 for complaints resolved by an ombudsman would generate £1,126,664 more income than the current position.
- Adopting a more differentiated "polluter pays" approach, LeO could charge a standard fee of £800 and higher fee of £1,000 once a provider has exceeded a specified threshold of complaints. As an example, setting that threshold at 5 would generate an additional £1,032,111 more income than the current position.

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)

The forecasts set out under this criterion are based on LeO having in place the additional operational resource – an increase of 21.7 FTE investigators numbers. As outlined under criteria 4, this gives LeO additional capacity to improve customers' experience at current demand levels, and to adopt an "invest to save" approach to AI innovations and learning and insight interventions. This has the potential to deliver further efficiencies in the medium to long term whilst also delivering meaningful reductions in unallocated investigations throughout 2025/26.

Without an investment in new investigators, LeO's resolution performance will remain high – at more than 8,000 complaints – and LeO will meet annual levels of increased incoming demand, demonstrating its model is inherently sustainable. However, the queue of unallocated investigations will fall only marginally over the course of the year. In turn, there will be a minimal reduction in wait times for those customers requiring an investigation.

In this scenario, any unexpected headwinds, including any unanticipated further demand increase, would lead to an increase the volume of unallocated investigations, queue waiting times and end-to-end journey times. All operational capacity would need to be diverted to day-to-day delivery of complaint resolutions – limiting LeO's ability to make investments with longer-term gains via AI and learning and insight.

Under LeO's central scenario, additional resourcing would result in:

- a 30.3% greater reduction (747 cases) in the volume of unallocated investigations.
- a 26% reduction in the average waiting time, versus 1.3% without investment.

Forecast for 2025/26 with increased investigator FTE

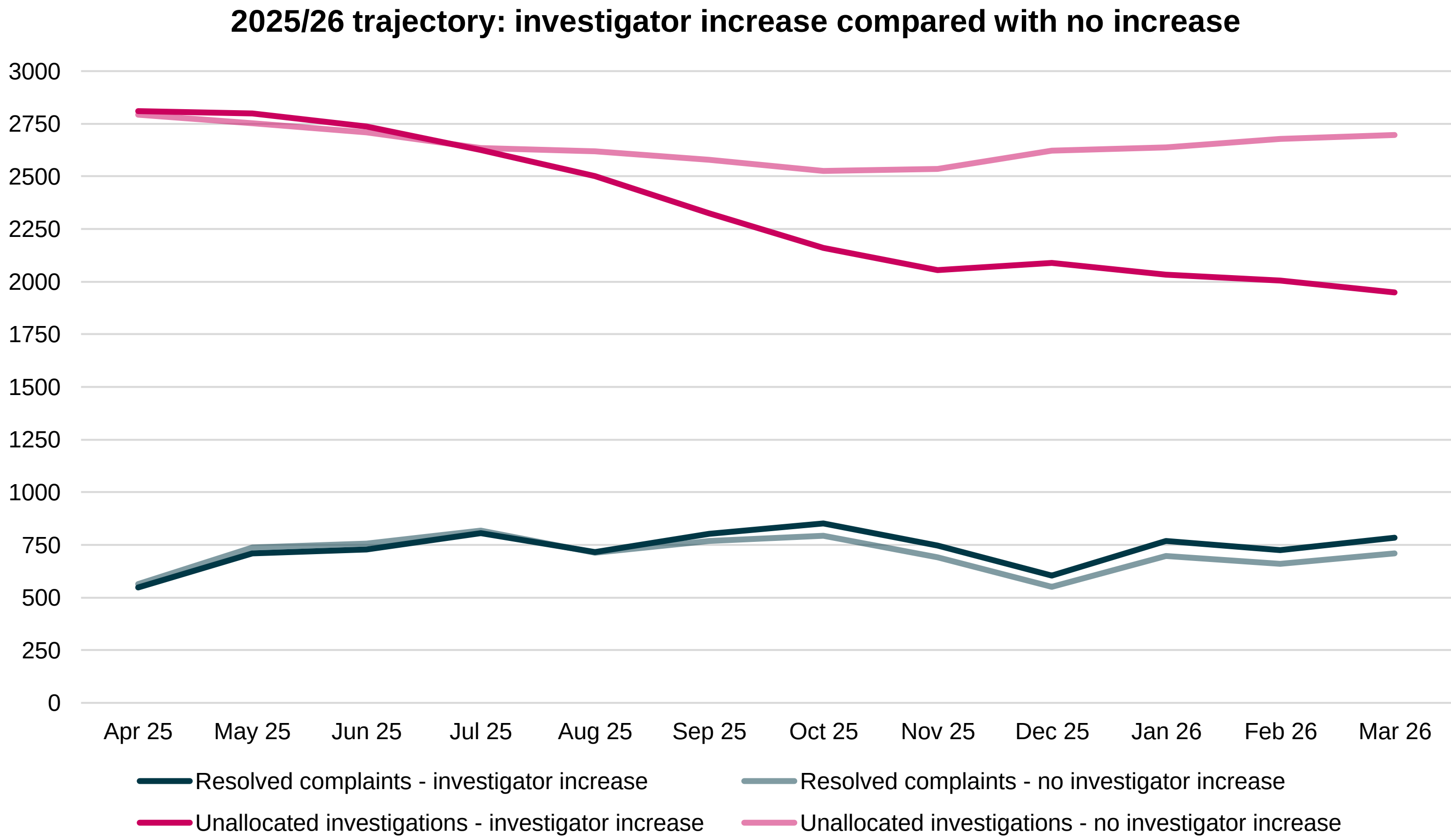
	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25
Complaints resolved	504 – 548	649 – 709	666 – 729	748 – 807	664 – 716	739 – 803
Unallocated investigations	3,196 – 2,810	3,241 – 2,799	3,235 – 2,736	3,172 – 2,624	3,107 – 2,502	2,992 – 2,324

