February 2021

OLC Business Plan & Budget 2021-2022

Introduction

1. This paper addresses the Legal Services Board (LSB) budget acceptance criteria for the Office for Legal Complaints (OLC) 2021/22 budget.

2. This builds on the earlier Budget and Business Plan paper discussed at the LSB meeting on the 2 December. This paper also includes a summary of the feedback from the 2021/22 Budget and Business plan consultation, and the final Business Plan which can be found in Appendix A.

3. In order to fulfil strategic objectives and deliver improved and sustainable performance, the OLC intends to request a budget £14.5 million in 2021/22. This represents a 13% increase on the 2020/21 budget (or an 8.9% increase on the revised 2020/21 baseline position when reflecting the interim budget increase) and is a revision to the 19% (£15.6m) increase which was the subject of external consultation.

4. The LSB set eight budget acceptance criteria, which are:

- **Criteria 1**: A clear breakdown, explanation and justification of:
  a) assumptions around the volumes predicted for 2021/22, including data on the number of new cases in the current year to date and an assessment of the likely impact of Covid-19 on demand. Please include information about how the organisation would respond in the event of volume fluctuation;
  b) staff costs and numbers broken down by function, with an explanation of how pay awards relate to the People Plan/staff morale, and
  c) estimated split of expenditure between:
    i) handling complaints about legal services,
    ii) policy and impact work, in particular to analyse and feed back to the sector learnings from handling complaints, and
    iii) anything else not covered by (i) and (ii).
- **Criteria 2:** Transparency about performance, this should include:
  a) analysis of actual performance to date in 2020/21, with reference to the commonly agreed dataset;
  b) risks and how they are being managed and mitigated for:
    i) the remainder of 2020/21, and

    ii) 2021/22, including an overview of sensitivity analysis of key assumptions around income prediction, case complexity and other factors;

  c) the forecast performance trajectory from the present until sustainable acceptable performance is expected to be achieved mapped against different budget scenarios (analysis by month, with reference to the commonly agreed dataset), and
  d) a summary of key current and planned initiatives designed to achieve sustainable acceptable performance, including specific actions and timeframe.

- **Criteria 3**: A robust business case that clearly demonstrates the linkages between any additional resources sought to the expected benefits across operational performance (including staff morale), policy and impact, and other relevant activities.
- **Criteria 4**: An explanation of how value for money will be delivered and measured.
- **Criteria 5**: An explanation of how the proposed budget would promote equality, diversity and inclusion for both colleagues and the Legal Ombudsman's customers. As part of this, details of any plans to measure for any disproportionality of complaint outcomes.
- **Criteria 6**: A summary of where the budget has changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.
- **Criteria 7**: The submission should confirm that the OLC has submitted a medium-term financial plan that reflects these acceptance criteria to the Ministry of Justice (MoJ), and that wider engagement with the department has taken place consistent with the tripartite operating protocol.
- **Criteria 8**: A summary of the governance processes involved in preparing the submission, including confirmation that the submission has the formal support of the board.

5. This paper explains the rationale for the proposed budget increase and how the OLC has met each of the eight budget acceptance criteria.

Criteria 1

A clear breakdown, explanation and justification of:

a) *assumptions around the volumes predicted for 2021/22, including data on the number of new cases in the current year to date and an assessment of the likely impact of Covid-19 on demand. Please include information about how the organisation would respond in the event of volume fluctuation;*
b) *staff costs and numbers broken down by function, with an explanation of how pay awards relate to the People Plan/staff morale, and*
c) *estimated split of expenditure between:*
    i) *handling complaints about legal services,*
    ii) *policy and impact work, in particular to analyse and feed back to the sector learnings from handling complaints, and*
    iii) *anything else not covered by (i) and (ii).*

1a) Demand

Demand forecasting for 2021/22 is challenging and has been made more so by the ongoing pandemic. What we do know is that despite Covid-19, LeO's demand has remained broadly static in 2020/21 with circa 7,200 complaints expected to be accepted for assessment by the end of the year. It should be noted that LeO does not yet have a long-term demand forecasting model and as such it is not possible at this time to predict with certainty how Covid-19 impacts on the legal services market will affect LeO's demand.

However, available data is consistently monitored and LeO has engaged with regulators and representative bodies to understand the current and likely future impacts of the Covid-19 pandemic on those parts of the sector which generate significant demand into LeO. Alongside this LeO takes into account the findings of regular horizon scanning and has considered a number of additional factors.

