

2018-19 business plan and budget

Foreword from the Chair of the Office for Legal Complaints



I am pleased to present the Legal Ombudsman's business plan and budget for 2018-19, which the Office for Legal Complaints (OLC) has approved. The final plan has been informed by responses to our consultation in December and January.

We are grateful for the feedback received, which has informed the final plan.

LeO has made progress with its modernisation programme during 2017-18. The foundations for sustainable future performance are now in place but it has been difficult to maintain performance against our Key Performance Indicators at the same time as delivering such wholesale change.

In 2017-18, the organisation faced simultaneous demand and supply challenges while delivering major organisational transformation: demand and case complexity have increased, while at the same time we have seen high levels of staff turnover in a highly competitive recruitment market.

To meet increased demand, mitigate the impact of staff shortages, and tackle the build up of cases awaiting allocation, we have increased our resource allocation for 2018-19. We need to use the additional resources to create sustainable improvements in productivity, performance and quality. The OLC is under no illusion about the scale of the task.

Our new Chief Ombudsman, Rebecca Marsh, has brought a renewed focus on processes, quality and learning within the operation of the scheme to strengthen the changes we have already introduced.

We are developing a stronger offer for our people, particularly through modern flexible working underpinned by our new IT and telephony infrastructure, and workplace well-being. We will build on these themes to increase our capability and resilience.

There is no quick fix to our current challenges, particularly if case numbers and complexity continue to increase. Playing our part in the transition of our Claims Management jurisdiction to the Financial Ombudsman Service (currently scheduled to take place by 1 April 2019) will be another key area of focus for 2018-19.

The projections in this plan reflect the impact of investment in three main areas in 2017-18: a new business process, staffing model and case management system; they also reflect new KPIs which better balance timeliness, quality and organisational capability.

We will prioritise improvement of business-as-usual performance in 2018-19. We will also ensure that we invest in digitising our service and continue to develop our approach to feeding back learning from the scheme to the professions. In particular, we will continue to develop robust data systems and tools to mine our business intelligence for the benefit of consumers, service providers, regulators and policy makers.

Wanda Goldwag

Chair, Office for Legal Complaints

Our strategy



Overview of the 2018-19 business plan

Our new three-year strategy 2017-2020 opened a new chapter for the Legal Ombudsman (LeO). We have made good progress against our key strategic priorities during 2017-18:

- through our Modernising LeO programme, we have implemented changes to our business process and a more flexible staffing model;
- we have implemented new Cloud-based IT infrastructure and telephony, and development of our new case management system is on track to go live in April 2018; these changes address historical IT problems, improve our business processes and provide an excellent foundation for digitising our service; and
- we have improved our external engagement, communication and feedback to the profession.

We have faced significant challenges during 2017-18 from increased demand – both higher volumes than budgeted and the proportion of high complexity cases being higher than forecast. These factors have added to the number of cases awaiting allocation. Our 2017-18 business plan highlighted the risks that increased demand would increase cases awaiting allocation and prevent us achieving key performance indicators (KPIs), both of which have crystallised. High workloads have impacted staff morale and staff turnover.

This year, we will start to realise the benefits of the improved process and systems implemented as part of Modernising LeO, enhanced by further innovation in our delivery of the scheme. These changes, informed by more robust operational forecasting and modelling, will help us achieve our new KPIs. In line with the findings of the recent MoJ Tailored Review of the Office for Legal Complaints and Legal Services Board, these better balance quality and timeliness and so should drive improved performance.

Another key focus will be to develop more robust data and data assurance to make us more effective in sharing insight, intelligence and feedback from the Scheme to providers, and influencing regulators and policy makers.

Key priorities for the next phase of modernisation are:

1. **Better service** – training, developing and supporting our people through enhanced supervision; enhancing the new case management system; decommissioning the old case management system; starting work to digitise our service, initially through a web complaint form;
2. **Data, information and records** – improving assurance, analysis and application of our data, information and records; and improving data protection and cyber security; and
3. **People and workplace** – making LeO a great place to work and maximising the benefits of our diverse workforce.

Progress against our 2017-18 annual priorities

Implementation of new business processes and staffing model, testing and rolling out of the new case management system

- We have implemented a new staffing model to increase flexibility.
- We have designed an improved business process and developed a new case management system, both of which are due to go live fully in April 2018.
- A new IT strategy has been developed to digitise our services.