	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26
Complaints resolved	784 – 852	746 – 784	554 – 605	702 – 769	662 – 726	711 – 784
Unallocated investigations	2,893 – 2,159	2,854 – 2,055	2,941 – 2,089	2,946 – 2,006	2,977 – 2,006	2,986 – 1,949

Forecast for 2025/26 without increased investigator FTE

	Apr 25	May 25	Jun 25	Jul- 25	Aug 25	Sep 25
Resolved complaints	521 – 565	672 – 739	686 – 757	750 – 818	653 – 713	702 – 770
Unallocated investigations	3,180 – 2,793	3,202 – 2,752	3,223 – 2,709	3,207 – 2,634	3,247 – 2,619	3,265 – 2,578

	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26
Resolved complaints	724 – 795	627 – 690	500 – 551	631 – 698	595 – 659	639 – 710
Unallocated investigations	3,275 – 2,526	3,341 – 2,534	3,482 – 2,622	3,558 – 2,638	3,658 – 2,677	3,739 – 2,696



A projected longer-term picture of demand, anticipated resolutions and resourcing levels is set out earlier in this submission.

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

People	
Initiative	**Specific actions and timeframes**
Effective recruitment and retention	• **Executive Team and Board workshops on attrition** were held earlier in 2024 to facilitate a strategic focus on potential causes and mitigating actions. Outcomes have informed the development of the attraction and retention strategy in 2024/25, aligned to the new 3-year People Strategy and complementing ongoing work to improve the employee value proposition (EVP). • **Improvements to LeO's EVP** include enhancements to family friendly policies, increased equality and wellbeing initiatives and policies, and a better employee benefits package. • **A new apprenticeship framework** has been developed, providing a structured approach for both new and existing employees. The new framework offers a career route into LeO, supports a culture of learning and facilitates the development of future talent pipelines. • **LeO has continued to recruit internally** to strengthen its capacity in management and quality, reflecting the priorities of offering career pathways to retain talent within LeO. This will be further supported by the development of a talent management and succession planning strategy in 2024/25. • **LeO has responded to the findings of the 2023 Annual Civil Service Staff Survey.** Results showed that, with the exception of pay and benefits (which showed a further decrease on 2022) the results broadly maintained those of 2022, which had seen significant increases on the 2021 scores. • **A much-improved staff recruitment policy and process has been implemented.** This provides an improved candidate experience, greater rigour and consistency in the recruitment process, and strong alignment with good HR and equality practice. The new processes were rolled out in July 2024.

Improving the onboarding and induction experience	• **Work is underway on the creation of an onboarding portal**, to facilitate access to key pre-employment information and ensure new employees remain engaged with LeO between being offered a job and starting employment. • **All new employees will receive a structured induction** to make them aware of LeO's purpose, strategy and objectives, and to support them to settle into their new role and become fully productive as soon as possible. • **A new Induction Policy** has been developed with associated line manager guidance and training. • **A new online core induction** for both operations and corporate recruits is in development, which will provide a focused introduction to LeO across a range of key areas. • The new onboarding and induction processes will be rolled out in Quarter 4.
Improving employee engagement	• **A refreshed Staff Council has been launched in October 2024**, improving employee engagement mechanisms**.** New detailed terms of reference and new defined roles and responsibilities are in place, and training has been delivered to representatives to support effective delivery of their new roles. • **The refreshed Council will have higher level of visible engagement with staff**, ensuring people across LeO have a voice, as well as providing a platform for LeO's executive and senior management to seek views on policies and working practices and implement positive change.

Reducing sickness absence	• **Support is in place around sickness absence management** for both managers and employees through the HR business partner model, with sickness absence continuing to be closely monitored. • **LeO's absence management policy has been reviewed and further improved** in July 2024, providing more timely support and intervention to those on long-term sick leave.
Reducing performance variation	• **LeO's will focus on investigators delivering less than 75% of expected resolutions**, using its performance support framework to offer additional support. • **LeO will increase "aged" case reviews**, helping resolve older cases by offering investigators additional technical advice and guidance or support in managing customers with complex needs.
Improving quality	• **LeO has developed and implemented a new quality assurance framework**. It will use the greater insight derived from quality assurance reviews under this new framework to drive improvements in its casework and standard of service.
Future ways of working	• **LeO is undertaking a project to refurbish Edward House to increase collaboration space**. The project is due to complete by the end of Quarter 3 2024/25, and will enable more effective engagement and collaboration going forward.
Processes and ways of working	
Improving LeO's Support and Development Framework	• **LeO is redeveloping the way it supports operational staff from induction to ongoing competency**, to ensure its continues to deliver and improve high-quality outputs, aligned with the new Quality Framework. The framework will be developed during the remainder of 2024/25 and delivered throughout 2025/26.

Increasing investigator FTE	• **LeO plans to bolster investigator FTE in Quarter 4 2024/25 and Quarter 1 2025/26.** This early-year intervention in delivery capacity will allow for investigator training and ramp-up to full productivity in Quarter 3 and Quarter 4 2025/26.
Delivering a full 'lean' review of investigations	• **A full 'lean' review of LeO's investigations stage** is planned for Quarter 3 and Quarter 4 of 2024/25, following initial analysis that identified this as an area that would benefit from particular focus. The outputs of this review will be implemented throughout 2025/26
Testing and implementing artificial intelligence (AI)	• **LeO is assessing which parts of its process have the potential to use AI**. A 'proof of concept' on drafting initial drafts of decisions in relation to service complaints (complaints about LeO itself) has begun in conjunction with Government Internal Audit Agency, who have successfully implemented this solution in a similar way. If this is successful, and justifies further investment with challenges and risks carefully managed, in 2025/26 LeO will identify and assess areas of its operational process where this technology can be implemented. Another area in the early stages of exploration is the summarisation of Ombudsman decisions (see transparency section later on). • **3 FTE investigator resource has been factored into trajectories** set out in this submission to support this; operational knowledge is critical to development, testing, piloting and implementation – implementing prompt methodology, creating templates and retraining staff (for example, on report-writing formats).
Bearing down on inefficiency caused by delays and non-co-operation	• **LeO is addressing inefficiencies caused by delays and non-cooperation by service providers and consumers** throughout its process**.** Throughout the remainder of 2024/25, it will monitor where extensions for more time to provide information are being overly and unreasonably used by the parties to complaints.