Some of these factors argue for anticipating a reduction in demand. For example, certain areas of legal practice have shown signs of decline due to the Covid-19 pandemic. Personal injury claims dropped as a result of reduced levels of road traffic and conveyancing transactions dropped in the first part of the national lockdown. In addition, court hearings have been restricted to all but the most urgent of cases.

In contrast, some of these factors argue for anticipating an increase in demand. For example, some areas of legal practice have already seen signs of recovery (conveyancing, for example, as a result of the stamp duty incentives introduced from July 2020) and other areas have seen signs of increased activity (such as an increase in divorce applications). There is also the potential for an increased number of transactions relating to employment law.

It is also arguable that the challenges presented by Covid-19 could place further strain on service standards and customer care which could in turn drive increased levels of complaints. The SRA, whose regulated entities / individuals account for 90% of LeO's demand, collect data on Tier 1 complaints handling which provides a useful indicator of future demand. Their data for 2019 indicated that complaints at Tier 1 have increased, which is possibly linked to new rules requiring increased transparency about complaints handling arrangements. Given LeO's customer satisfaction data shows that most consumers report finding out about our service from an internet search rather than from their own lawyer, and the research of the Legal Services Consumer Panel on 'silent sufferers', it is expected that increased activity to enforce requirements about complaint-handling transparency are likely to increase demand over time.

It therefore appears likely that any possible decrease in demand due to the impacts of Covid-19 on some areas of the profession may be offset by increases in other areas, and by improvements in transparency and awareness of the right to complain. LeO has concluded that overall demand for the legal profession will remain consistent, albeit that areas of focus might have shifted in the short term, and that overall demand for the Legal Ombudsman scheme will also be constant.

Given the volume of work currently waiting at pre-assessment, the effects of a drop in demand would not be immediately felt by the Legal Ombudsman. Should demand drop materially next year, this would in fact provide an opportunity to make more significant inroads into the reduction of work at pre-assessment and enable the organisation to achieve its aims of providing a much-improved level of customer service by a much earlier stage. Should demand increase, without additional budget to fund new resources then it is likely that the Pre-Assessment Pool will rise as a result of the Legal Ombudsman's inability to keep pace with incoming work.

Levels of demand will be monitored closely and factored into the plans for 2022/23. Should the underlying demand trend shift, consideration will be given as to the scale and nature of recruitment activity in year, with the potential to recruit fixed term contracts to ensure that the Legal Ombudsman is able to match the size of the operational workforce to the demand for its services.

1b) Staff costs

The table below shows the posts which form the staffing establishment and the basis for the budget proposal, and the total cost including national insurance and pension contributions for year 1 (2021/22) and year 2 (2022/23).

		2021/22		2022/23	
	FTE %	FTE	Staff cost	FTE	Staff cost
Corporate	**15%**	**41.1**	**£2,318,134**	**41.1**	**£2,318,134**
Corporate		5.1	£404,777	5.1	£404,777
Finance		5.0	£252,963	5.0	£252,963
Human Resources		7.0	£363,194	7.0	£363,194
IT		11.0	£582,518	11.0	£582,518
Legal		4.0	£198,870	4.0	£198,870
Strategy and Governance		5.0	£297,168	5.0	£297,168
Performance Management		4.0	£218,645	4.0	£218,645
Policy and Impact Work	**2%**	**6.0**	**£227,146**	**6.0**	**£227,146**
External Affairs		5.4	£196,622	5.4	£196,622
Research		0.6	£30,525	0.6	£30,525
Operations	**82%**	**220.7**	**£8,783,999**	**229.6**	**£9,114,310**
GET		34.4	£1,037,812	31.9	£920,812
Ombudsman		11.4	£728,880	12.0	£763,371
Ops Management		3.0	£204,870	3.0	£204,870
Resolution Centre		161.0	£6,169,260	171.9	£6,582,080
Service Complaints & Quality		5.8	£323,293	5.8	£323,293
Operational Transformation and Impact		5.0	£319,885	5.0	£319,885
Annual awards / Apprentice Levy / Holiday pay adjustment			**£32,600**		£132,600
Total		**267.7**	**£11,361,880**	**276.7**	**£11,792,191**

