

Strategy and Business Plan 2017-2020

Foreword from the Chair of the Office for Legal Complaints

As I take up my position as Chair of the Office for Legal Complaints, I am pleased to see such a positive response from stakeholders to the 2017-20 strategy and business plan consultation. I am delighted to launch the new strategy and business plan.

Our vision is that the Legal Ombudsman should be recognised for the excellence of its impartial service. In these uncertain times, we will add wider value to the UK's global reputation and protect consumers by helping improve professional standards.

As an incoming Chair, it is reassuring to see the work the Legal Ombudsman has done to develop its customer service principles. These set out what our customers and service providers see as excellent service. They will drive everything we do over the next three years and inform our plans to improve delivery of our service.

In a rapidly changing external context, the strategy sets out how the Legal Ombudsman will play its part in implementing the recommendations of the Competition and Markets Authority's legal services market study. We will explore and exploit opportunities to extend consumer redress through changes to our jurisdiction and service.

The strategy also signals a stronger external focus: we will emphasise stakeholder engagement and provide more effective feedback to the sectors. I look forward to meeting stakeholders over the coming months.

The strategy is based on a robust self-assessment by the organisation, and the foundations of good governance that are now in place after a challenging few years. We have ambitious plans to complete the modernisation of the organisation by implementing a fundamental review of business processes which is driving a major programme of organisational change and IT system development.

Wanda Goldwag

Chair, Office for Legal Complaints



About the strategy

The Legal Ombudsman for England and Wales was set up by our Board, the Office for Legal Complaints (the OLC), under the Legal Services Act 2007.

We are independent and impartial. This means that when we receive complaints, we will look at the facts in each case and weigh-up both sides of the story. We are not consumer champions or part of the legal profession, and we are also independent of government. Our service is free to consumers to use, and our costs are recovered from legal and claims management companies.

This document sets out our new three-year strategy, work programme and budget, and a detailed budget for 2017-18. It has been informed by 11 responses to a consultation that took place during February 2017 which also included a stakeholder consultation event attended by 32 external stakeholders on 28 February. All written consultation responses are available on the Legal Ombudsman website (<http://www.legalombudsman.org.uk>).

After the overview on page 2, it sets out:

1. Strategic context and analysis;
2. Vision, mission and objectives;
3. Our business plan – what we will do; and
4. Measuring our progress.

This document does not repeat all of the strategic analysis which was presented in the original [consultation document](#) which is available on the Legal Ombudsman website.

Our strategy



Overview of the strategy

We are developing a new three-year strategy covering the period April 2017 to March 2020. This strategy opens a **new chapter**. Having drawn a line under legacy issues we have **solid foundations** to build on. We need to improve performance, improve the flow of cases and reduce backlogs of work, develop our infrastructure and embed better ways of working. We also need to build our capacity to maximise the external impact of our work.

Over the course of the strategy we will have a much stronger **external focus**. We will emphasise effective **stakeholder engagement** and collaborative working with partners. In a rapidly changing professional, technological and regulatory context, we will improve our approach to understanding the legal services and Claims Management Company environment. We will maximise our impact through a more confident and assertive approach. We **will use our data, insight and intelligence** to feed back to providers and influence regulators and policy makers.

We will be driven by our **customer service principles and values** and will embed these throughout the organisation. We will develop our management information to improve our effectiveness, efficiency and customer service, and a culture of performance improvement that takes a balanced view of performance.

We will need to be agile and respond effectively to a **rapidly changing external context**. We will play our part in the implementation of the recommendations of the Competition and Markets Authority's (CMA) legal services market study. We will exploit opportunities to extend consumer redress through changes to our jurisdiction and developing our service. We will not pursue an explicitly expansionist strategy and will also need to manage uncertainty around the transition of our CMC jurisdiction.

At the same time, we will need to deliver significant **organisational development**. A strategic programme will modernise our IT infrastructure and ways of working. We will develop a more integrated, end-to-end process to provide a better service to our customers. Strong leadership, planning, governance and people will help us deliver these changes, aided by implementation of the recommendations of the Tailored Review of the OLC (this is a review by the Government of the form and function of each Arm's Length Body which typically takes place at least once in the lifetime of each Parliament).