	• **A new data-led process**, developed in 2024/25 and implemented in Quarter 1 2025/26, will enable better monitoring and fairness for both parties. It will deliver increased data to support focused intervention with service providers who don't cooperate with LeO – helping remove frustrations to LeO's process, reduce delays and drive down end-to-end customer journey times.
Identifying and delivering continuous improvement through innovation and automation	• **LeO's strategy is to encourage and support innovation across the organisation**, with a focus on automated solutions – of which many have already been delivered in 2024/25. • **A number of initiatives are being trialled,** including to support the resolution of low complexity complaints, which is expected to become business as usual in Quarter 1 2025/26.
Improving the efficiency of creating evidence bundles	• **LeO is trialling an intervention into the way that evidence packs are produced**. This involves, throughout the remainder of 2024/25, using a small cohort of administrators alongside improved technologies to speed up the process and increase the time an investigator has to concentrate on the more critical parts of the investigation process.

e. contingency plans should the forecast performance trajectory not be met.

As outlined under criteria 1 and 2bii, the assumptions on which LeO's forecast performance trajectory is based include both external factors influencing demand and internal factors influencing performance. LeO's forecasting model has continued to be refined, and divergence can be quickly identified so appropriate mitigating action can be taken. Contingency planning is fundamentally built into the way LeO forecasts, including via the setting of ranges and extreme scenario testing at the Performance Sub-Group.

The initiatives set out in the table under criteria 2d represent the range of levers available to LeO to influence performance and efficiency. Although it would limit LeO's ability to realise the longer-term gains of AI and learning and insight, a negative shift in the performance trajectory would be mitigated by diverting some or all operational capacity accounted for to develop these capabilities solely to resolving complaints.

LeO's activities under its strategic impact objective, if adequately resourced, could be an important part of the picture of helping ensure trajectories are met in mitigating unnecessary demand. However, even the most focused operational intervention may involve a lag in influencing demand for LeO and ensuring alignment with trajectories, with the effect of systems and culture change likely to be seen only in the medium to long term. At the same time, <u>improved signposting to, and awareness of LeO could result in higher, but more appropriate demand (including from those who would otherwise be "silent sufferers").</u>

As LeO strengthens its strategic stakeholder engagement, it will continue to raise issues and behaviour in the sector that put its trajectory at risk and which regulators and others could influence by taking action to stop demand for LeO and consumer detriment at source.

Even so, the success of both targeted interventions and systemic change, while being supported by LeO's independent experience and data, clearly can't be secured by LeO alone; it will rely on relevant stakeholders engaging with those insights and taking cooperative and coordinated action. This is something LeO will be underscoring it its engagement with approved regulators going forward.

As outlined under the previous criteria, if demand reduced in the future with LeO's resourcing remaining stable, LeO could reduce its queue more rapidly and accelerate improvements to customers' experience.

3. Strategic & Business Plans

a. Delivery and/or business plans should be provided setting out how the OLC 2024-27 Strategy for the Legal Ombudsman will be delivered in 2025-26.

The OLC's 2025/26 draft business plan consultation has been attached alongside this submission. The initiatives set out in criterion 2d above support the strategic objective for LeO's service. LeO's plans for enhancing its learning and insight capability, and the benefits of this, are set out below and under criteria 4.

b. Plans should include how LeO’s new insight work is being utilised to progress its strategy and how its effectiveness is being measured as well as progress towards increased transparency of ombudsman decisions and utilisation of approaches to improve timeliness and effectiveness.

Learning and insight – influencing demand and efficiency

In 2024/25 the approved budget for LeO included funding for starting to build capacity and capability to deliver an enhanced programme of learning, insight and impact over the life of the 2024-27 strategy. This followed a period of underinvestment in this space, with all available resources directed to LeO’s performance recovery, in line with stakeholder sentiment.

The 2024/25 budget included provision for key delivery-focused roles, for which recruitment has progressed. In progressing the building of this additional capacity following the budget approval in March 2024, LeO has been mindful of the impact on drawing on productive operational resource in the context of sustained higher demand for LeO’s service which has slightly delayed getting people in post. LeO will deliver the activities and outputs outlined in the 2024/25 business plan, with substantial progress planned in the second half of the year with the benefit of resource newly in place or in train.

The small additional capacity to date has already enabled LeO to substantially increase its analysis of historic and current years’ complaints trends. This includes identifying legal providers driving high volumes of complaints, and/or whose behaviour in respect of clients, LeO or both are cause for concern, who would benefit from targeted intervention. Building on the success of pilot interventions that saw investigable demand more than halve year-on-year for a large provider, there is considerable scope to deliver meaningful and measurable impacts in the relatively short term. LeO will be writing to regulators to set out firms and areas of concern and secure support for LeO intervention to support complaints handling improvement.

LeO has also had constructive recent engagement with approved regulators around enhancing the complaints data and insights being shared. It is ensuring it has appropriate forums in place to enable regular and effective strategic engagement with both regulators and professional bodies – in view of the role of both in bringing about a culture shift in the sector’s attitude and approach to complaints.