	FTE %	2021/22		2022/23	
		FTE	Staff cost	FTE	Staff cost
Corporate	**15%**	41.1	£2,318,134	41.1	£2,318,134
Policy and Impact Work	**2%**	6.0	£227,146	6.0	£227,146
Operations	**82%**	220.7	£8,783,999	229.6	£9,114,310
Annual awards / Apprentice Levy			£132,600		£132,600
Holiday pay adjustment			-£100,000		
		267.7	**£11,361,880**	**276.7**	**£11,792,191**

There are two pay scales at LeO. Most new staff enter the organisation on the lower salary point (junior grade) in line with LeO’s pay policy. Junior grade salaries are standardized at 92% of the market rate for the role, and promotion to substantive grade (SG) is based entirely on performance. As per the pay policy, employees are eligible for promotion to the substantive grade after six months. It is expected that high performers may achieve promotion within 6 – 9 months, with the usual expectation being that staff are promoted to the substantive grade between 9 – 15 months in role.

When looking at staff costs for 2021/22 and 2022/23, progression to SG has been modelled and factored into the costings. A more stable workforce and reduced attrition in 2020/21 will result in more posts at SG.

Funds for the Celebrating Success reward and recognition proposal has been retained at £100,000.The Remuneration Committee (RemCo) has given permission for the new leadership team to review the Celebrating Success proposal and ensure it explicitly supports the delivery of organisational goals for the benefit of our customers. Current elements include end of year performance awards, quarterly recognition awards, and instant recognition vouchers. Any end of year or quarterly awards are moderated by the Executive Team to ensure they are being awarded in an appropriate fashion and taking full account of overall organisational performance. A full review of the Celebrating Success scheme is scheduled under the People Plan during 2021/22 and will be reported to RemCo.

A vacancy factor adjustment has been factored in reducing the overall cost by £300,000 (approximately 8 investigators). Given the government's announcement on public sector pay, there is assumed to be no pay increase applied to this year's budget. Finally, there is an adjustment to remove £100,000 of holiday pay accrual to reflect the increase in 2020/21 interim budget to cover increased carry forward of leave at the end of 2020/21.

The 2022/23 staff budget reflects the 2021/22 budget plus some identified movements such as the full year effects of the new teams.

As a result, there are a number of posts at the lower salary point (JG) in 2022/23. We would expect this to continue to occur through normal turnover.

If we were in the unlikely position that all posts were at the higher salary point (SG) for the full year, then this would lead to a maximum budget pressure of £153k in 2022/23.

This has not been factored in as this is considered to be a low risk.

1c) Estimated split of expenditure

The OLC's staffing budget can be broken broadly into three principal areas of work. The primary focus of the proposed budget increase will be investment in delivery to customers and improved complaints handling through Priority One and Two. With this additional investment 2021/22 will see 82% of the Legal Ombudsman's workforce pointed towards operational delivery and service improvement. That equates to over 75% of the staffing budget.

Operational Delivery – these are roles directly involved in the handling and resolution of enquiries and complaints. This includes the General Enquiries Team, investigators, ombudsmen, and operational leaders. **Operational improvement** is a small dedicated team which works closely with the operational delivery leaders to improve delivery to the customer, focusing on service complaints and the quality of casework and decisions. These roles are also essential in improving the quality, delivery and efficiencies of case work. This includes Ops Transformation & Impact, Quality & Service Complaints.

Policy and insight work - this team focuses on ensuring that the Scheme is able to react and adapt to changes in the legal sector and that the Legal Ombudsman is able to contribute to ongoing discussions around the future of the sector. Within this area we also use the knowledge and learning derived from our casework to drive improvement within the legal sector.

Corporate Functions and business support – these are roles which support the smooth running of the scheme. This includes standard corporate functions such as

Finance, HR. IT and Legal, along with Business Performance and Support and Risk & Governance.

The split of staffing expenditure is shown in the table below, along with a breakdown of other non-staffing costs.

In reviewing the budget submission for 2021/22, the Executive have sought to limit the request for additional staffing where possible, particularly in relation of corporate functions and non-frontline delivery roles. However, this must be balanced against the need to build resilience in the infrastructure of LeO, and these functions are vital to the smooth running and successful delivery of the scheme.