Strategic drivers

Driver	Key issues for the Legal Ombudsman
CMA market study	<ul style="list-style-type: none"> • Need to adapt delivery of the scheme to changes in the legal services market, particularly increased competition • Work with the Ministry of Justice to explore options to extend protection to customers using unregulated providers, and ensure associated costs, funding (the levy cannot fund specific work on a separate jurisdiction) and legislative issues are covered. • Working with stakeholders to make data available to develop comparison sites and other intermediaries to allow customers to compare providers, with appropriate caution to ensure a level playing field and avoid market distortion.
LSB vision and strategy	<ul style="list-style-type: none"> • The current regulatory framework is not properly risk-based with some high-risk activities falling beyond the reach of regulation. The LSB's vision is of fully independent regulation with a single regulator covering the whole sector, with regulatory barriers broken down. • The LSB's strategic objectives include ensuring LeO is operating effectively and demonstrating sustainable improvement.
Potential regulatory change	<ul style="list-style-type: none"> • We will respond to changes other bodies may introduce to regulation. These may cause difficulties in determining our jurisdiction and confusion for consumers and service providers and complicate the system of redress. We will work closely with the regulators to respond as changes emerge. Implementation of the Regulatory Futures Review will also drive change.
Transfer of the CMC jurisdiction	<ul style="list-style-type: none"> • The Claims Management Company jurisdiction will move to the Financial Ombudsman Service, at a date to be confirmed, to reflect regulation moving to the Financial Conduct Authority. • This will impact LeO's workforce, planning and finance; we will need to manage the transition carefully to avoid negative impacts on the legal jurisdiction and to take forward learning from our successful delivery of the CMC jurisdiction.
Impact of technological changes	<ul style="list-style-type: none"> • Technology is sharing legal expertise in new ways; this will continue to drive significant change in legal service delivery and facilitate liberalisation of the legal services market. • Technology offers opportunities for LeO to use portals, self-service and other online channels for our customers to access our services.
Public sector context	<ul style="list-style-type: none"> • We have a 15% efficiency target to deliver by 2019-20. • We will need to manage the CMC transition effectively, and manage any uncertainty about its timing and financial consequences. • We will play our part in implementing the recommendations of the Tailored Review of the OLC and Legal Services Board.
Economic context	<ul style="list-style-type: none"> • There is increasing concern about consumer detriment and vulnerability, the risk of legal services being unaffordable and perceptions of falling levels of public trust in lawyers • In the context of the decision to leave the EU, it is important that the scheme contributes to global trust and confidence that the UK's legal and CMC sectors remain centres of excellence.

Analysis of strengths, weaknesses, opportunities and threats

We have conducted a detailed analysis of strengths, weaknesses, opportunities and threats. It is summarised below:

Our main **strengths** are:

- our knowledgeable and committed people;
- improved external engagement and profile; and
- the quality of service we provide.

Our main **weaknesses** are:

- infrastructure, in particular our IT;
- customer feedback about delays;
- systems to provide feedback from our work; and
- inconsistent ways of working.

Our main **opportunities** are:

- implementing the recommendations of the Competition and Markets Authority (CMA) legal services market study;
- implementation of the recommendations of the Tailored Review of the OLC and Legal Services Board;
- leveraging our insight and intelligence to benefit stakeholders;
- new information technology infrastructure and systems; and
- reviewing and simplifying our business processes.

Our main **threats** are:

- transition of the CMC jurisdiction to the Financial Ombudsman Service;
- failure to deliver the intended benefits of our change programme to time, budget and quality;
- continuation of current complex governance arrangements; and
- failure to recruit and retain sufficient staff.