Get the basics right during a period of change by embedding our customer service principles and maintaining quality of service, performance and staff morale

- Demand and case complexity in the legal jurisdiction in 2017-18 to date has been significantly above forecast levels which has affected performance.
- We have made good progress developing new and more flexible ways of working.
- Staff have responded well to the changes we have made, and we have invested in well-being and flexible working, but HR indicators show more work is needed.

Strengthen approach to engagement with stakeholders and provision of feedback to the professions

- We have improved our communications and stakeholder engagement, and made good progress against business plan deliverables under this objective.
- The review of Scheme Rules has been deferred other than ongoing proposals to make minor changes in light of the Language of Complaints research.
- Further progress may be affected by the low likelihood of legislation.

Working with stakeholders, scope the potential options, costs and benefits of delivering the CMA recommendations

- We have published our response to the Competition and Markets Authority's legal services market study, setting out how we will play our part implementing recommendations that require action by LeO.
- Progress is likely to be affected by the need for legislation and the low likelihood of this happening due to the pressures of exiting the European Union.

Strategic issues that will affect LeO over the next five years

| Issue | Description | Implications for LeO |
|---|---|--|
| Changing case complexity and nature of complaints | The sector is improving its first tier complaint handling. This, and changing customer expectations, means case mix is becoming more complex. | Complex cases take longer to resolve, require more staff time which increases unit cost. This may impact performance against timeliness targets |
| Changes affecting the scope of our jurisdiction | Transfer of claims management companies to Financial Conduct Authority/Financial Ombudsman Service, potential redress for unauthorised providers. | We need to agree and implement appropriate transitional arrangements with the other organisations involved in the transfer process. |
| Parliamentary review of ombudsman schemes | Possible recommendations for change in ombudsmen schemes. | The ombudsman landscape, and good practice in running schemes, may change. |
| Changes in service providers' business models | Increase in licensing of Alternative Business Structures, new Solicitors Regulation Authority Handbook rules. | Need to review operational protocols and data sharing, internal training for staff, new policy development and consideration of implications on jurisdiction/Scheme Rules. |
| Regulatory changes | Potential for independence of regulators from representative bodies. | Our scheme will need to adapt and evolve its engagement with regulators. |
| Impact of technological changes | New ways for consumers to engage, higher expectations of data provision. | We should consider introducing new methods of communication, and further digitising service delivery. |
| Public sector context | Legal and judicial environment post-Brexit, public sector budget restrictions. | New ways of working, workforce changes, need for innovation in delivery model and service delivery; low likelihood of legislative change. |
| Economic context | Increases in interest rates. | Possible decrease in conveyancing volumes and complaints; economic pressures on consumers could lead to more cost-related complaints. |

Analysis of strengths, weaknesses, opportunities and threats

| Our main strengths are: | Our main weaknesses are: |
|--|--|
| <ul style="list-style-type: none">• our knowledgeable and committed people and Board members;• improved external engagement and profile;• improved IT infrastructure and telephony;• a positive outcome of the MoJ Tailored Review;• the quality of service we provide; and• our reputation. | <ul style="list-style-type: none">• the current Case Management System and need to run parallel systems in 2018-19;• customer and service provider feedback about delays caused by increased demand, and quality;• data quality, data assurance and modelling capability;• constraints of the Legal Services Act mean there is a lack of flexibility in our wider delivery model• systems to provide feedback from our work;• staff morale, turnover and engagement, particularly given feedback about workload and morale; and• inconsistent ways of working. |
| Our main opportunities are: | Our main threats are: |
| <ul style="list-style-type: none">• reviewing and simplifying our business processes, and driving further improvements in ways of working through a stronger approach to quality and continuous improvement;• working with partners on the relevant recommendations of the Competition and Markets Authority (CMA) legal services market study;• leveraging our insight and intelligence to benefit stakeholders;• realising benefits of new IT infrastructure and systems;• improving staff engagement and morale;• workplace well-being and our new flexible working approach; and• implementing the Board effectiveness review. | <ul style="list-style-type: none">• transition of the CMC jurisdiction to the Financial Ombudsman Service;• failure to deliver the intended benefits of our change programme;• complex governance arrangements and their operation;• managing increasing patterns of demand and case complexity; and• failure to recruit and retain sufficient staff, competition in the local labour market and public sector pay constraints. |