Business area	2020/21	2021/22	2022/23
Operational delivery	£7,699,153	£8,783,999	£9,114,310
Policy and Impact Work	£140,091	£227,146	£227,146
Corporate Functions and business support	£2,151,865	£2,350,734	£2,450,734
Total staff salary expenditure	**£9,991,108**	**£11,361,880**	**£11,792,191**
IT & Telecoms	£1,164,096	£1,379,534	£1,379,534
Premises & Facilities	£772,023	£772,023	£772,023
Other staff expenditure	£150,012	£205,012	£218,012
depreciation	£443,480	£353,480	£443,480
other costs	£287,597	£399,113	£419,113
Total non-salary expenditure	**£2,817,208**	**£3,109,162**	**£3,232,162**
Total revenue expenditure	**£12,808,316**	**£14,471,042**	**£15,024,352**

Criteria 2

Transparency about performance, this should include:

a. *analysis of actual performance to date in 2020/21, with reference to the commonly agreed dataset;*

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

   i. *the remainder of 2020/21, and*

   ii. *2021/22, including an overview of sensitivity analysis of key assumptions around income prediction, case complexity and other factors;*

c. *the forecast performance trajectory from the present until sustainable acceptable performance is expected to be achieved mapped against different budget scenarios (analysis by month, with reference to the commonly agreed dataset), and*

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

2 a) Performance 2020/21

Operational performance at LeO has historically been volatile, with significant peaks and troughs in output. Work had begun during 2019/20 to improve operational efficiency and reduce wait times and by the end of that financial year the average wait time and volume of files at pre-assessment had reduced to 123 days and at 2,491 respectively. Those initial improvements have since been eroded by a number of factors including, most significantly, the impact of the Covid-19 pandemic.

LeO's ability to progress ongoing investigations was severely impacted in Q1 of 2020/21 as LeO witnessed a marked increase in service providers either being unable to respond to complaints investigations at all or requiring additional time to respond because of issues accessing information or because significant numbers of staff had been furloughed.

The impacts of Covid-19 were felt within LeO with staff being affected by the closure of schools and other childcare facilities. The need for a sizeable portion of LeO staff to combine work and childcare proved challenging and did adversely affect productivity levels. LeO lost up to 1,250 hours a month due to operations staff time being unable to work full hours during the first five months of the year. Above that, the productivity of LeO staff was also adversely impacted by individuals needing to work unusual and sub-optimal working patterns to accommodate childcare commitments.

Over the period from April to September 2020 the impacts of Covid-19 saw an operational output of 2,027 closures against a pre-Covid forecast output of 3,488 (and a Covid-19 adjusted reforecast of 2,482) and the number of cases at pre-assessment increase from 2,491 to 4,160. This has also resulted in an increase in the customer journey time, and customers are waiting longer for their cases to be resolved.

Investigator productivity was impacted in Q1 of 2020/21, but has shown some sign of improvement in recent months, with more cases now being taken out of the Pre-Assessment Pool and increases in the number of cases closed each month. The new calendar year started well with some sign of increased productivity amongst both our established and non-established investigators to achieve an improved number of closures. This was encouraging given the context of the existing Covid-19 restrictions and ongoing school closures and is a good platform for further recovery. Performance is monitored daily to understand fluctuations against performance expectations. Staff engagement levels have risen, as clearly demonstrated in the most recent staff survey, and attrition has been far lower than in previous years.

However, incoming demand remains constant and performance has not yet recovered to the point of keeping pace with this demand. The end of year position is still forecast to be significantly higher than at the start of the year, with an anticipated 4,943 cases awaiting assessment at the end of the year.

Performance is monitored and scrutinised at LeO through a number of different governance routes:

- Daily data reporting to the Chief Operating Officer;
- Twice monthly meetings with Operations Managers and Chief Operating Officer;
- Monthly Management Team meeting;
- Monthly Executive Team meeting;
- Performance reported on in detail at all OLC Board meetings (all papers published externally);
- Ad hoc meetings of Performance and Quality Task & Finish Group;
- Agreed data set shared with the OLC Board, LSB and MoJ and updated monthly, including performance against forecast and future targets. In January all parties met to review and evaluate the set and to propose improvements for 2021/22 monitoring.

Detailed information on in-year performance is set out at Appendix A.

2b) (i) Risk management

LeO's Risk Management is being led, in the interim, by the Business Performance Manager and supported by the Deputy Chief Ombudsman. Risk is managed internally through monthly Business Performance Reviews and assurance is provided through ARAC and the OLC Board. A full review of LeO's Risk Assurance Framework; including strategic and business level risks was presented to OLC's Audit and Risk Committee in November 2020 and a further interim risk report was issued to Committee members in December 2020 to provide further assurance on strategic risks and financial governance.