While it gears up its capacity and capability, LeO has also continued to engage with service providers and professional bodies to share insights and good practice – as well as taking action to prevent demand arising where emerging issues become apparent. While the impact of this demand management is difficult to measure – primarily, because it is trying to capture complaints and detriment that don’t ever arise – it is likely that these types of proactive interventions prevent substantial volumes of complaints at both first and second tier. For example, LeO became aware of the potential for thousands of complaints to be made about refunds of legal fees. Having engaged with representatives of the legal sector and consumers, it published a clear position and resources to help both firms representing consumers and those receiving complaints to resolve issues fairly without recourse to LeO.

In the longer term, the full realisation of LeO's ambitions under its impact objective will require significant input from across LeO's operational teams, recognising their essential insights into drivers of demand for LeO and areas where the legal sector requires improvement. LeO has assumed for trajectory purposes that 3 investigator FTE will be used supporting learning and insight activities. For context, a 5% decrease in demand would translate to 375 fewer cases requiring either early resolution or in-depth investigation. This saving equates to 8 FTE investigators who could instead be focused on further reducing the volume of unallocated investigations and driving down waiting times.

However, it is also important to recognise that improvements in the sector's approach to complaints, as well as growing awareness of LeO, could in fact generate increased demand for LeO's service, while representing a better outcome for consumers in terms of access to redress. This is something LeO will be mindful of and seek to assess as part of its wider evaluation of the impact of its work under this strategic objective.

Enhancing the transparency of ombudsman final decisions

In recent engagement with the LSB, the OLC and LeO have made clear their commitment to transparency – both in principle, as a cornerstone of confidence in service providers and Ombudsman schemes like LeO, as well as in the specific example of LeO's ombudsman decisions. As set out in our paper, the OLC is looking to achieve enhanced transparency over the life of the 2024-27 strategy.

The OLC and LeO have set out their current position in an OLC Board paper, and in subsequent correspondence with the LSB, which the LSB has published. Since then, work has progressed at pace within LeO to assess the potential to use generative AI across LeO. As well as the application to service complaint reports, as outlined earlier in this submission, LeO has been exploring the potential to use AI to produce first draft summaries of Ombudsman decisions. Initial results are promising, with LeO Senior Ombudsmen's assessment being that the outputs capture the essence of complaints relatively accurately.

Currently, LeO's ombudsmen's approach to reaching outcomes is robust and consistent. But decisions are, by their nature, detailed and designed to set out the evidence on complex facts and withstand challenge from both complainants and providers, including through the courts. In doing so they don't necessarily focus on drawing out sharp lessons and insight for a wider audience. However, AI could transition LeO's decisions toward an output that would do so much more effectively.

LeO's commitment to realising these types of benefits it reflected in how it has accounted for progressing AI development within its proposed operational resourcing plans. At the same time, LeO is currently only at 'proof of concept' stage in its exploration of these technologies. This means, after careful assessment, that the OLC still considers that the most realistic pathway to delivering enhanced transparency over the life of the strategy is to pursue an option involving the redaction of decisions in their current form – with work to move to a standardised output, potentially supported by AI, progressed in parallel.

For this reason, this budget submission includes the anticipated costs of resourcing LeO to publish full redacted ombudsman decisions within 18 months.

For completeness, those timescales anticipate:

- The development of an updated publishing decisions policy.
- Further engagement on proposals; while formal consultation isn't a requirement, LeO recognises the need to address specific concerns raised by the sector in previous consultations.
- Development of an internal technical solution for publication, bearing in mind the need for integration with current systems.
- Development of an external platform for hosting decisions.
- Recruitment and training of additional staff (see below).
- Development and implementation of anonymisation process or procurement of the relevant software
- Changes to LeO's policy and customer communications around privacy.

As outlined in correspondence with the LSB, resourcing implications include:

- Ensuring privacy and compliance. Operational time will be diverted to anonymisation, quality assurance and training – with manual input likely to be required even with some degree of automation. At an estimated three hours per case, the impact would be the equivalent of resolving between 270-820 medium complexity cases each year.
- The practical facilitation of publication. Given the volume of decisions, this could involve additional officer/investigator-level resource at a cost of approximately £100,000 (3 FTE).
- Maintaining operational delivery. Maintaining a stable level of complaint resolutions would require approximately three additional ombudsmen at a cost of approximately £150,000.
- IT systems and support. Following detailed discussions with other Ombuds schemes, LeO's assessment is that a bespoke IT solution would likely be required, with one-off costs falling between £500,000 and £1,000,000. There would also be ongoing support costs of around £40,000.
- Legal considerations and challenges. When LeO began publishing data about the outcomes of decisions, there was an increase in legal challenge from service providers on individual cases. Ensuring that decisions are redacted of restricted information, and anticipating the likelihood of additional legal challenge relating to publication, LeO would require additional legal resource estimated in the region of £50,000.

While these figures can't be confirmed with accuracy at this stage, and will be subject to further assessment, for the purposes of this submission we are assuming the additional resource required would be around £350,000 on a recurring basis, on top of one-off IT system investment.

We have presented the 2025/26 cost of decision transparency as an optional additional cost to our budget proposal. This figure reflects how those IT costs would be accounted for annually. On people resource, we consider that, if we decide to move ahead with these plans in 2025/26, we should request the funding for all necessary roles at this stage, although in practice they would be recruited and accounted for over the course of the year as our plans progressed.