Strategic issues

Strategic issue	Proposed response
<p>The environment is changing rapidly as proposals emerge to deliver against the CMA's recommendations and as technology reshapes legal service provision.</p>	<p>To respond effectively to the scale of change in the sector, we need to improve our capability to monitor and understand the rapidly changing legal services context.</p>
<p>The legal and CMC sectors will continue to change alongside a pattern of changing customer expectations and behaviours.</p>	<p>We should work with consumer organisations, other ombudsman schemes and reference organisations to feed back and learn from good ombudsman practice.</p>
<p>General awareness of LeO appears far less important than effective signposting at the appropriate time to those who need to know about us.</p>	<p>We should seek to influence first tier complaint handling to better understand and reduce the causes of complaints and improve signposting to LeO. We will improve our provision of feedback to the profession and broaden our engagement with it.</p>
<p>The CMA has set out a package of measures which challenges providers and regulators to help customers navigate the market and get value for money. Alongside this the CMA recommended that the Ministry of Justice look at whether to extend protection from existing redress schemes to customers using unregulated providers.</p>	<p>Our primary focus should be to get the delivery of the current scheme right and to be discerning about any expansion of our jurisdiction. We will avoid an explicitly expansionist strategy.</p> <p>We support implementation of the CMA's recommendations relevant to LeO and will work with stakeholders to action them. We welcome opportunities to work with the Ministry of Justice to extend redress to customers using unregulated providers.</p>
<p>While several recent initiatives within the self-regulated part of the sector have led to the development of complaints handling regimes, we consider that the effectiveness of such regimes is limited by their scope and enforceability.</p>	<p>We will work with stakeholders on any proposed legislative changes and explore funding implications or risks with the Ministry of Justice and other stakeholders.</p>
<p>We have a target to reduce costs by 15% by 2019-20 (against a 2015-16 baseline). The 2015-16 baseline reflects significant year-on-year economies previously delivered. Further reductions in expenditure will be challenging if we are to maintain value for money and avoid detriment to the quality of our service.</p>	<p>We will explore opportunities for technology to drive efficiencies and service improvement, in particular channel shift towards on-line delivery models; we will achieve further efficiencies by improving our ways of working, structures and planning.</p>

Vision, mission, objectives and values

Our vision:

Our impartial service is recognised as excellent. We add value to the UK's global reputation and protect consumers by helping improve professional standards.

Our mission:

We protect and promote the public interest by investigating complaints impartially and fairly. Our work adds value through evidence-based feedback to the legal profession and Claims Management Companies (CMCs). We make best use of our resources and command confidence as a well-run public body.

Our strategic objectives:

Strategic objective 1:
Effective, efficient and high quality resolution of complaints

Strategic objective 2:
Understand the legal service and CMC environments, and feed back to improve standards

Strategic objective 3:
Develop the scheme and the service we provide

Strategic objective 4:
Modernise LeO to deliver continuous improvement in performance

Our customer service principles:

We will always be clear with you

We will make a difference

We will be understanding and approachable

We will make good use of everyone's time

We will be impartial, thorough and base our work on facts

Our Values:

Open

Fair

Independent

Effective

Strategic Objectives

To deliver the vision and mission, we have set the following four strategic objectives, each with a number of elements as set out below:

Strategic objective	Elements	
1. To provide effective, efficient and high quality resolution of complaints by embedding the customer service principles throughout the organisation	<ul style="list-style-type: none"> • Deliver an improved customer service experience and embed our customer service principles • Ensure operational hours meet business demand • Improve accessibility for vulnerable customers • Improve our quality • Deliver efficiencies through new ways of working 	
2. Understand the legal service and CMC environments, and feed back to improve standards	<ul style="list-style-type: none"> • Develop stakeholder engagement strategy • Improve the volume and value of feedback to service providers, the public and stakeholders • Improve complaints handling by sharing our information and evidence, and feeding back our insights • Accredited our professional learning 	
3. To develop the scheme and the service we provide	<ul style="list-style-type: none"> • Identify and explore opportunities to engage in changes to the legislative framework • Consider approaches to alternative dispute resolution • Review scheme rules 	
4. To modernise LeO to deliver continuous improvement in performance and customer service and embed the right leadership, culture, skills, technology and ways of working	<p>Infrastructure, resources and efficiency</p> <ul style="list-style-type: none"> • Ensure our IT environment is effective, efficient and reliable • To enhance our service by expanding the ways we interact with our customers • Improve data quality, integrity and management information • Build on recent improvements in corporate governance • Deliver efficiencies through changes in our infrastructure 	<p>People, leadership and culture</p> <ul style="list-style-type: none"> • Recruit, retain and engage the right staff • Effective leadership, change management and direction • Developing our people and managing performance • Embedding our values and customer service principles

Annual priorities

Feedback from our stakeholders has highlighted that this is an ambitious strategy, and that a clear sense of priorities will be important to its delivery without sacrificing quality of service and performance. We recognise that our plans are ambitious, but strongly believe that without making significant change we will be unable to embed our service principles into a high quality service within budget constraints.

The table below sets out our key priorities for each of the three financial years covered by the strategy. These will be reviewed and refreshed each year.