The top 3 operational risks can be found in the table below:

Risk Ref	**Risk Title**	**Current Risk Score**	**Completed Mitigations**	**Trend***	**Post Mitigation Risk Score**	**Timescales for remaining mitigations**
BU17	Inability to cope with levels of demand	25	*Investigators being redeployed to where they can add value. *Levels of checking and approvals being shared across the business. *Enhanced MI has been developed to provide greater oversight of individual utilisation rates.	→	16	Q4 2020/21 & Q1 2021/22

			*Using available resource flexibly *Discussion circles complete and feedback captured and solutions being identified			
BU13	Lack of public confidence in operational delivery	15	*Clear plans identified for addressing problem over next 2 years – stakeholder consultation *Training and development of wider leadership team and overall management capability within the people plan * Level 1 Ombudsman centralisation	↑	12	Ongoing
BU15	Retention of skilled staff in line with planned profile	12	*Clear communication around strategy and engagement with staff Management Team to engage using Change Manage protocol with staff across the business on possible solutions to address issues raised* *Support for colleagues during Covid crisis to build good-will i.e regular comms, staff engagement and collaboration with staff networks.	→	8	Ongoing

*Trend based on movement from previous month risk score

The three risks identified above, have and will continue to be monitored by the LeO Executive over the next financial year. Further mitigations have been identified including, but not limited to, the following;

- the implementation of robotic processing,
- more effective management of ombudsman resource to improve utilisation,
- engagement with similar schemes to share best practises, and
- dynamic forecasting.

2b) (ii) Sensitivity analysis

Case complexity - in looking at sensitivity around case complexity, LeO's current static forecast model assumes that low, medium and high complexity cases would continue to be accepted at the rate set in April 2021. Development of LeO's dynamic forecasting model will provide a tool to enable LeO to model the optimum management of pre-assessment wait times by complexity and this modelling would be regularly revisited to ensure the best outcome for customers across the different complexities of investigation. This approach of active management intervention can also be utilised to address any changes in assumptions around complexity of incoming cases.

Case fee income – this is budgeted as 42.5% of case closures (using current conversion rate). This would provide £1.2m of case fee income, leaving the remaining income to come from sub-rent income (£145,000) and then a levy of £13.126m.

If case closures and case fee conversions are lower, then this could reduce income as follows:

If case closures were down on budget by 15%, and only 37.5% of these generated a fee, then this would reduce case fee income by £300k; leading to a 2.3% increase in levy income required.

Levy Income Sensitivity Analysis

Levy Income	£13,126,352
Case Fees Income	£1,199,690
Sundry Income	£145,000
	£14,471,042

	-15%	-10%	Budget	+10%
Case Closures:	**5998**	**6351**	**7057**	**7763**

Case Fee conversion:	Case Fee Income			
37.5%	**£899,700**	**£952,650**	**£1,058,550**	**£1,164,450**
40%	**£959,680**	**£1,016,160**	**£1,129,120**	**£1,242,080**
42.50%	**£1,019,660**	**£1,079,670**	**£1,199,690**	**£1,319,710**
45%	**£1,079,640**	**£1,143,180**	**£1,270,260**	**£1,397,340**

	Impact on levy income			
37.5%	£299,990	£247,040	£141,140	£35,240
40%	£240,010	£183,530	£70,570	-£42,390
42.50%	£180,030	£120,020	£0	-£120,020
45%	£120,050	£56,510	-£70,570	-£197,650

	% increase / -decrease in levy income			
37.5%	2.3%	1.9%	1.1%	0.3%
40%	1.8%	1.4%	0.5%	-0.3%
42.50%	1.4%	0.9%	0.0%	-0.9%
45%	0.9%	0.4%	-0.5%	-1.5%

Performance assumptions - a sensitivity analysis was performed on all of the forecasted scenarios, looking at the impact of changes in key performance assumptions. The analysis looked at changing levels of attrition, demand, complexity and productivity, reflecting the key risks identified by the Legal Ombudsman. The OLC Board established Performance Task & Finish Group has tested and considered the main assumptions around these factors, considering the best case, worst case and expected scenarios for each of these. Having done so, the Group has provided assurance to the OLC Board that further improvements are on track and achievable.

In completing the stress testing, the Executive have identified the factors which have the most impact on overall performance, and focus will therefore be placed on these areas in seeking to improve performance in 2021/22 and assure delivery at the anticipated levels.