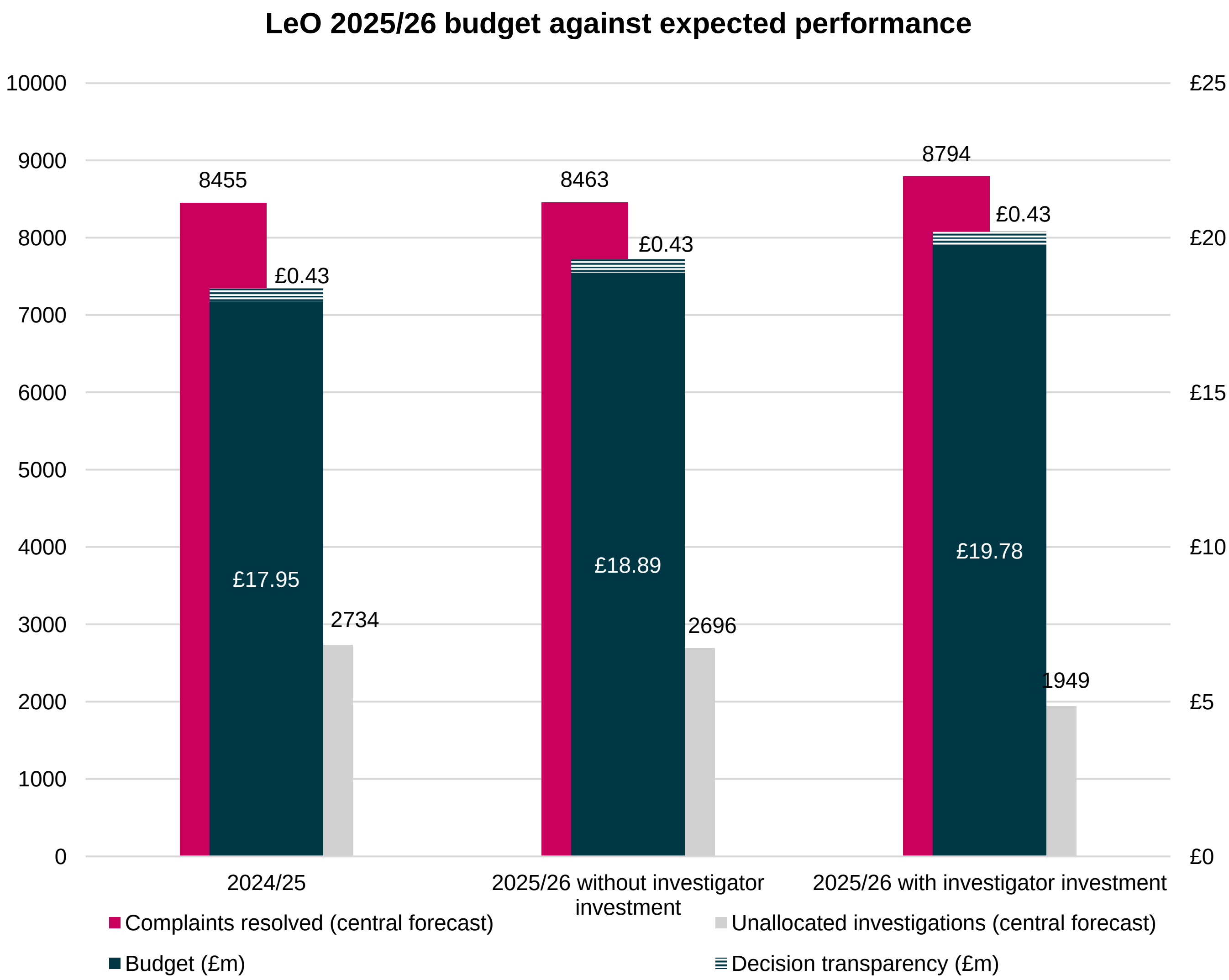
Given the significant investment involved and implications for LeO resource going forward, it is essential the decision on how we proceed is also subject to meaningful engagement with the legal sector and LeO's wider stakeholders.

We will be in a position to share feedback received with the LSB, and its impact on our plans, in line with the usual process and before the end of this calendar year. In the meantime, this submission includes the overall costs of transparency as an add-on to the proposed budget.

4. 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.

As outlined above, the central challenge in this budget submission is enabling LeO to continue to improve customers' experience at an acceptable pace in the context of high demand – while also ensuring it has the capacity to help prevent that demand at source, and realise the significant longer-term benefits of technology – within a budget that is acceptable to those who fund LeO. The OLC's view is that the investment presented here strikes the right balance.

The chart below shows relative levels of output under this arrangement, compared with the picture if operational resource wasn't increased.



Operational performance

As above, the additional operational resources sought will deliver tangible benefits for LeO customers – in particular, those needing an in-depth investigation – while also enabling LeO to capitalise on opportunities presented by technology and AI. Investing in capacity to deliver impactful learning and insight to the legal sector could also have operational benefits in reducing unnecessary demand for LeO – albeit that improved signposting to, and awareness of LeO could result in higher, but more appropriate demand (including from those who would otherwise be “silent sufferers”).

Coupled with significantly improved investigator attrition and recruitment, LeO proposes to increase investigator headcount in both March and May 2025. This will take investigator FTE from 113.7 FTE to 135.4 FTE, costing £896,812. Under a likely scenario, this would result in 3.9% more resolved cases (331 cases) and a 30.3% greater reduction (747 cases) in the volume of unallocated investigations compared with a scenario in which LeO doesn’t invest in resource in this way.

This would take the average waiting time (as reported in the metric MI06) from an estimated year-end figure of 149 days at the end of 2024/25 to an estimated 110 days at the end of 2025/26 (a 26% reduction). Without further investment, this would be 374 days higher at an estimated 147 days (a 1.3% reduction). LeO recognises the limitation of the average current waiting time metric, but has used it as the basis for anticipated improvements because the average time cases have actually waited on leaving the queue (MI07) can’t be accurately projected. In 2024/25 to date, MI07 is an average of 358 days.

The option presented also accounts for a combined 6 investigator FTE being drawn on to support the expansion of LeO’s technology and AI implementation and learning and insight activities such as targeted interventions, which necessarily draw on the time and expertise of those resolving complaints. These steps toward LeO’s strategic ambitions wouldn’t be possible without the additional operational investment being sought.

Trajectories based on the investment being sought, and a comparative scenario in which it isn’t in place, are presented under criteria 2.

