

Consultation on our Strategy and Business Plan 2017-2020

About this consultation

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 its costs are recovered from legal and claims management companies. We are due to have a new Chair from April 2017, and will also look to align our strategy to the findings of an ongoing Tailored Review of the OLC and Legal Services Board (LSB).

We consult annually on our business plan and budget. This consultation sets out our proposals for a new three-year strategy and an indicative three year work programme and budget, and a detailed budget for 2017-18.

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. Consultation questions.

Responding the consultation

We are seeking feedback from stakeholders on our draft three year strategy and business plan, and the budget and corporate plan for 2017-18. The consultation closes on 1 March. Please send your responses to consultations@legalombudsman.org.uk. The Legal Ombudsman usually publishes a list of those who respond to consultations. If you would like your response to remain confidential please let us know.

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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, 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 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 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 recent Tailored Review of the OLC.

Reflection on 2014-17 strategy

Objective

Our progress

Continue to improve our efficiency

- Implemented recommendations of review of governance and financial control
- Reduction in legal budget from £15.8m in 2013-14 to £11.5m in 2016-17; legal unit cost reduced by 16% over the period and delivered 17% savings in our indirect costs between 2015-16 and 2016-17
- Accepted 7,033 complaints in 2015-16 and dealt with 59,082 contacts in the legal jurisdiction
- Development of new case management system and business process review underway.
- Promoted increase in informal resolution and launched a pilot team to accelerate assessment and investigation

Implement changes to our jurisdiction and begin to resolve complaints about CMCs

- Accepted 2,438 complaints in the CMC jurisdiction in 2015-16
- CMC jurisdiction began on 28 January 2015 and learning being applied to legal jurisdiction through the review of business processes
- Analysis of issues associated with handling third party complaints presented to Board in January 2017.
- Continuing progress working with stakeholders to develop an evidence base for a potential voluntary jurisdiction.

Help create an improved legal complaints handling system

- Developed and successfully implemented customer service principles.
- Future case fee options considered and call for evidence published in October 2016.
- Launched relationship management for both jurisdictions

Replicate what we have learned more widely

- Delivered professional learning through our courses and significant increase in external speaking engagements by the Chief Legal Ombudsman
- Fed back to profession through publication of thematic studies of cases and quarterly newsletters for each jurisdiction, and sharing information with regulatory bodies
- The Chief Legal Ombudsman became a member of the Ombudsman Association's Executive Committee
- Engaged with the CMA on their legal services market study

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 ‘unauthorised’ providers • Working with stakeholders to make data available to develop comparison sites and other intermediaries to allow customers to compare providers.
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"> • Possible changes to regulation may cause difficulties in determining our jurisdiction. Ultimately these could create confusion for consumers and service providers and complicate the system of redress. We will need to work closely with the Solicitors’ Regulation Authority and others 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 on-line channels for our customers to access our services.
Public sector context	<ul style="list-style-type: none"> • We must deliver a 15% efficiency target 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 (LSB).
Economic context	<ul style="list-style-type: none"> • There is increasing concern about consumer detriment and vulnerability, the impact of cost making legal services 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 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 (further detail available in Appendix 1)

Strategic issue	Proposed response
The environment is changing rapidly as proposals emerge to deliver against the CMA's recommendations and as technology reshapes legal service provision.	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.
The legal and CMC sectors will continue to change alongside a pattern of changing customer expectations and behaviours.	We should work with consumer organisations, other ombudsman schemes and reference organisations to influence the legal services environment and learn from good ombudsman practice.
General awareness of LeO appears far less important than effective signposting at the appropriate time to those who need to know about us.	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.
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 'unauthorised' providers.	Our primary focus should be to get the delivery of our current scheme right and to be discerning about any expansion of our jurisdiction. We will avoid an explicitly expansionist strategy. We support the CMA 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 'unauthorised' providers.
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.	We will work with stakeholders on any proposed legislative changes and explore funding implications or risks with the Ministry of Justice and other stakeholders.
We have a 15% efficiency target to deliver by 2019-20 (against a 2015-16 baseline). We have already delivered significant year-on-year efficiencies.	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.

Vision, mission, objectives and values

Our vision:

Our impartial service adds value by driving improved professional standards and enhances the UK's global reputation as a legal centre of excellence.