2017-18	2018-19	2019-20
<ol style="list-style-type: none"> 1. Implementation of new business processes and staffing model, testing and rolling out of the new case management system 2. Get the basics right during a period of change by embedding our customer service principles and maintaining quality of service, performance and staff morale 3. Strengthen approach to engagement with stakeholders and provision of feedback to the professions 4. Working with stakeholders, scope the potential options, costs and benefits to deliver the CMA recommendations 	<ol style="list-style-type: none"> 1. Embed new business processes, staffing model and case management system to deliver improved service, performance and value for money 2. Implement new IT strategy, and prepare for next stage of IT development, e.g. customer portal or similar linked to case management system 3. Embed approach to engagement and feeding back to the professions 4. Preparatory work to deliver efficiencies required in 2019-20, and transition of CMC jurisdiction 	<ol style="list-style-type: none"> 1. Subject to business case and availability of capital funding, implement customer portal or similar 2. Preparation of new three-year strategy 3. Review of the <i>Modernising LeO</i> programme

How the strategy contributes to regulatory objectives

Our role is prescribed by the Legal Services Act, which sets out eight regulatory objectives. In the table below, we set out how our activities support the delivery of each regulatory objective.

Regulatory objective	How our plans support its delivery
Protecting and promoting the public interest	<ul style="list-style-type: none"> Delivering redress and providing a high quality ombudsman service in line with our customer service principles
Supporting the constitutional principle of the rule of law	<ul style="list-style-type: none"> In delivering the scheme and running the organisation, we work in line with the Legal Services Act and assure our compliance with it so that the scheme supports the rule of law
Improving access to justice	<ul style="list-style-type: none"> Through effective delivery of the Ombudsman scheme, we have an indirect impact on improving the delivery of legal services to consumers
Protecting and promoting the interests of consumers	<ul style="list-style-type: none"> Improve our operational efficiency and improve our quality of service Work openly and constructively with regulators, professional bodies, consumer groups and Government and fully engage in the ongoing debate on the future shape of redress, consumer protection and regulation of legal services Feed back to the profession using our insight and data to improve first tier complaint handling.
Promoting competition in the provision of legal services	<ul style="list-style-type: none"> Sharing our data and insights to inform developments such as making data more accessible to comparison tools and other intermediaries. Using our insight and intelligence to feed back to providers and improve first tier complaint handling.
Encouraging an independent, strong, diverse and effective legal profession	<ul style="list-style-type: none"> Feed back to the profession and drive improved complaint handling across the legal profession and better inform consumers of these services. Work openly and constructively with regulators, professional bodies, consumer groups and Government and fully engage in the ongoing debate on the future shape of redress, consumer protection and regulation of legal services.
Increasing public understanding of the citizen's legal rights and duties	<ul style="list-style-type: none"> Producing publications that help consumers and citizens understand and exercise their legal rights and duties when receiving legal services.
Promoting and maintaining adherence to the professional principles	<ul style="list-style-type: none"> Relationship management programme to engage with legal service providers. Feed back our insights to the profession in order to improve first tier complaint handling.

Business plan



Key business planning assumptions

Core assumptions

1. By 2019-20, we will need to deliver the Ministry of Justice's required 15% savings against a 2015-16 budget baseline.
2. We will adopt the same KPIs for 2017-18 but will revisit them by fully transitioning to our new Balanced Scorecard by April 2018.
3. Core 'demand' for our legal jurisdiction will remain at 7,000 cases in 2017-18 and 3,400 cases for the CMC jurisdiction.
4. In 2017-18, our permanent establishment will remain the same size as in 2016-17. Front-line resource levels will be maintained, building in the full year effect of savings achieved during 2016-17; until we have secured stable performance and worked through any implications of the transfer of the CMC jurisdiction, it would be inappropriate to cut front-line resources further. Non-front line posts will only be replaced if considered business-critical.
5. Pay increases are limited to 1%.
6. Any changes in structure assumes reorganisation costs will not exceed savings in any year.
7. Any new activities or jurisdictions will continue to be separately funded and accounted for.

Case fees and bad debt

8. We have planned on the basis of the case fee income remaining unchanged. An ongoing call for evidence includes a proposal to waive case fees if there is no realistic prospect of recovery. This would significantly reduce case fee income and bad debt expenses, particularly for CMCs. This change is reflected in the forecast CMC bad debt for 2018-19 and 2019-20.

CMC jurisdiction

9. The CMC jurisdiction will transition to the Financial Ombudsman Service no earlier than October 18; in the context of significant uncertainty about the precise timing of transition and detailed approach to this, we have included CMC costs in all future years' budgets and assumed that:
 - a) CMC costs will continue to be financially ring-fenced from legal work and separately funded.
 - b) Indirect costs are not expected to reduce significantly as a direct result of losing the CMC jurisdiction.
 - c) We will be able to meet our aim of avoiding compulsory redundancies by implementing a new structure and using turnover and fixed term contracts/contractors in the CMC jurisdiction.
 - d) A separate budget will be required to cover any transitional costs associated with the transition of CMCs, which must be funded from outside the legal jurisdiction.