Other operational resource investments, and their benefits, include:

- An additional 1.9 FTE team leaders in view of an increased investigator headcount and to provide resilience during periods of increased workload, such as induction and managing sickness.
- 2.5 FTE IT resource on a junior web and CRM developer, a first-line IT support specialist apprentice and 0.5 FTE for user acceptance testing roles These roles will reduce reliance on more costly external support to make website enhancements. Developments to LeO’s website are a vital part of its ongoing accessibility improvements and enhancement of learning and insight resources.

Staff morale

As in previous years, the parameters for the pay remit are set by HM Treasury and confirmed in MoJ guidance for its arm’s-length bodies. The agreed 2024/25 budget factored in a 5% pay increase for 2024/25. In view of the now-published Government guidance, LeO has proposed an across-the board 5% increase.

As outlined above, LeO is making a “best guess” estimate of 4% for its proposed 2025/26 pay award. This recognises the importance of having an attractive employee offering, including salaries, to ensure the attraction, retention and morale of skilled and motivated people across all areas of the organisation – against the backdrop of continuing impact of cost-of-living pressures on its staff, and governance constraints that limit LeO’s ability to address pay and uncompetitive wider employee benefits compared with competitor employers.

This has been a key focus of the People Strategy, and significant effort has been invested in reducing the high attrition levels seen during 2023/24, largely driven by an uncompetitive employee offering. While this year’s Civil Service People Survey is currently underway, LeO’s 2023 ratings showed that while the majority of themes broadly held up following increases in 2022 and were higher than in 2021, pay and benefits continued to be the lowest scoring core theme and was the only one to see a year-on-year decrease over a three-year period.

Investing in quality

As part of LeO's commitment to delivering a high quality, effective and proportionate service, over the course of 2024/25 it has invested significant time and resource in building a new quality assurance framework. This framework will provide enhanced visibility and assurance around the standard of work that LeO delivers.

The proposed 2025/26 budget includes an additional quality officer, which will reduce pressure on operational team leaders and ombudsman who historically have conducted the majority of our quality assurance reviews. This will mean these operational staff can direct their time and resource to optimising operational performance. The additional resource will also improve capacity and resilience within the quality team so they can direct more focus to identifying areas for improvement and designing and delivering training to address these. This intervention will improve standards, reduce re-work and failure demand, supporting LeO to improve customers' experience.

There is more detail under criteria 5 about the role of quality in supporting value for money.

Ensuring delivery of the People Strategy

Key to the effective delivery of LeO's People Strategy is an adequately-resourced and responsive HR team. To improve capacity within the team and provide essential support to much-improved staff recruitment, onboarding and induction processes, LeO's budget includes an additional recruitment administrator.

LeO's People Strategy continues to have a strong focus on attraction and retention, with significant effort already invested across a range of people initiatives to ensure LeO has in place the skilled people it needs. Professional, efficient recruitment and induction processes contribute to this and focused resource in this area will also facilitate in-house support in high-volume recruitment campaigns, as well as providing additional resilience within the HR team as a whole.

Policy and impact

Having recruited for key delivery roles within the Communications, Engagement and Impact team, for 2024/25 LeO is not requesting additional resource in this area. The benefits of the additional capacity build up over the course of 2024/25 will be realised in 2025/26 and support the delivery of a range of learning, insight and transparency outputs and activities. These are detailed in the business plan appended to this submission and there is more about the anticipated impact of this work, and how LeO will assess this, under criteria 3b.

As outlined above, LeO's trajectories assume 3 investigator FTE being drawn on to support learning and insight activities such as targeted interventions.

As outlined above, if we decide to move ahead with transparency plans in 2025/26, we think the best approach is to request the full annual cost at this stage – although in practice this would need to be subject to further detailed assessment and ramped up over the course of the year as LeO's plans progressed.

5. An explanation of how value for money will be delivered and measured in terms of economy, efficiency and effectiveness.

The OLC and LeO remain committed to working efficiently and providing value for money (VFM) – recognising both the public sector context and the impact of LeO's funding on the legal services sector. Reflecting this, LeO will maintain the robust approach outlined in previous years' submissions to ensure efficiency and VFM are embedded, actively measured and delivered:

- Spending is assessed against the principles of the NAO's 4 Es model. Appendix A maps LeO's strategic performance metrics to the relevant E.
- The Executive meets to assess expenditure on a month-by-month basis and against forecast annual expenditure.
- Staffing levels in all teams and departments are managed in line with budget forecasts and performance assumptions.
- All recruitment is considered by LeO's Executive from a best use of public money perspective.
- LeO's HR team has oversight of all recruitment to ensure processes are efficient and effective, and that time and resource spent on recruitment. campaigns are proportionate and provide value for money.
- Each department holds monthly review meetings with the finance team to assess current and upcoming spend against budget and forecast.
- LeO takes all reasonable steps to ensure that case fees are recovered in a timely way and manages bad debts arising from its inability to recover case fees from closed service providers.
- Projects and business plan activities are managed under project methodology, providing assurance that any related expenditure and resourcing are tightly managed and outcomes are delivered on schedule.
- All improvement operational initiatives, innovations and changes to process or policy are assessed at department and, where appropriate, executive level to ensure their outputs are measurable against assumed benefits to performance and/or efficiency.
- The OLC Board Performance Subgroup ensures that performance assumptions underpinning the budget and Business Plan are robustly challenged and tested.

The Scheme Rules' contribution to value for money

LeO's continued focus on early resolution reflects a commitment to ensuring customers receive the right outcome to their complaint at the earliest possible opportunity, and has helped drive substantial improvements in LeO's efficiency and overall performance. At the same time, LeO recognises the need to improve the experience of those customers whose complaints require a full, in-depth investigation – including via greater efficiency in that process.

