

## Legal Ombudsman performance against LSB s.120 targets

Target	description	Target	Performance to 31 August 2015	Target met
1. Timeliness:	The number of cases resolved within 90 days (from first point of contact) must not fall below 60% in any month	<b>90 days: 60%</b>	<= 56 days: (152 out of 478 cases accepted in June 2015 – 32%) <b>&lt;= 90 days: (262 out of 539 cases accepted in May – 49%)</b> <= 180 days: (409 out of 423 cases accepted in February 2015 - 97%) <= 365 days: (592 out of 598 cases accepted in August 2014 - 99%)	<b>No</b>
2. Unit cost:	The unit cost per case must not exceed £1,750 in any quarter This will be reported quarterly, on a rolling twelve- month basis.	<b>£1,750</b>	Rolling Quarter: (June, July, August) £1,816  12 month average to August 2015: £1,968	No
3. Quality:	The average satisfaction of complainants and lawyers (regardless of the outcome of the case) must not fall below 40% in any quarter.	<b>40%</b>	Overall satisfaction reported in the most recent independent customer satisfaction data, for cases closed to 30 June 2015:  <b>58%</b>	Yes

**Update on July Report: Timeliness figures for July showed that 52% of cases accepted in April were resolved within 90 days. We can now confirm that for cases accepted in April, the 60% LSB target was actually reached between day 106 and day 110 and that we reached our KPI target of 70% resolution of the cases accepted in April between day 121 and day 125.**

Where any of the targets are not met, the OLC is required to provide two supplementary reports to the LSB. These are provided below:

### 1. The reasons for the failure to meet the 90 day timeliness targets

The failure to meet the 90 day timeliness targets is the result of a combination of three main factors.

- a) *Technical difficulties with the new Case Management System (CMS):* As reported in July and August, the most significant of the issues were being diagnosed and resolved. Further minor intermittent issues remain and management continues to focus upon resolving these -- although the most disruptive issues we experienced in August were related to a series of unrelated problems with external suppliers' systems. The impact of these difficulties will continue feed into the 90 day timeliness measure for several more months.
- b) *Short terms impacts of changes to Ombudsman working practices:* The changes to Ombudsman working practices detailed in our letter of 7 August have been completed and ongoing work by Ombudsmen to improve investigator's skills continues. This change is expected to result, in addition to improved quality and customer satisfaction, in reduced numbers of cases being sent for Ombudsman decision, and to reduce the time

Ombudsmen are required to spend on each decision. This is unlikely to be statistically visible until six months after implementation: that is by November 2015.

c) *Short term impacts of changes to Ombudsman workload management:* Because some 40% of cases require an ombudsman decision, changes to the management of the ombudsman workload continues have a significant impact on the timeliness targets. As reported last month, achievement of the 90-day time target is no longer factored into the prioritisation of Ombudsman work, which is now generally managed on a “first in first out” (FIFO) prioritisation method, with other cases being prioritised only where the circumstances of the parties or the case itself warrant that. This is a fairer and more customer-focused way of delivering our service.

The above changes in practice have contributed to a decline in our 90-day measure and, during July, extended the wait for a final Ombudsman decision (what the Legal Services Act refers to as a “determination”). This is now an average of around six weeks. As a result few complaints which require an Ombudsman decision are currently being resolved within 90 days. These changes will continue to significantly affect our 90 day timeliness measure and are expected to do so for several months to come until the long term benefits of current initiatives take effect and until additional resource planned is in place.

## **2. Details of timetabled remedial action proposed to bring performance back into compliance with targets.**

Taking the three factors identified above in order:

*Technical difficulties with the Case Management System:* Both the Board and the senior management at the OLC remain highly focussed on this issue and recognise that significant work remains to be done to secure all the benefits envisaged from the new system. The activities outlined in our letter of 7 August continue.

The online Portal successfully passed user acceptance testing during July. However, technical issues with promoting the system into the live environment have prevented the Beta release to a small group of service providers and consumers planned for August. This will further delay the full public release to at least October or November, subject to satisfactory feedback and fixing of any issues that may arise as a result of this beta testing.

Development of the discrete elements of the next phases and the various requests for change that relate to Phase 1 of the CMS, which is already implemented, place stress on the available development resource. Management Team has prioritised the development work to ensure that these elements can be delivered on programme.