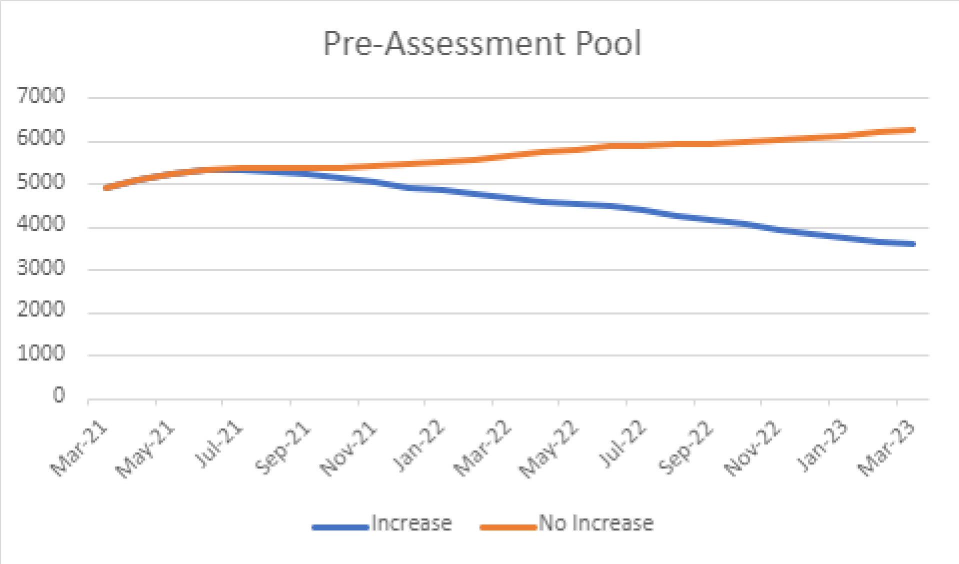
2c) Performance improvement and forecast delivery

Detailed performance forecasting has been carried out based on the operational assumptions and factoring in the planned 13% budget increase (or an 8.9% increase when reflecting the interim budget increase). The forecast represents the minimum expected position and does not take account of implementation of Priority Two (identifying innovation opportunities that speed up the complaints process) or the potential outcomes that will derive from changes to working practice and culture. Current forecasts therefore under report the expected position.

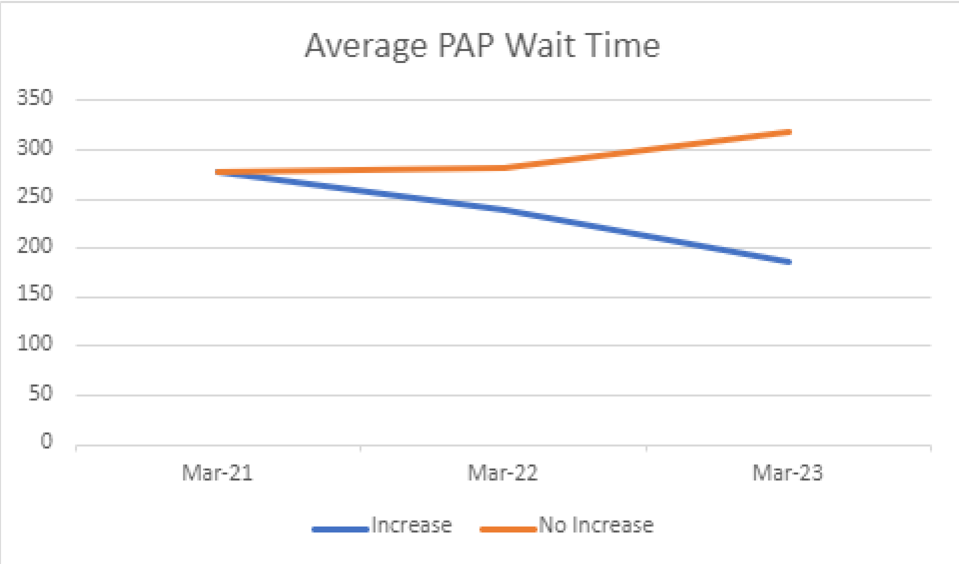
The forecasting would see the number of files waiting in the Pre-Assessment Pool reduce to 4,696 by the end of 2021/22, with a further reduction to 3,609 in 2022/23. The anticipated reduction can be seen in the table below.