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

LEGAL
OMBUDSMAN

Annual priorities

Annual priorities

| 2018-19 | 2019-20 | 2020-21 |
|--|--|--|
| <ol style="list-style-type: none">1. Deliver sustainable improvement in performance2. Improve data quality, analysis and feedback to the professions3. Improve quality of service by implementing an internal learning and feedback model4. Start to digitise our service and improve cyber and data security | <ol style="list-style-type: none">1. Subject to business case and availability of capital funding, implement customer portal or similar2. Prepare new three-year strategy3. Review the <i>Modernising LeO</i> programme and realise efficiencies | <ol style="list-style-type: none">1. Priorities will be driven by our new three year strategy2. Merge the Chief Executive and Chief Ombudsman roles |

Business plan

Key 2018-19 business planning assumptions

Core assumptions

1. Core “demand” for our legal jurisdiction will be between 7,500 and 7,900 legal cases accepted. The upper end of the range is broken down into 11% high complexity (870 cases), 44% medium (3,475 cases) and 45% low (3,555 cases).
2. We are forecasting that we will close 8,000-8,425 cases in the legal jurisdiction during 2018-19.
3. We are forecasting demand in the CMC jurisdiction of 1,750 cases accepted.
4. An increase in legal demand during 2017-18 has increased the number of cases awaiting allocation. We require additional, one-off resources to progress these cases in 2018-19.
5. Pay increases are limited to 1% which will be added to the figures in this consultation when the MoJ applies inflationary uplifts.
6. Our new processes, staffing model and case management system will allow us to improve performance, further reduce unit cost and achieve operational staffing reductions from April 2019 (assuming stable demand and case complexity).

CMC jurisdiction

1. The CMC jurisdiction will transition to the Financial Ombudsman Service in April 2019; in this context, we have assumed that:
 - a) CMC costs will continue to be financially ring-fenced from legal work and separately funded;
 - b) indirect costs are unlikely 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 using the new structure implemented in 2017-18 and vacancy management; and
 - d) a separate budget will be required to cover any transitional costs associated with the transition of CMCs.
2. Bad debt write-off costs will be significantly lower than budgeted in 2017-18.

Indirect costs

1. We will reduce our estates footprint by 25% through sub-letting half a floor of our office to another body from April 2018; this will be reflected by increased income rather than showing a reduction in gross costs; our net cost will reduce by £160k as a result.
2. We will decommission the current case management system in Q4 2018-19 and will have dual running costs until then.

Summary of what we commit to delivering in 2018-19

Our Key Performance Indicators represent average performance across the year. As such, they do not fully demonstrate the expected performance improvement trajectory over time as staff are recruited, trained and become productive. Our long-term expectation is that the low complexity cases will largely be 90 day cases, medium 180 day cases and high completed in-year cases.

| Deliverable | Target | | |
|--|--|----------|----------|
| Cases accepted (legal) | 7,500-7,900 | | |
| Cases resolved (legal) | 8,000-8,425 | | |
| Cases resolved by legacy team | 1,448 | | |
| Cases accepted/resolved (CMC) | 1,750 accepted/1,750 resolved | | |
| Unit cost (legal – all complexities) | Within range £1,484 to £1,563 (plus MoJ inflationary uplift) | | |
| Unit cost (CMC) | £1,137 (plus inflationary uplift) | | |
| Customer satisfaction, quality, advocacy (legal and CMC) | Maintain performance in line with KPIs | | |
| Feedback to the professions | Deliver in line with business plan/KPIs | | |
| People, leadership and culture | Achieve KPIs | | |
| Timeliness | 90 days | 180 days | 365 days |
| Legal - % new low complexity cases | 60% | 85% | 99% |
| Legal - % new medium cases | 30% | 80% | 90% |
| Legal - % new high cases | 0% | 30% | 85% |
| Legal - % of all cases (inc. legacy) | 26% | 72% | 90% |
| CMC - % all cases | 60% | 90% | 100% |

Modernising LeO

Better Service

- Design and develop effective career pathways, supervision and professional development for our operational staff
- Enhance new case management system and decommission old case management systems
- Develop web-based customer assessment tool and scope potential future portal requirements