Our mission:

We protect and promote the public interest by investigating complaints impartially and fairly. Our work adds value through evidence-based feedback. 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, engage and influence the legal service and CMC environments

Strategic objective 3:
Develop the scheme and our service

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

A vision for developing the organisation

As is.....	To be....
Customer service principles successfully launched	<ul style="list-style-type: none"> • Our customer service principles are fully embedded throughout the organisation • Our customer service principles ensure excellent service
We need to build on recent progress to improve our external engagement	<ul style="list-style-type: none"> • We are regarded as thought leaders • We have a modern and effective approach to communication • We have strong relationships and collaborate effectively with our stakeholders • We use our data to feed back to the profession and influence stakeholders • We learn from good practice and share our own learning
Fragmented processes and structure cause duplication	<ul style="list-style-type: none"> • An integrated and flexible process delivers improved service for our customers • We have consistent ways of working
Although feedback from our staff is improving, we have more to do	<ul style="list-style-type: none"> • We recruit, retain and engage the right staff, who are proud to work for LeO • Staff behaviours are grounded in our service principles and values • New ways of working help staff do a great job • We have confident, clear leadership and change management • We develop and support our staff
A narrow approach to performance management and scope to improve management information	<ul style="list-style-type: none"> • Performance measures balance quality and customer experience with timeliness and cost • We have embedded a culture of performance • We have high quality data and management information which we share to inform customers' choice and regulators' activity
IT systems hinder rather than help	<ul style="list-style-type: none"> • Reliable IT systems are a positive feature for staff and help them better serve customers • We have the right tools to engage with stakeholders
The changes we have made to improve internal governance are a solid foundation for the future	<ul style="list-style-type: none"> • We are recognised as a well-run and efficient public service that delivers value for money • We have good corporate governance • Professional culture and a collaborative place to work
Complex external governance requirements lead to some duplication	<ul style="list-style-type: none"> • We have strong relationships with key external stakeholders • We play our part in ensuring simple, proportionate external governance

Strategic Objectives

To deliver the vision and mission, we are proposing the following four strategic objectives:

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 by implementing new ways of working 	
2. To build our capability to understand, engage and influence the legal service and CMC environments	<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 our service	<ul style="list-style-type: none"> • Identify and take 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 in which we interact with our customers • Improve data quality, integrity and management information • Build on recent improvements in corporate governance 	<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

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 planned activity supports 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 influence 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 and 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% efficiency against a 2015-16 budget baseline.
2. We will adopt the same KPIs for 2017-18 but may revisit them thereafter.
3. Core "demand" for our legal jurisdiction will remain at 7,000 cases in 2017-18 and 3,400 cases for the CMC jurisdiction. We have tested the sensitivity of our plans against alternative scenarios (25% reduction and 15% increase in demand).
4. In 2017-18, our permanent establishment will remain the same size as in 2016-17. Pay increases are limited to 1%.
5. Any changes in structure assume reorganisation costs will not exceed savings in any year.
6. Any new activities or jurisdictions will continue to be separately funded and accounted for.

Case fees and bad debt

7. 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 forecast CMC bad debt for 2018-19 and 2019-20.

CMC jurisdiction

8. The CMC jurisdiction will transition to the Financial Ombudsman Service no earlier than April 2018; 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

9. Our capital budget for 2017-18 assumes MoJ will approve continued development of our case management system.
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	Measures of success
Deliver an improved customer service experience and embed our customer service principles	Assess, review and refine process to accelerate initial assessment and investigation	Q1-3 2017-18	Quality Customer experience
	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	Quality Customer experience Infrastructure, resources and efficiency
	Consider pilot to extend hours of Assessment Centre and CMC helpline		
Improve accessibility for vulnerable customers	Develop and implement vulnerability strategy	Q1 2017-18	Customer experience
	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	Quality Customer experience
	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 by implementing new ways of working	Implement flexible resource model and review establishment to support new ways of working	Q1-4 2018-19	People Infrastructure, resources and efficiency
	Work more efficiently and realise savings from new ways of working	Q1-4 2019-20	

Objective 2: build our capability to understand, engage and influence the legal service and CMC environments