Capital investment

10. Efficiencies from the new case management system will be invested in improving performance. Longer-term, development of a customer portal would not realise any efficiencies during the period covered by this strategy.

Objective 1: Effective, efficient and high quality resolution of complaints

Objective	Deliverable	Timescale
Deliver an improved customer service experience and embed our customer service principles	Assess, review and refine process to accelerate initial assessment and investigation and so avoid undue delay for customers	Q1-3 2017-18
	Improve customer experience by integrating assessment and resolution processes, and implementing case ownership for assessors	Q1-3 2017-18
	Implement Live Chat for legal jurisdiction	Q1-2 2017-18
	Promote equality and diversity throughout the delivery of our service	Each year
	Review the quality improvement framework	Q1-4 2017-18
	Review quality processes in line with customer service principles	Q1-4 2019-20
Ensure operational hours meet business demand	Assess impact of extended hours pilot	Q1-3 2017-18
	Consider pilot to extend hours of Assessment Centre and CMC helpline	
Improve accessibility for vulnerable customers	Develop and implement vulnerability strategy	Q1 2017-18
	Implement process for vulnerable customers with premature complaints	
Improve our quality	Implement knowledge strategy (covering specific areas of law and vulnerability)	Q1-4 2017-18
	Embed improved feedback processes for quality and align with customer service principles	
	Implement language of complaints research	
	Constitute Service Improvement Group to improve customer experience	
	Consider and maximise use of scheme rules (Chapter 5)	
Deliver efficiencies through new ways of working	Implement flexible resource model/review establishment to support new ways of working	By April 2018
	Realise savings from embedding new ways of working introduced during 2017-18	From Q1 2018-19

Objective 2: Understand the legal service and CMC environments, and feed back to improve standards

Objective	Deliverable	Timescale
Develop stakeholder engagement strategy	Develop communications and engagement strategy and refresh annually	Each year
	Improve our engagement with Parliament and the National Assembly for Wales	
	Seek feedback from stakeholders on our communication and engagement over the course of this strategy and build learning into a new three year strategy from April 2020	Q1-4 2019-20
Improve the volume and value of feedback to service providers, the public and stakeholders	Review objectives and approach to publishing Ombudsman decisions, revise policy statement, consult on our approach and develop approach to verification	Q1-4 2017-18
	Assess impact of legal relationship management pilot	Q1-2 2017-18
	During the second half of legal relationship management trial, expand the number of participating service providers and produce final report on trial	Q1-2 2017-18
	Review impact of CMC relationship management on firms and cases	Q1-4 2017-18
	Improve the quality and assurance of our data, consider developing data strategy and build our analytical capability	Q1-4 2017-18
	Build capacity to deliver high impact research through high quality strategic partnerships	2017-18
	Produce new consumer guides	Q2-4 2017-18
	Pilot separate focus groups of service users and recent complainants	Q2-4 2017-18
	Influence professional practice through case studies, themed reports, periscope-style videos and webinar contributions	Each year
	Influence education and training through the development and delivery of a new suite of professional learning courses and appropriate speaking engagements	
Improve complaints handling by sharing our information and insights	Use social media to share case studies, join in with national awareness campaigns to promote our service and our consumer awareness guides	Each year
	Implementation of IT strategy and new means to share information and collaborate, including new web presence	Q1-4 2018-19
	Project to improve two-way data sharing with regulators	Q1 2018-19
Accredit our professional learning	Establish relationships with educational establishments, identify appetite within profession for accredited CPD	Q4 2018-19