Data, information and records

- Exploit new business intelligence tool, forecasting model, CMS and other sources to achieve step change in management information
- Improve cyber security and data protection
- Develop better data quality and assurance to support our research and feedback to the professions
- Improve records and information management

People and workplace

- Fully exploit new employee value proposition to achieve a stronger position in the recruitment market, exploiting our new flexible working policy, and meeting our commitments on workplace well-being as set out in our *Time to Change* action plan
- Establish corporate portfolio management office

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

| Objective | Deliverable | Timescale |
|--|--|--|
| Develop and implement a learning and feedback model across our operations | Drive a continuous service improvement framework across LeO: <ul style="list-style-type: none"> • Implement new operational learning and development programme • Establish operational hub to manage operational business risk, co-ordinate operational delivery, identify policy issues, ensure an effective control framework is in place • Strengthened framework to learn from service complaints and feedback from complainants and service providers • Updated quality improvement framework • Enhanced forecasting and capacity model informed by data on productivity and use of time | Design – Q1 Test – Q2 Go live – Q3 Assess impact – Q4 |
| Deliver an improved customer service experience in the legal jurisdiction in line with our customer service principles | <ul style="list-style-type: none"> • Accept up to 7,900 cases and close up to 8,425 cases • Achieve timeliness, quality and customer satisfaction KPIs | Quarterly in line with delivery plan |
| Maintain quality of service during transition of the CMC jurisdiction to the Financial Ombudsman Service | <ul style="list-style-type: none"> • Accept and close 1,750 CMC cases Deliver in line with timeliness targets: <ul style="list-style-type: none"> • We will close 60% of cases within 90 days • We will close 90% of cases within 180 days • We will close 100% of cases within 365 days | |
| | <ul style="list-style-type: none"> • Achieve timeliness, quality and customer satisfaction KPIs | |

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

| Objective | Deliverable | Timescale |
|---|--|------------------------|
| Use our data and intelligence to support and facilitate improvements in the legal and CMC sectors | Develop refreshed communications and engagement strategy including strategic direction for feeding back to the profession | October 2018 |
| | Use our data and intelligence to support and facilitate sector improvement: <ul style="list-style-type: none"> • Improve quality of case studies, themed reports and consumer awareness guides • Deliver a minimum of six periscope-style videos • Pilot webinars/eLearning • Develop and deliver a minimum of four professional feedback courses per year | Each year |
| Support the legal and CMC sectors to be more effective in complaints resolution | Improve the value and impact of sharing our information, research and insights from the scheme (speaking events, exploiting our new web presence and social media) | Ongoing |
| | Project to improve two-way data sharing with regulators: <ul style="list-style-type: none"> • Entity data received from regulators uploaded into case management system • LeO regulator data reports documented and operational | April 2018 and ongoing |

Objective 3: develop the scheme and the service we provide

| Objective | Deliverable | Timescale |
|--|---|--|
| Work with others to identify and explore potential opportunities to improve access to justice | Work with the Ministry of Justice and provide data available from our current business process to improve understanding of the unregulated sector | Ongoing Q1-4 2018-19 |
| | Work with regulators to develop a single digital register of regulatory data and overhaul the Legal Choices website | 2018-19 to 2019-20 |
| Consider approaches to alternative dispute resolution (i.e. mediation, adjudication) and include outcomes in scheme rules review | <ul style="list-style-type: none"> • Conduct review of legislative framework, Scheme Rules and business process to maximise effectiveness and value for money, including the impact of case fees, especially on equality and diversity • Implement findings of review • Consult on proposed new framework for publishing decisions • Review the scope to use additional mechanisms for resolving complaints | <p>Initial review Q1, final output Q2</p> <p>Q4 June/July 2018 Q3</p> |
| Deliver project work to support transition of CMC jurisdiction to the Financial Ombudsman Service | <ul style="list-style-type: none"> • Understand the impact on demand for LeO's services of CMCs becoming Alternative Business Structures and therefore being regulated by legal service regulators • Produce transfer scheme to inform drafting of statutory instrument and agree the approach to dealing with open cases after April 2019 • Manage staff vacancies to maximise opportunities for staff. | <p>Q3</p> <p>Dependent on activities required from FOS and HM Treasury</p> <p>Q1 onwards</p> |