Objective	Deliverable	Timescale	Success measures
Develop stakeholder engagement strategy	Develop annual communications and engagement strategy	Each year	Stakeholder
	Improve our engagement with Parliament and the National Assembly for Wales		
	Engage with stakeholders and seek feedback on our communication and engagement; build learning into 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 verification	Q1-4 2017-18	Stakeholder
	Assess impact of legal relationship management pilot	Q1-2 2017-18	
	During second half of legal relationship management trial, expand 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, and our analytical capability	Q1-4 2017-18	
	Build capacity to deliver high impact research through high quality strategic partnerships	2017-18	
	Produce high impact new consumer guides	Q2-4 2017-18	
	Pilot separate focus groups of service users and recent complainants	Q2-4 2017-18	
	Influence professional practice by sharing case studies, themed reports, periscope-style videos and contributing to webinars	Each year	
	Influence education and training through 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	Stakeholder
	Implementation of IT strategy and new means to share information and collaborate, including new web presence	Q1-4 2018-19	
Accredit our professional learning	Establish relationships with educational establishments, identify appetite within profession for accredited CPD	Q4 2018-19	Stakeholder

Objective 3: develop the scheme and our service

Objective	Deliverable	Timescale	Measures of success
Identify and exploit opportunities to engage in changes to legislative framework	Work with the Ministry of Justice on the opportunities and benefits of offering redress to consumers using 'unauthorised' providers	Q1-3 2017-18	Customer experience
	Explore opportunities to work with the Legal Services Board to research on the need and type of redress for small and medium-sized enterprises (SMEs)	Q3 2017-18	
Consider approaches to alternative dispute resolution (ie mediation, adjudication)	Options paper and researching application of alternative dispute resolution within other schemes and potential impact on performance	Q2 2017-18	Customer experience
	Produce recommendations paper on scheme rules review, run a consultation and produce recommendations paper	Q1-2 2017-18	Customer experience
	Submit requests to the Ministry of Justice if relevant and scheme rule documentation to the Legal Services Board for approval		
Scheme Rules review	Produce recommendations paper on scheme rules review, run a consultation and produce recommendations paper	Q1-2 2017-18	Customer experience
	Submit requests to the Ministry of Justice if relevant and scheme rule documentation to Legal Services Board for approval		

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

Objective	Deliverable	Timescale	Measures of success
Ensure our IT environment is effective, efficient and reliable	Build and implement a new case management system	Q1-2 2017-18	People Customer experience Infrastructure, resources and efficiency
	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	Quality Customer experience Stakeholder Infrastructure, resources and efficiency
	Conduct research on new ways of interacting with those using our service	Q1-2 2017-18	
	If appropriate, implement portal and self-service functions on our website	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	Quality Stakeholder Infrastructure, resources and efficiency
	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	People Quality Infrastructure, resources and efficiency
	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 for the new strategy, and embed feedback loops through robust corporate performance monitoring and management	Q1-2 2017-18	

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

Objective	Deliverable	Timescale	Measures of success
Recruit, retain and engage the right staff	Develop a robust approach to workforce planning	Q2 2017-18	People Infrastructure, resources and efficiency
	Refine our Employee Value Proposition (EVP), including reward and recognition and flexible working, and use the EVP to develop more proactive approach to recruitment	Q3 2017-18	
	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	People
Developing our people and managing performance	Enhance our Learning and Development strategy and clear learning offer for our people	Q1-2 2017-18	People Infrastructure, resources and efficiency
Embedding our values and customer service principles	Review LeO behaviour framework against values and customer service principles	Q4 2017-18	People
	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	

High-level 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.

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 actual	2016-17 Budget	2017-18 indicative	2018-19 indicative	2019-20 indicative
Legal Expenditure	£16.7m	£15.8m	£12.9m	£11.6m	£11.5m	£11.5m	£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	£14.5m	£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.

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

2017-18 budget

Our proposed total budgeted revenue expenditure for 2017-18 is £14.5m, with a capital budget of £0.49m. Both revenue and capital budgets reflect our commitment to continue to improve the efficiency of our work while ensuring that we continue to deliver a high quality, customer focused service. The increase in the budget is driven exclusively by increasing forecasts of bad debt expenses in the CMC jurisdiction, which will be offset by corresponding case fee income.