Objective 3: develop the scheme and the service we provide

Objective	Deliverable	Timescale
Work with others to identify and explore potential opportunities to change the legislative framework and extend redress to consumers using unregulated providers	Work with the Ministry of Justice to understand and scope the potential opportunities, costs and benefits of LeO contributing to the implementation of the CMA's recommendations. If LeO extending redress to consumers using unregulated providers is agreed to be the right solution, we will play our part in developing implementation plans, which would need to cover legislation, funding (to make sure no related costs are borne by those paying the levy) and changes to scheme rules	Q1-3 2017-18
	If it is deemed appropriate for LeO to offer redress for consumers using unregulated providers, we will work with stakeholders to implement the necessary legislation, funding arrangements and jurisdiction	To be determined by scoping project, but likely to be 2018-19/2019-20
	Explore opportunities to work with the Legal Services Board to research the need, costs and benefits of options for redress for small and medium-sized enterprises (SMEs)	Q3 2017-18
Consider approaches to alternative dispute resolution (i.e. mediation, adjudication) and include outcomes in scheme rules review	Options paper and researching application of alternative dispute resolution within other schemes and potential impact on performance	Q2 2017-18
	Produce recommendations paper on scheme rules review, run a consultation and produce recommendations paper	Q2-3 2017-18
	Submit requests to the Ministry of Justice if relevant and scheme rule documentation to the Legal Services Board for approval	

Objective 4: modernise LeO to deliver continuous improvement in performance – infrastructure, resources and efficiency

Objective	Deliverable	Timescale
Ensure our IT environment is effective, efficient and reliable	Build and implement a new case management system	Q1-2 2017-18
	Procure a new case management managed service provider	By Q1 2018-19
	Decommission previous case management system	Q2 2018-19
	Establish a stable and secure infrastructure in the Cloud, including telephony	Q1-4 2017-18
	Commission a holistic security audit	Q2 2017-18
	Develop new Intranet in Sharepoint Online to support better knowledge sharing	Q1-4 2017-18
	Establish more robust website hosting	Q1-2 2017-18
To enhance our service by expanding the ways in which we interact with our customers	Develop a new IT strategy covering the three year strategy	Q2-4 2017-18
	Explore new ways of interacting with those using our service	Q1-2 2017-18
	If appropriate, implement portal/self-service functions on our website, ideally linked to the case management system	Q1-4 2019-20
	Gather technical options and requirements for an improved website that supports engagement with customers	Q2-4 2017-18
Improve data quality, integrity and management information	Embed better data management and reporting in the new case management system to ensure the integrity of data produced and to better support our research activity	Q1-2 2017-18
	Strengthen internal Security Forum, approach to data and information security	Q1 2017-18
Build on recent improvements in corporate governance	Review structure, resilience and delivery models for corporate services	Q2-3 2017-18
	Review corporate service IT requirements and overall IT sourcing approach	Q1-2 2018-19
	Implement risk strategy and develop an assurance map for LeO	Q1-2 2017-18
	Develop revised Balanced Scorecard to measure delivery of the new strategy	Q1-2 2017-18
Deliver efficiencies through changes in our infrastructure	Develop and implement estates strategy	Q2 2017-18
	Realise benefits of IT investments in 2016-17 and 2017-18	From 2018-19

Objective 4: modernise LeO to deliver continuous improvement in performance – people, leadership and culture

Objective	Deliverable	Timescale
Recruit, retain and engage the right staff	Develop a robust approach to workforce planning	Q2 2017-18
	Refine our Employee Value Proposition (EVP), including reward and recognition and flexible working, and use the EVP to develop a more proactive approach to recruitment	Q3 2017-18
	Develop effective communications and engagement processes to support the Modernising LeO programme	Q1-4 2017-18
	Enhance our well-being offering and link this to more strategic approach to health and safety	Q2 2017-18
Effective leadership, change management and direction	Develop our leadership and managerial capability, assess and meet development needs	Ongoing
Developing our people and managing performance	Enhance our Learning and Development strategy and clear learning offer for our people	Q1-2 2017-18
Embedding our values and customer service principles	Review LeO behaviour framework against values and customer service principles	Q4 2017-18
	Promote equality and diversity both within the workforce and in our service delivery	Ongoing
	Align our values and customer service principles with our performance impact framework	Q1-2 2017-18

Our budget

The table below provides a historical perspective on the OLC's budgets, and indicative revenue budgets for the three years covered by this strategy. Our budgets need to be approved both by the Legal Services Board and Ministry of Justice. Excluding bad debt expenses, staff costs account for around three quarters of our costs. This is the budget for both our existing work for legal complaints and for our claims management jurisdiction. These budgets and expenditure are ring-fenced as each is paid for separately by the legal profession and Grant in Aid (which is then recovered from the industry) respectively. All figures include CMC costs as the timing of transition to the Financial Ombudsman Service is uncertain.