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

| Objective | Deliverable | Timescale |
|---|--|--|
| Enhance service and deliver efficiencies through digital developments | Enhance the functionality of our new case management system | September 2018 |
| | Refresh our external website: <ul style="list-style-type: none"> • improve accessibility of the website and stakeholder engagement mechanisms • design, develop and deliver customer assessment tool (complaint form) • strengthen our approach to cyber security to enable self-service functions | March 2019 |
| Reduce our information footprint and improve cyber security | Decommission previous case management systems | December 2018-March 2019 |
| | Enhance SharePoint Online to improve internal communications and knowledge sharing | September 2018 |
| Improve the quality, analysis, use and assurance of our data | <ul style="list-style-type: none"> • Develop better data quality and assurance to support our research and feedback to the professions • Implement processes to improve information and records management • Ask the Information Commissioner’s Office to undertake a voluntary data protection audit to assess our compliance with the new General Data Protection Regulation • Develop dashboards for improved strategic MI: <ul style="list-style-type: none"> • Implement revised budget management reports • Refine, enhance and exploit new operational forecasting and capacity model • Implement new operational performance dashboards • Develop new management information about business plan implementation and performance against the balanced scorecard • Exploit new reporting functionality within CMS and business intelligence tool | September 2018 |
| | | March 2019 March 2019 October 2018 |

Objective 4: modernise LeO to deliver continuous improvement in performance – people and ways of working

| Objective | Deliverable | Timescale |
|---|---|---------------|
| Attract and retain great people | Fully exploit new employee value proposition to achieve a stronger position in the recruitment market, maximising the benefits of our new flexible working policy and developing IT to support it; and meet our commitments on workplace well-being as set out in our <i>Time to Change</i> action plan | December 2018 |
| | Develop partnerships with local academic institutions to improve pipeline of staff | July 2018 |
| Grow our own people | Design and develop effective career pathways, supervision, feedback, support and professional development for our staff: <ul style="list-style-type: none"> • Design and develop a model supporting effective professional progression options and succession planning • Design and deliver professional learning and development • Review and align competency and appraisal frameworks in light of the development framework | March 2019 |
| Build our programme and project management capability | Establish Portfolio Management Office | June 2018 |
| | Undertake lessons learned review of Modernising LeO Phase 1 and apply lessons to Phase 2 | July 2018 |
| | Undertake Gateway Review 5 to ensure Phase 1 benefits are being achieved | December 2018 |

Budget



2018-19 budget

The table below provides a historical perspective on the OLC's budgets, and our revenue budget for 2018-19. Our budgets have been 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 CMC industry) respectively.

| | 2012-13 actual | 2013-14 actual | 2014-15 actual | 2015-16 actual | 2016-17 actual | 2017-18 budget | 2018-19 budget * |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|
| Legal Expenditure | £16.5m | £15.7m | £12.8m | £11.6m | £10.4m | £11.85m | £12.5m |
| Legal cases resolved | 7,360 | 8,055 | 7,440 | 6,416 | 7,000 | 7,000 | 8,000-8,425 |
| | 2012-13 actual | 2013-14 actual | 2014-15 actual | 2015-16 actual | 2016-17 actual | 2017-18 budget | 2018-19 indicative * |
| CMC – core costs | - | - | £0.8m | £2.1m | £2.1m | £3.0m | £1.99m |
| CMC case activity | | | NA | 1,740 | 2,636 | 3,400 | 1,750 |
| TOTAL OLC budget | £16.7m | £15.8m | £13.7m | £13.7m | £13.6m | £14.85m | £14.5m |

* 2018-19 figures are net of inflationary uplifts the MoJ apply to final budgets (estimated as £0.135m), and estates costs/income from sub-letting 25% of our office to another public body from 1 April 2018 (£0.16m).

Our capital budgets, which are funded directly by Government and recovered through depreciation charges included in our revenue budgets, are set out below. Securing sufficient capital to complete critical changes to our IT systems and hardware is a critical enabler of improving performance and customer service. To support our strategic goals we require capital expenditure of £0.25m in 2018-19 to:

- digitise our service by developing a new website and web complaint form;
- developing our business intelligence systems to enhance feedback to the professions from our learning;
- investments to reduce future storage costs in our new Cloud-based infrastructure; and
- routine ongoing investment in maintaining our infrastructure and hardware.