We are confident that the changes we are introducing through investment in our *Modernising LeO* programme will translate into improved performance over time. As we improve our processes, we will review our establishment. The principles which have underpinned the development of the budget are:

- demand assumptions for 2017-18 assume a similar caseload for both the legal and CMC jurisdictions as in 2016-17;
- we will adopt similar KPIs as we have applied 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;
- 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;
- we assume expenditure on training, travel and subsistence and recruitment will be similar to 2016-17; and
- recognising the criticality of continued investment in our IT systems to stabilize performance, our capital allocation will remain similar to 2016-17 and will result in additional depreciation charges; crucially, in 2017-18 we must complete the development of the new case management system which commenced in 2016-17.

Securing sufficient capital in 2017-18 to complete critical changes to our IT systems and hardware is a critical 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;
- refresh of the OLC website; and
- a small allocation for replacement of end user devices and capital costs associated with transition to our new IT infrastructure and telephony providers.

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. Any additional jurisdictions will have the costs of LeO's existing infrastructure fairly and transparently apportioned to that budget. Economies of scale would be expected to reduce the cost to the existing stakeholders for running our 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.
- Pay increases will be in line with ongoing government pay restraint and the pay remit limiting increases to 1%.
- We will not decommission the existing case management system during 2017-18.
- 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 are unlikely to reduce significantly as a direct result of the loss of the CMC jurisdiction.
- Our capital expenditure budget assumes MoJ approval to continue the development of our new case management system, which began in 2016-17 and is phased across two financial years.

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:

- any delay by MoJ in approving ongoing capital investment in our case management system;
- risks of delayed delivery resulting from the need for approval of expenditure in many areas under our financial delegations;
- risks associated with 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.

Strategic Risk

Risk group	Specific strategic risks
Delivery of the scheme	Credibility – loss of credibility for running scheme
	Demand – delivery of scheme compromised by unplanned changes in demand
	Operational resource – insufficient to deliver scheme effectively
	Failure to provide consistently high quality of service
Understanding and responding to the external environment	Failure of the scheme to influence the external environment effectively
	Failure to maximise the impact of our work in line with the regulatory objectives
Organisational capability	Information technology does not function effectively
	Business continuity failure over an extended period
	Data protection – failure to comply with Data Protection Act or material information security breach
	Management information , data integrity and data assurance arrangements ineffective
	Our Modernising LeO programme does not deliver to time, cost or quality
	Governance, and resources failure of internal governance, financial controls, insufficient budget or resource problems arising from poor planning

Measuring our performance

We currently monitor and manage our performance against a Balanced Scorecard which is based on the 2014-2017 strategy. Our current Key Performance Indicators are as follows:

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 vision commits us to develop 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 and customer experience with timeliness 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 which we could 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.

During the consultation process, we welcome views on how to measure our performance, in particular how we assess the extent to which our service reflects our customer service principles. Working with stakeholders, we will develop a new balanced scorecard during 2017-18, which we will implement from April 2018. We will continue to work to the existing KPIs in 2017-18.

The business plan suggests five broad areas which will be fundamental to our success:

1. quality;
2. customer experience;
3. people;
4. stakeholder; and
5. infrastructure resources and efficiency.

Questions

1. Do you agree with the analysis of the strategic drivers (pages 3-6)?
2. Are the vision, mission and strategic objectives the right ones (pages 7-10)?
3. Are our planned activities the right ones to deliver our four proposed objectives? Have we missed any, or are there any we should de-prioritise? (pages 12-16)
4. Does the strategy strike the right balance between realism and ambition in maximising the impact of our scheme, modernising the organisation and the changing legal services landscape?
5. Do you have any specific comments on our budget for 2017-18 (pages 17-19) and our business plan (pages 11-22)?

Appendix 1 – Analysis of strategic issues

Strategic issue 1 – understanding the legal services context to ensure our scheme influences and impacts key stakeholders