*Short terms impacts of changes to Ombudsman working practices:* The OLC Board supports the new working practices and takes the view that they will have beneficial long term impacts both on timeliness of resolution and on decision quality. The OLC Board will monitor the delivery of these beneficial impacts closely but believes that it is right to accept the short-term negative impacts in order to achieve those benefits. Recruitment continues of a flexible resource pool of Ombudsmen which can be called upon to meet peaks in demand or to deal with timeliness issues such as the

organisation faces at present is underway, in conjunction with recruitment of a 12-month fixed-term ombudsman secondment opportunity. Long-listing of the former is complete and selection testing is underway. Applications for the latter close w/c 14 September. Final stage interviews for both are scheduled for October 2015.

*Short term impacts of changes to Ombudsman workload management:* It is likely that reintroducing the prioritisation approach previously used would in itself, enable the OLC to meet the LSB target; we estimate that prioritising around seven to ten days' worth of Ombudsman decisions (c.65 cases) would result in an immediate 10% to 12% improvement in our timeliness measure. This would not, however, represent an overall improvement in the time taken to resolve cases, and in fact would delay case resolution for many customers by a further seven to ten days. The OLC Board and senior management are clear that the organisation must concentrate on addressing its wider strategic focus on improving quality and using the existing resources more intelligently, robustly implementing the process changes described above and in our previous reports to the LSB, in parallel with its wider research to gain insight into the customer experience and to benchmark its performance, as part of its performance management framework. The Board will, of course, monitor the implementation and the resulting impacts closely.

### **3. The reasons for the failure to meet the Unit Cost targets**

The Unit Cost measure comprises all cases<sup>1</sup> resolved during a period divided by the total expenditure of our Legal jurisdiction activities. The fixed nature of the organisation's cost base makes the current Unit Cost measure highly sensitive to short term changes in activity volumes and the key driver in the increase in our Unit Cost is a reduction in overall demand since January 2015. .

Over the last two years to December 2014 demand (both in terms of inbound call activity to our assessment centre and of the volume of cases accepted for investigation) was running at a level of around 8,000 complaints requiring investigation per annum. Since January 2015 we have seen a substantial reduction both in the number of inbound contacts<sup>2</sup> to our assessment centre and the number of complaints that we have accepted for investigation. Since April 2015 we have accepted 12% fewer complaints than we had budgeted for and this, in addition to the same issues that are affecting timeliness, has led to 17% fewer cases being resolved than we had budgeted for by this point in the year.

During the three months to 31 August 2015 we had planned to resolve just over 2,000 cases. Due to lower levels of cases and as a result of the impacts of changes to Ombudsman working practices outlined above we resolved just under 1,650 cases

As remarked earlier, the fixed costs of the organisation render the Unit Cost measure highly sensitive to activity volume changes. Just under 50% of the OLC's cost base is comprised of costs which are unrelated to activity volumes. Of our Direct Operations costs, 95% relate to staff with only 5% of the organisation's direct operating costs being directly related to case-work volume. Costs included in our unit cost calculation are also net of around £900k of indirect costs that are borne by the CMC jurisdiction. Under the cost sharing agreement these substantively fixed costs are apportioned based on operational headcount. To the extent that CMC activities require fewer operational staff than planned this will also results in an adverse (for

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<sup>1</sup> Cases = Complaints that we investigate, excluding any complaints which we start to investigate but find not to fall within our jurisdiction,

<sup>2</sup> Contacts = Inbound calls to the assessment centre plus complaint files created as a result of e-mails and letters.

our Legal Jurisdiction) change in the allocation of these indirect costs. The costs for our Legal jurisdiction for the financial year to the end of August are £92k under budget despite additional expenditure on remedial case management activities.

#### **4. Details of timetabled remedial action proposed to bring unit costs back into compliance with targets.**

In response to lower than anticipated activity volumes, management has already deferred activity to replace investigators who leave. Equally the OLC and Executive management have not sought to recruit *permanent* additional Ombudsman resource, instead focusing on developing a flexible pool of Ombudsman resource. Recruitment of a flexible pool of Ombudsman resource will reverse the build-up cases awaiting an Ombudsman decision and will provide a one off, but significant, increase in the number of cases resolved which will result in downward pressure on the Unit cost measure.

Analysis of the cases accepted identified that the reduction in demand is across all areas of law, and is not specific to any one area. Further research activity is planned to better understand the causes of the change in demand in order to understand whether this is likely to be a temporary or structural change. The OLC has, over the last three years reduced the cost base of its legal jurisdiction from over £16 million to around £12m in 2015/16. No further changes are currently planned to the organisation's structural cost base, nor do the OLC or Executive management currently plan to defer or reduce non case work related expenditure designed to disseminate what we have learned and to improve the legal complaints handling system.

The LSB is aware that the OLC and Executive management have, since late 2014, been reviewing its key performance measures in order to ensure that these remain appropriate and aligned with our strategic priorities, and more accurately reflect the performance of the organisation.