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

2018-19 budget

Our total budgeted revenue expenditure for 2018-19 is £14.5m, with a capital budget of £0.25m. The CMC budget has reduced from £3m to £2m as a result of falling demand and reduced bad debt costs. The legal budget has increased from £11.85m in 2017-18 to £12.5m in 2018-19. The increase in the legal budget is driven by the impact of increasing demand and case complexity. This has two elements:

1. one-off, time-limited resources to close cases awaiting allocation at the point of transition to our new business process in April 2018; and
2. we are forecasting similar levels of demand in 2018-19, which means that our original budget and staffing model is insufficient, and there will need to be an increase in staffing costs to meet anticipated caseloads.

The budget also reflects one-off costs of modernisation, particularly in IT. We will be running two case management systems during 2018-19, have inflation in licensing costs, and need to make a number of one-off investments to modernise our IT infrastructure, data and records management.

We will reduce our estates footprint by sub-letting 25% of our office to another public body from April 2018. We still have to show our gross costs, but will receive additional income which offsets those costs and reduces annual net estates costs by around £0.16m. All figures in this paper are shown net of both the estates costs and associated income, which adds £0.16m to both budgeted expenses and income.

Our forecast unit cost for 2018-19 is significantly lower even with a higher budget. Compared with a budgeted legal unit cost of £1,685 in 2017-18, the proposed budget will deliver a unit cost in the range of £1,484-£1,563 (net of estates costs and associated income, and MoJ inflationary uplifts which will add approximately £17 to our unit cost). This is driven by two main factors – the increased volume of case closures as a result of legacy work, and efficiencies achieved through Modernising LeO investments and estates rationalisation.

| Legal jurisdiction | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 (budget) | 2018-19 (budget) | 2019-20 (indicative) |
|-----------------------|---------|---------|---------|---------|---------------------|---------------------|-------------------------|
| Cases resolved | 8,055 | 7,440 | 6,416 | 6,573 | 7,000 | 8,000-8,425 | 7,900 |
| Average unit cost (£) | 1,950 | 1,716 | 1,813 | 1,587 | 1,685 | 1,484-1,563* | 1,528 |

* Net of MoJ inflationary uplifts and estates expenses/income for space released to another public body from 1 April 2018.

The changes from investment in our Modernising LeO programme should deliver efficiency gains from 2019-20. We forecast a reduction of £100 in the 2019-20 unit cost from process efficiencies, and a further of £52 in overhead costs, offset by the impact of losing the CMC jurisdiction from April 2019.

2018-19 budget - breakdown

Some respondents to our consultation requested a breakdown of the 2018-19 revenue budget. This appears below.

| Budget line | Legal £'000 | CMC £'000 | Overhead £'000 | Total £'000 |
|--|----------------|--------------|----------------|----------------|
| Staff Costs | 7,478 | 1,069 | 2,513 | 11,060 |
| Training | 40 | 10 | 126 | 176 |
| Recruitment | 16 | 10 | 85 | 111 |
| Travel & Subsistence | 4 | 5 | 31 | 40 |
| Fees (audit, service complaint adjudicator, legal, licences) | 0 | 10 | 163 | 173 |
| Print, Post, Scan & Translation | 200 | 35 | 11 | 246 |
| Research, surveys | 81 | 40 | 106 | 227 |
| Premises - net of income | | | 452 | 452 |
| IT & Telecoms | | | 1,443 | 1,443 |
| Bad debt | 48 | 35 | | 83 |
| Other (bank charges, books & publications) | | | 15 | 15 |
| Interest receivable | | | -27 | -27 |
| Depreciation | | | 490 | 490 |
| Reallocation of Overhead | 4,633 | 775 | -5,408 | 0 |
| Total Costs | 12,500 | 1,989 | 0 | 14,489 |
| Income | | | | |
| Case fees | -1,105 | -189 | 0 | -1,294 |
| Levy | -11,395 | | | -11,395 |

The main changes from the 2017-18 budget are legal staffing which accounts for the bulk of the increased budget. Other changes include:

- an increase in learning and development in line with our 2018-19 priorities, and increased recruitment costs in recognition of the competitive local recruitment market;
- net overheads have reduced by £0.1m despite an increase of £0.14m in IT and telephony costs due to one-off modernisation; and
- an equal reduction of £0.95m in bad debt expenses and associated case fee income.