Issues	Response
<p>The environment is changing rapidly, particularly as proposals emerge to deliver against the CMA legal services market study 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 scan the horizon and understand the legal services context to act as a source of high-impact change, building on learning from our work with CMCs.</p>
<p>The CMA recommend facilitating the development of a dynamic intermediary market through making data more accessible to comparison tools and other intermediaries.</p> <p>We recognise, as do stakeholders, that we can do more to feed back to the profession and use the insights and intelligence from our scheme to influence our stakeholders. We also need to develop the breadth of our engagement with the profession.</p>	<p>We need to focus on maximising value of our data and insight to feed back to the profession and influence stakeholders through authoritative, timely products using credible data and insights from our work.</p>
<p>Regulation, professional structures and the future of professions are changing fundamentally, through new business structures, models, the impact of technology, changing customer expectations and behaviours, and the Regulatory Futures review.</p>	<p>We need to maintain a watching brief on the SRA consultation about changing the balance between individual and entity regulation so that we understand and plan for potentially significant impacts on the scheme, our processes (especially assessment) and consumers</p>
<p>We can learn from the success of our approach with CMCs, our recently improved external profile and publications such as the guide for first time buyers.</p>	<p>We should seek to influence first tier complaint handling which could create a ‘virtuous circle’ which will increase our capacity to influence legal service provision and benefit consumers by reducing the need to complain</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 focus on influencing providers to signpost LeO as effectively as possible rather than general awareness of LeO.</p>
<p>Internal issues have affected the extent and effectiveness of our partnership working and collaboration.</p>	<p>We should work with consumer organisations, the Ombudsman Association and other stakeholders to develop our approach to understanding and influencing the legal services environment, and learning from good ombudsman practice.</p>

Strategic issue 2 – jurisdiction and scope changes

Issues	Response
<p>The CMA has concluded that competition in legal services for individual consumers and small businesses is not working well. In particular, there is not enough information available on price, quality and service to help those who need legal support choose the best option</p>	<p>Our primary focus should be to get the delivery of our current scheme right and to be discerning about any expansion of our jurisdiction, avoiding an explicitly expansionist strategy</p>
<p>The CMA has set out a package of measures which challenges providers and regulators to help customers better navigate the market and get value for money. In particular, the package emphasises better information on price, service, redress and regulatory status, revamping the Legal Choices website, facilitating the development of comparison sites and other intermediaries by making regulatory data available to compare providers.</p>	<p>We will play our part in implementing the CMA's recommendations.</p>
<p>The CMA recommended that the Ministry of Justice look at whether to extend protection from existing redress schemes to customers using 'unauthorised' providers. This could be pursued by extending access to the LeO or through alternative arrangements such as the use of alternative dispute resolution or self-regulation.</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 welcome any opportunity to extend our jurisdiction to cover unregulated providers, adding mediation services and extending our service to small and medium-sized enterprises. We think that this would be beneficial to consumers, help improve our impact and be cost-effective given the relatively small scale of unregulated provision.</p> <p>We will work with and influence stakeholders on any proposed legislative changes, particularly changes to the Legal Services Act, exploring funding implications with the Ministry of Justice and other stakeholders, and opportunities to extend the redress our service provides.</p> <p>We will review our existing position about whether to become an authorised Alternative Dispute Resolution entity in the summer of 2017.</p>

Strategic issue 3 – delivering efficiencies

Issues	Response
<p>We have a 15% efficiency target to deliver by 2019-20 against a 2015-16 baseline, and have already delivered significant year-on-year efficiencies.</p> <p>Our cost base will change when we lose the CMC jurisdiction, and we may face increasing challenges with critical mass, scale and resilience, particularly in some of our corporate services.</p> <p>We can do more to share our own and learn from others' good practice (as an Ombudsman and running the organisation).</p> <p>There may be opportunities to consider changes in our delivery models and opportunities from greater collaboration.</p>	<p>Our approach to efficiency will be based on learning from what works/good practice elsewhere, and will align with the wider strategic direction and forecast demand profiles.</p> <p>The main opportunities to improve value for money are:</p> <ul style="list-style-type: none">a) Effectiveness and efficiency gains by improving the customer experience and flow through our scheme by reducing hand-offs and designing a smoother end-to-end process. This will reduce duplication, waste and rework and should increase capacity and service quality while reducing cost.b) Economies through ongoing review of establishment and structure and will underpin this by developing more robust workforce planning; we will also refresh our employee value proposition to improve our position in the recruitment market and reduce the costs of turnover.c) Consider whether over the period of the strategy we might improve efficiency and effectiveness by exploring new service delivery models.d) Once we have reliable basic IT infrastructure and services, we will use technology to drive further efficiencies, in particular exploring the scope for channel shift towards on-line delivery models and developing modern customer interfaces, such as portals.e) Economies through estates and IT savings.