Given the scale of ongoing work to replace our case management system and appoint a new infrastructure provider, and the need to run two case management systems in parallel during 2017-18, we are assuming some additional one-off IT expenditure but longer-term savings will flow from the simplification and rationalization of our IT provision. The increase in the overall 2017-18 budget is driven largely by increasing forecasts of bad debt expenses in the CMC jurisdiction, which will be offset by corresponding case fee income.

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 actual	2016-17 Budget	2017-18 budget	2018-19 indicative	2019-20 indicative
Legal Expenditure	£16.7m	£15.8m	£12.9m	£11.6m	£11.5m	£11.63m	£10.7m	£9.88m
Legal Case activity	7,360	8,055	7,440	6,416	7,000	7,000	7,000	7,000
	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 actual	2016-17 budget	2017-18 indicative	2018-19 indicative	2019-20 indicative
CMC – core costs	-	-	£0.8m	£1.82m	£2.0m	£2.0m	£1.85m	£1.85m
CMC - bad debt				£0.28m	£0.1m	£1.0m	£0.15m	£0.15m
TOTAL OLC budget	£16.7m	£15.8m	£13.7m	£13.7m	£13.6m	£14.63m	£12.7m	£11.8m

Our indicative capital budgets, which are funded directly by Government and recovered through depreciation charges included in our revenue budgets, are set out below. These cover investments in our infrastructure, particularly information and communications technology but also estates. Securing sufficient capital to complete critical changes to our IT systems and hardware is a key enabler of improving operational performance, staff morale and customer service. To support our strategic goals and to maintain effective and efficient working the following key activities are anticipated to require capital expenditure of £0.49m in 2017-18:

- the major cost is completion of the development of a new case management system which commenced in 2016-17; and
- a small allocation for replacement of end user devices and any capital costs associated with transition to our new IT infrastructure and telephony providers.

	2016-17 budget	2017-18 budget	2018-19 indicative	2019-20 indicative
Capital budget	£0.431m	£0.49m	£0.25m	£0.5m

Key budget risks and assumptions

The key **assumptions** we have made in setting the high level budget include:

- Any new activities or jurisdictions will continue to be funded separately and accounted for within a separate budget, with the costs of LeO's existing infrastructure fairly and transparently apportioned to that budget. This is a point that has been raised in consultation responses and we would need to ensure the levy was not being used for specific activity associated with redress for unregulated providers. Economies of scale would be expected to reduce the cost to the existing stakeholders for running the core scheme.
- Core 'demand' for our legal jurisdiction will remain at 7,000 cases in 2017-18 and 3,400 cases for the CMC jurisdiction (although CMC volumes remain highly sensitive to bulk caseload).
- Pay increases will be in line with ongoing government pay restraint and the pay remit, limiting increases to 1%.
- We will decommission the existing case management system during 2018-19.
- CMC related work will continue to be financially ring-fenced from legal complaints. Shared indirect costs, which continued to fall after we took on the CMC jurisdiction, will continue to be apportioned across the legal and CMC budgets, and will continue to reduce in line with our projected future efficiencies rather than as a direct result of the loss of the CMC jurisdiction.

The general **risks** to the business plan remain similar to those outlined in previous years, including, for example, variation from anticipated contact and case volumes, lower than planned investigator efficiency, unplanned staff turnover levels, and unanticipated judicial review costs. Inflation and the falling value of sterling could increase cost pressures in our non-pay budgets. Specific financial risks identified for 2017-18 are:

- risks of delayed delivery resulting from the need for approval of expenditure in many areas under our financial delegations;
- risks associated with the loss of our CMC jurisdiction, which could create uncertainty for staff and impact our overhead costs; and
- delivery of IT projects – we need to complete ongoing procurement for our IT infrastructure provider; we will need to manage this process effectively alongside the development, testing and transition to the new case management system, and manage cost risks.

Measuring our performance

We currently monitor and manage our performance against a Balanced Scorecard using the following Key Performance Indicators:

Objective	KPI
Improve our efficiency	
Improve timeliness	% legal cases resolved within 56 days, 90 days, 180 days and 365 days (35%, 60%, 90%, 100%)
Deliver to approved budget	Legal expenditure against agreed budget
	Cost per complaint (£57)
	Cost per legal investigation (£782)
Implement agreed changes to our jurisdiction	
Continued effective operation of CMC jurisdiction	CMC expenditure against budget
	Cost per CMC investigation (£1,040)
	% CMC cases resolved within 56, 90 and 180 days (60%, 90%, 100%)
An improved complaints handling system	
Improve complaints handling system – outcomes and service quality	Overall customer satisfaction at initial contact stage (90%)
	Overall customer satisfaction with investigation stage (65%)
	Overall customer satisfaction irrespective of outcome (40%)
	Outcomes of internal quality reviews
Disseminate what we have learned more widely	
Deliver policy and research	Policy and research delivery against plan and expenditure against budget
	Provision of learning and development to profession (number of hours)