Key budget risks

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, high staff turnover levels, and unanticipated judicial review costs. Inflation, the falling value of sterling and uncertainty about the availability of skilled labour could increase cost pressures in our non-pay budgets. Specific financial risks identified for 2018-19 are:

| Risk | Mitigation |
|--|--|
| <p>Demand - the major risk is that our forecast case load proves inaccurate, which has been the fundamental issue in 2017-18.</p> | <ul style="list-style-type: none"> • Increased budget in 2018-19 • More flexible staffing model and new business process helps meet changes in demand. • Innovation and smarter working will be a key focus of our modernisation programme • If demand changes by more than 5% from budgeted levels we will adjust our expectations about KPI performance |
| <p>Operational resourcing (legal) - high turnover and absence materially impacts our performance, and increases cost.</p> | <ul style="list-style-type: none"> • We have adjusted staff numbers to help meet increasing core demand and legacy work; rolling recruitment approach will continue to recruit ahead of turnover. • We have enhanced our employee value proposition to achieve a stronger offer and market position, with a new flexible working approach central to our strategy. • We are seeking to develop our pipeline of new resourcing model through strategic partnerships and have expanded our ombudsman pool to improve flexibility of supply to meet peaks of demand. • Impact of changes in staffing levels modelled through new operational capacity/forecasting tool. |
| <p>Operational resourcing (CMC) - specific risks should staffing levels fall before transition.</p> | <ul style="list-style-type: none"> • Use of fixed-term contracts and agency staff to manage transition and maintain critical mass of staff in the CMC jurisdiction. • Vacancy management and use of more flexible resourcing model. • Ongoing liaison with Financial Ombudsman Service, HM Treasury and Ministry of Justice. |

Measuring our performance

Our new performance management framework

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:



The suite of indicators our performance management framework will report against

External KPIs

Strategic performance measures reported to Board

Management Performance Measures

Key Performance Indicators

| Objective | Measure | | KPI | |
|--|--|----------------------------|--|--|
| Customer experience and quality | | | Legal | CMC |
| Ensure no undue delays in progressing cases | % cases in new case management system concluded within target for that category of case (based on cases concluded in period) <i>The timeliness KPI targets may be adjusted should resource/demand change above 5%</i> | Low ¹ | 60% within 90 days; 85% within 180 days; 99% within 365 days | NA |
| | | Medium ¹ | 30% within 90 days; 80% within 180 days; 90% within 365 days | |
| | | High ¹ | 0% within 90 days; 30% within 180 days; 85% within 365 days | |
| | | All ² | 26% within 90 days; 72% within 180 days; 90% within 365 days | 60% 90 days, 90% 180 days, 100% 365 days |
| Deliver against customer service principles | % customer satisfaction with service at the end of the process (those satisfied with outcome) | Complainant | >85% | >85% |
| | | Service provider | >85% | >85% |
| | % customer satisfaction with service at the end of the process (those dissatisfied with outcome) | Complainant | >15% | >15% ² |
| | | Service provider | >15% | >15% ² |
| Improve our quality | Number and % of service complaints upheld at the final stage of the process (Stage 1, 2, 3) | | No target – trend | No target – trend |
| Reputation and raising professional standards | | | Legal | CMC |
| Sharing insight | % of stakeholders ³ agreeing that LeO provides value-adding insight | | No target – baseline in 2018-19 | |
| Advocacy and reputation | Advocacy: % of customers satisfied with their outcome who would speak highly of LeO | Complainant | 80% | NA for CMC |
| | | Service provider | 80% | |
| | Advocacy: % of customers dissatisfied with their outcome who would speak highly of LeO | Complainant | 10% | NA for CMC |
| | | Service provider | 10% | |
| Efficiency and resilience | | | Legal | CMC |
| Efficient and effective resource management | Unit cost per case – <i>net of estates income and gross costs, and MoJ inflationary uplift</i> | Overall (all complexities) | £1,484-£1,563 ⁴ | £1,137 ⁴ |
| People, leadership and culture | | | | |
| Recruit and retain the right staff | Quarterly and rolling turnover rate | | <12% | |
| | Average days per employee lost to sickness | All | Below CIPD average | |
| | Civil service and Pulse engagement index | | >60% | |

¹ Separate recording of KPIs for high, medium and low cases will only be possible for those in the new CMS, so will be phased in

² KPIs reflect the fact that the age of some legacy casework and opening progress at April 2018 means we cannot achieve 90 days for many of these cases

³ To be defined ⁴ Excludes gross estates costs (ie net of income) and MoJ inflationary uplifts

Our timeliness performance trajectory

Quality of service is our key priority. We recognise the need to deliver a sustainable improvement in our quality of service and performance, and that timeliness of service is one very important element of quality.