Updates to the Scheme Rules introduced in 2023/24 were designed to help overcome some of the most challenging barriers to delivering effective, efficient and proportionate investigations. Because they could only be applied to cases received after 1 April 2023, some of the changes (to 5.19 and 5.20) couldn't be used, and anticipated benefits realised, immediately. However, the continued reduction of LeO’s queue and wait times means that the new rules are now able to be deployed, if appropriate, in the majority of cases being accepted for investigation. As a result, LeO and its customers will start to see the benefits of the improvements they bring.

Moving forward, LeO will continue to consider opportunities to enhance its processes via the application of, or changes to, the Scheme Rules. As outlined under criteria 2, changes to case fee arrangements could also generate efficiencies through incentivising the earlier resolution of complaints where appropriate. Further, as highlighted earlier in this document, changes to the current case fee could increase this income, mitigating the impact of LeO’s budget increases on the sector’s levy contributions.

Driving efficiency through quality

The benefits of resolving complaints at the earliest possible stage influence customer satisfaction, as well as efficiency. As LeO continues to innovate and ensure it is making best use of its resourcing and customers’ time, it will also ensure the standard of its service and outcomes are maintained and enhanced – recognising the risks of this not being the case not only on confidence in LeO, but also on efficiency.

In 2023/24 LeO completed a full review of its internal quality assurance framework, supported by external academic research on best practice across the redress sector. A new framework was launched at the end of Quarter 1 2024/25, providing greater levels of insight and granularity into the quality of service LeO provides, underpinning further improvements.

The framework has been designed to be agile and responsive to changes to operational systems and processes, so LeO can provide assurance that any future improvements and innovations aren’t having an unacceptable adverse impact on quality, customer satisfaction or LeO’s overall accessibility.

With particular reference to efficiency, the learnings from quality assurance will help LeO reduce the frequency of rework and “failure demand” which arise when standards drop below an acceptable level. If customers complain about the service they’ve received from LeO, insights into the root causes are also used to drive improvements and prevent the same issues arising again.

LeO’s insights and engagement and impact – preventing demand and supporting efficiency

As well as underpinning wider confidence in legal services, ensuring complaints are resolved at the earliest possible opportunity, and prevented altogether, is one of the key drivers of LeO’s own efficiency. Work under the strategic objective for LeO’s insight fundamentally supports this outcome.

There is more detail under criteria 3b on how LeO will develop this work and assess its impact – including via targeted intervention based on insights into the drivers of complaints that should have been resolved without LeO’s involvement.

Efficiency through technology, automation and innovation

As outlined in criteria 2, in addition to initiatives such as its lean review, LeO continues to identify and deliver efficiencies via technology, automation and AI. These activities will all have a positive influence on customers’ experience, LeO’s focus in this area has already delivered value, including:

- Moving its Sharepoint system online, improving security and functionality while generating future cost savings and flexibility by decommissioning physical systems.
- Automated reporting, including strategic reporting, improving data integrity while reducing the administrative burden of manual reporting.
- Introducing an automated risk management system, bringing time savings as well as better insights.
- Trialling the automation of evidence bundling, replacing a manual process, with a potential saving of 3 hours per investigation.
- Switching LeO’s online complaint form from Robotic Process Automation to Application Programming Interface (API), further reducing manual handling at the front end of the process while also helping LeO to better capture data on customers’ EDI characteristics.
- Implementing the new Quality Framework in CMS, giving improved usability and reporting while also enabling quality trends and issues to be more effectively identified and acted on.
- Automated annual complaints data reporting, giving improved granularity and the ability to report more frequently.
- Moved service complaints from a manual recording system into CMS, giving better oversight and improved reporting.
- Introducing automated, third-party identification checks in recruitment, saving administrative time and ensuring a smoother candidate experience.
- A range of wider improvements in HR systems, generating efficiencies in delivery and reporting, as well as manager and employee functionality.
- Automating LeO’s Personal Development Review process, improving both user functionality and the identification of talent and training needs.
- Moving LeO’s in-house legal team away from manual recording onto CMS, bringing efficiencies in handing legal casework, processing debt claims and progressing enforcement matters.
- A planned move to an online authorisation process to approve purchase orders and invoices, giving financial rigour and oversight while reducing the administrative burden and the possibility of human error.

- Creating an API link between our finance platform and CMS to automate the invoicing process, improving accuracy and efficiency.

Unit cost

As part of considering appropriate strategic measures to assess LeO's performance going forward, the OLC has retained a unit cost measure, recognising that it remains a commonly-used proxy for efficiency.

However, used without context, the unit cost has significant shortcomings. It isn't comparable across Ombudsman schemes with different eligibility criteria, different approaches to resolution, and dealing with complaints of very different natures and complexities. It also doesn't capture the value of schemes' frontline advice, information and signposting, speak to the proportionality of resolutions, or reflect the value of Ombudsmen in supporting consumer confidence and delivering interventions that prevent complaints and generate savings for their sectors.

The new suite of strategic measures for LeO's performance include the cost per case for different types of resolution. While it doesn't address all the issues above, it highlights the importance of proportionality in driving value and efficiency, as well as a better customer experience.

	2022/23 actual	**2023/24 actual**	**2024/25 (central forecast)**	**2025/26 (central forecast)**
Budget	£15.3m	£16.7m	£17.8m	£19.8m
Cases resolved	9,467	7,918	8,455	8,794
Cost per case	£1,618	£2,115	£2,136	2,251
Cases resolved by early resolution	5,380	4,078	4,057	4,105
Cost per early resolution	£316*	£457	£497	£481
Cases resolved by investigation	4,107	3,840	4,398	4,689
Cost per investigation	£1,750	£1,800	£1,614	£1,732
Number of contacts	111,614	125,446	119,423	120,000
Cost per contact	£137	£134	£127	£165

**In 2022/23 no specific cost centre was assigned to early resolution, so this figure is an estimate based on known staff in place.*

6. 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, particularly in light of the any changes to the Scheme Rules.