Developing our performance management framework

Our strategy consultation committed us to developing a broader performance management framework. Quality and timeliness are not binary and we need to look more broadly so that our performance management balances quality, customer experience and value for money. As well as meeting any targets we are required to achieve, we also need to refresh our internal performance management framework to reflect the vision and objectives set out in this new strategy. In particular we need to be able to measure progress embedding the customer service principles into everything we do, modernising the organisation, developing our approach to influencing stakeholders and demonstrating value for money.

The key areas of the current KPI framework which we want to improve are:

- The framework does not capture key measures of service quality with reference to our customer service principles or the impact of our work.
- We think there are better measures of timely service than the use of percentage targets for timeliness within certain thresholds which are somewhat arbitrary and do not capture customer experience well enough.
- Given the nature of an ombudsman scheme, seeking to measure customer and provider satisfaction may be complicated by the influence of the outcome on one or both parties; we think broader measures of customer experience, based on the customer service principles, would better reflect our performance.
- We need better measures of our work to feed back to the profession and engage with stakeholders.
- We need a robust framework to measure our work to modernise the Legal Ombudsman and to capture the benefits of our change programme.

We have developed a draft revised Balanced Scorecard (see pages 20 and 21) which measures progress delivering the new strategy. This includes all current KPIs, which we will either maintain or phase out by April 2018, and a number of new measures which we believe better measure our performance and will provide stronger levers for improvement. During 2017-18 we will maintain our existing KPIs, supplemented by the new metrics, develop robust definitions for them and test the new Balanced Scorecard alongside operation of existing KPIs. This will allow us to refine it so that by the end of the 2017-18 financial year we can complete the transition to the new Balanced Scorecard.

Page 20 sets out the four quadrants of the draft Balanced Scorecard and page 21 sets out the proposed KPI framework containing the high level metrics we will use to measure our performance.

A draft balanced scorecard for the 2017-20 strategy

Our vision:

Our impartial service is recognised as excellent. We add value to the UK's global reputation and protect consumers by helping improve professional standards.

Our mission:

We protect and promote the public interest by investigating complaints impartially and fairly. Our work adds value through evidence-based feedback to the legal profession and Claims Management Companies (CMCs). We make best use of our resources and command confidence as a well-run public body.

The elements of our performance management framework:

Customer experience and quality

Raising professional standards

Efficiency and resilience

People, leadership and culture

Headline KPIs

Objective	KPI
Customer experience and quality	
Ensuring there are no undue delays in progressing cases	<ul style="list-style-type: none"> • % legal cases resolved within 90 days and 180 days (legal and CMC) ** • Average time to resolve cases (legal and CMC) ***
Embed customer service principles	<ul style="list-style-type: none"> • % customer satisfaction with service, broken down by customer and service provider and CMC and legal) *: <ul style="list-style-type: none"> • at the end of the process irrespective of outcome • mid-stream (at initial contact and at investigation stage) • % all cases assessed by quality reviews as: <ul style="list-style-type: none"> • having a fair and reasonable outcome * • meeting customer service principles
Deliver efficiencies by implementing new ways of working	<ul style="list-style-type: none"> • Queues – size and waiting time (triage, assessment, cases awaiting allocation, Ombudsmen decisions) *** • Unit cost per investigation and complaint (legal and CMC) *
Raising professional standards	
Improve complaints handling through value-adding feedback	<ul style="list-style-type: none"> • Current RAG status on progress against milestones in business plan ***
Efficiency and resilience	
Ensure our IT environment is effective, efficient and reliable	<ul style="list-style-type: none"> • % downtime (CMS and infrastructure) ***
People, leadership and culture	
Recruit and retain the right staff and maintain a culture of staff engagement	<ul style="list-style-type: none"> • Quarterly and rolling turnover rate (under/over 1 year) *** • Days lost to sickness (short-term, long-term and stress related) *** • Civil service and Pulse engagement index • Equality and diversity (inclusion and fair treatment score from civil service survey)

KEY: * Current KPI which we propose to maintain
 ** Current KPI which we propose to phase out by April 2018
 *** New KPI (i.e. not included in existing KPI framework)