Our expectations for our future timeliness performance trajectory appears below.

KPIs - new cases accepted from 1 April 2018

90 days

% of low complexity legal cases resolved within 90 days

% of medium complexity legal cases resolved within 90 days

% of high complexity legal cases resolved within 90 days

180 days

% of low complexity legal cases resolved within 180 days

% of medium complexity legal cases resolved within 180 days

% of high complexity legal cases resolved within 180 days

365 days

% of low complexity legal cases resolved within 365 days

% of medium complexity legal cases resolved within 365 days

% of high complexity legal cases resolved within 365 days

KPI - all cases (legacy and new business as usual)

% of all legal cases resolved within 90 days

% of all legal cases resolved within 180 days

% of all legal cases resolved within 365 days

| | 2018-19 | 2019-20 Indicative | 2020-21 Indicative |
|---|---------|-----------------------|-----------------------|
| % of low complexity legal cases resolved within 90 days | 60% | 65% | 70% |
| % of medium complexity legal cases resolved within 90 days | 30% | 40% | 50% |
| % of high complexity legal cases resolved within 90 days | 0% | 0% | 0% |
| | | | |
| % of low complexity legal cases resolved within 180 days | 85% | 90% | 90% |
| % of medium complexity legal cases resolved within 180 days | 80% | 85% | 90% |
| % of high complexity legal cases resolved within 180 days | 30% | 33% | 40% |
| | | | |
| % of low complexity legal cases resolved within 365 days | 99% | 99% | 99% |
| % of medium complexity legal cases resolved within 365 days | 90% | 95% | 98% |
| % of high complexity legal cases resolved within 365 days | 85% | 95% | 95% |
| | | | |
| % of all legal cases resolved within 90 days | 26% | 45% | 54% |
| % of all legal cases resolved within 180 days | 72% | 78% | 88% |
| % of all legal cases resolved within 365 days | 90% | 95% | 95% |

2018-19 Equality Priority Objectives

Equality Priority Objectives 2018-19

The OLC approved the following Equality Priority Objectives for the Legal Ombudsman in 2018-19. They will be driven by an internal Equality and Diversity Forum.

| Objective | Description |
|--|--|
| 1. Better recognise and nurture Black and Minority Ethnic (BAME) talent within the organisation | <p>We are engaging with MoJ's Project RACE to ensure LeO creates an environment where talented people realise their full potential, regardless of background.</p> <p>We will hold focus groups and engage our BAME staff to better understand their perceptions and inform work to understand and tackle barriers, and embed race equality into workforce and succession planning.</p> |
| 2. Benchmark ourselves against the MIND workplace wellbeing index targeting a Bronze status | <p>As a key part of our employee deal and wellbeing agenda we have committed to using the MIND well-being index (targeting a bronze status). A positive workplace well-being culture is fundamentally a matter of equality.</p> |
| 3. Raise awareness of specific vulnerabilities through better communication and improved accessibility throughout the customer journey | <p>We will improve communication at all stages of the customer journey by training staff on telephone communication skills. As our casework identifies particular vulnerability issues we will raise awareness through training and changes in process.</p> <p>An important element of delivering this objective will be ensuring that there is clarity at the outset about reasonable adjustments required, and that we deliver an inclusive service that addresses these.</p> |
| 4. Adopt best practice in meeting the requirements of the Public Sector Equality Duty | <p>The Public Sector Equality Duty (PSED) requires public sector bodies to have due regard to the three aims of the general equality duty. This project will provide assurance about compliance, building on this by identifying improvements to demonstrate adoption of good practice in meeting the PSED.</p> <p>Work under this objective will include quarterly monitoring of the gender pay gap and assessment of collection of equality and diversity data from complainants in the context of the General Data Protection Regulation.</p> |