The Legal Ombudsman's Equality, Diversity and Inclusion strategy runs from 2023-2026, and reflects LeO's commitments in this space in relation to both its customer and its people. The activities detailed below in the year 2 action plan are framed around the strategic enablers in the 2024-27 strategy, and also align with the People Strategy. In Q2 2024/25 LeO received a substantial rating from GIAA for its EDI approach.

LeO’s customers

Accessibility

- This work supports OLC’s strategic aim around LeO’s accessibility, under its strategic objective for LeO’s service.
- LeO will continue to improve its website to ensure that it is accessible for consumers with disabilities and to ensure that it adheres to industry benchmarks for digital accessibility.
- Work is continuing to understand the diversity baseline of consumers using LeO, with current data now published externally, albeit with a small response base. As with its employee data, in 2025/26 LeO will look to develop reporting that means it can better access insights from this data. It will use these insights to support its engagement with the legal sector, with a shared aim of ensuring customers with protected characteristics receive an equal standard of service.
- LeO will continue to develop relationships with organisations that support and represent vulnerable customers and consumers from different backgrounds, helping to raise awareness of LeO and improve its accessibility. It will also continue to collaborate with other ombudsman schemes, regulators, and stakeholders to identify and implement best practices.
- In 2025/26 LeO will improve its process around equality impact assessments, which ensure LeO considers the impacts of projects and initiatives on its customers; this will improve its ability to audit documents and track themes and volumes of EQIAs.
- LeO has continued to strengthen its Multi-Disciplinary Team, which supports staff handling cases where customers require complex reasonable adjustments. It will also continue to train and support vulnerable customer champions to improve its capacity and capability to respond to customer vulnerability.

Changes to LeO’s Scheme Rules

- LeO is updating its online complaint form, so it can capture customers’ EDI data at a much earlier stage in the process. This will mean demand for LeO’s service and consumers’ access to justice can be analysed in more detail.
- While no disproportionate adverse impacts have been identified following Scheme Rule changes, LeO is developing new reporting to enable this to be monitored on an ongoing basis, and to cross-reference this information with EDI data.

LeO's people

Representation

- Work in this area aligns directly with LeO's priority of attracting and retaining skilled and motivated individuals, which is essential to its commitment to improving customers' experience.
- LeO has now published more information about the diversity and social mobility of its workforce on its website, with social mobility surveys being extended to more staff, and can now identify more insights from its data to increase representation.
- Following pilots in 2023/24 of traditional and reverse mentoring, these are now being embedded as annual development opportunities.
- Extensive work has been undertaken on staff recruitment policy and practice, providing greater structure and rigour and an improved candidate experience. There is a strong focus on equality considerations, including reasonable adjustments in the selection process and support for neurodivergent candidates.
- In 2025/26 LeO will improve its approach to transgender inclusion by creating a new transitioning in the workplace policy.
- LeO continues to work with its occupational health providers to deliver wellbeing sessions for its people.

Inclusion

- LeO encourages and supports remote workers to visit our Birmingham office and engage with their operational and corporate colleagues on a quarterly basis.
- LeO now has EDI champions in its hub offices to support an inclusive team culture across the organisation, and will continue to ensure EDI awareness events are promoted across its locations.
- LeO's EDI and HR teams continue to collaborate to develop new and existing staff policies, including around menopause, managing unacceptable behaviour, and transitioning at work.
- Training has been delivered to managers in autism and ADHD awareness, with a further session on dyslexia planned.
- LeO will meet the requirements of the Race at Work Charter by conducting an annual review. Having achieved Disability Confident Level 2 at the end of 2023/24, work is continuing to embed best practice via line manager training and engagement between HR business partners and line managers. LeO will work towards becoming a Disability Confident Level 3 employer in 2025/26.

7. A summary of where the budget and / or plans have changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.

The formal public consultation period will run for 6 weeks from 31 October to 13 December 2024. In view of the feedback received, the OLC will then finalise its business plan and budget. The final documents will be published in March 2025, following consideration by the LSB.

A summary of consultation feedback will be provided post-consultation in the OLC's final submission to the LSB.

8. The submission should confirm that the OLC has submitted a medium-term financial plan 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.

An update on the 2025/26 budget and business plan will be submitted to the Ministry of Justice in December 2024, in line with the annual process.

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

LeO's Executive Team continue to manage the budget and business plan submission through LeO's Programme Management and Assurance Team. The Executive consider progress and reporting against each milestone each month. This year, the draft business plan deliverables will be shared with the project team to support initial scoping and will support the Executive Team's thinking around project and business as usual activity.

Following a "lessons learned" exercise on the 2024/25 budget and business plan process, further consideration has been given to the relationship between the Performance Sub Group (PSG) and ARAC Budget Setting Assurance. New criteria for the budget-setting process has been agreed by the ARAC Chair, which solely focuses on budget analysis and scenario testing.

The content for ARAC and PSG meetings were agreed at the end of May 2024, and two PSG meetings have already taken place looking at future trajectories, assumptions and demand.

To support engagement with the LSB, a separate milestone report has been shared highlighting key Board meetings and relevant approvals.

The OLC Board [approved] the draft business plan and budget for consultation in October 2024.

Appendix B details the key milestones for the 2025/26 process.

Appendix A: Performance and value for money metrics 2025/26

	Strategic scorecard metric
Economy	Forecast year-end position
	Staff attrition
	Investigator attrition
	Sickness lost days per head
Efficiency	Unallocated investigations
	Combined wait times for unallocated investigations
	Complaints resolved
	Established investigator productivity
	Cost per early resolution outcome
	Cost per investigation outcome
	Total unit cost
Effectiveness	New customer complaints received
	Customer journey time (all metrics)
	Customer satisfaction (all metrics)
	Quality (all metrics)
	% of investigations that found poor tier-1 complaints handling

Appendix B: OLC 2025/26 budget and business plan approval milestones