Pre-Assessment Pool	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Year 1	4943	5129	5262	5340	5339	5282	5225	5166	5048	4939	4870	4785	4696
Year 2	4696	4605	4565	4484	4386	4260	4159	4060	3925	3826	3734	3678	3609

This has been mapped against the anticipated output with no budgetary increase, which demonstrates a worsening experience for LeO’s customers.



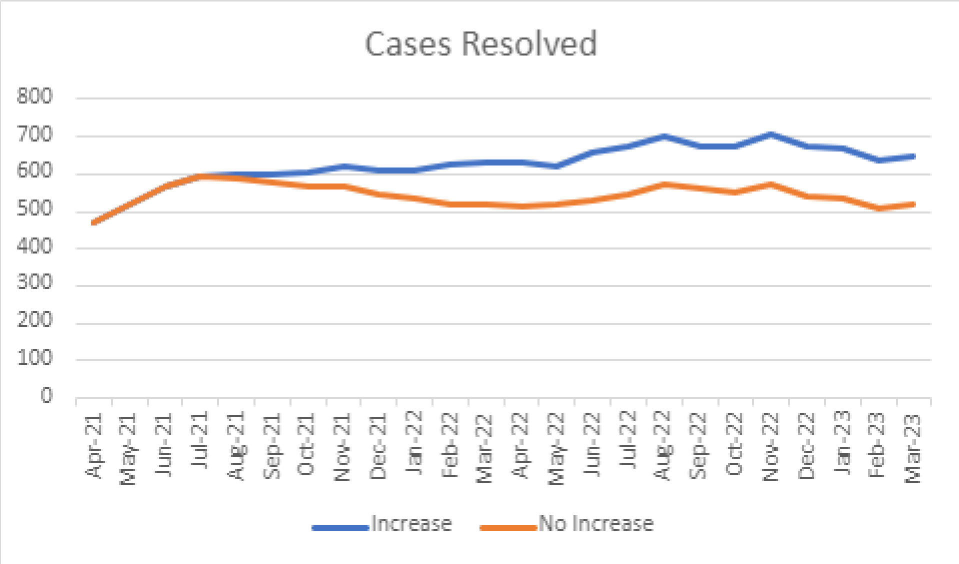
The additional budget (13%) will lead to improvements in the Pre-Assessment Pool. The average time customers will wait for assessment reduces from 277 days at the end of 2020/21 to 240 days at the end of 2021/22. By the end of 2022/23 this would improve further to 186 days. This improvement is the minimum expected and would not be observed in a scenario with no additional budget.



Under the requested budget, the number of cases resolved will increase from a forecast of 4,583 in 2020/21 to a minimum of 7,057 in 2021/22 and to a minimum of 7,962 in 2022/23.

Cases resolved	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Tot
Year 1	473	520	569	596	600	600	602	619	611	611	625	629	7057
Year 2	630	621	658	674	698	676	675	706	674	668	635	647	7962

This represents a 15% increase on the closures which would be anticipated if no additional budget were to be received.



2d) Planned initiatives and improvements

LeO will seek to deliver the necessary performance improvements with a reduced level of investment and recruitment in year one, looking instead to maximise improvements that can be made with existing resources and reviewing operational processes. There will be a renewed focus on developing the existing workforce, embedding the People Plan to build the capability across our organisation and focus on reducing performance variation within different investigator cohorts.

To achieve sustainable improvement in the long term LeO must build the capability of its people. LeO's People Plan, which covers the current strategy period, sets out how LeO will achieve this with reference to eight core areas of improvement, including Leadership & Management Capability, Performance and Engagement.

In addition, the OLC and LeO's Executive remain keen to direct limited increases in operating budget for the forthcoming year to target the backlog, pursue innovations and pilot alternative delivery models. In the Business Plan these innovations are developed more clearly and commit to seeking opportunities to simplify ways of working. Investment is required to enable LeO to exploit technology not only in terms of case handling but also through the development of a dynamic forecasting tool.

Details of individual initiatives and activities intended to improve performance can be seen below.

Maximising our efficiency - Driving efficiency in our processes and with our people is critical to achieving more from the resources LeO already has. Addressing

performance variation will deliver a performance benefit which is difficult to quantify but important to achieve, particularly in terms of expectations of output and being able to anticipate and mitigate the effects of attrition. A need to deliver culture change is acknowledged, with a focus on service to customers, isolation and clearance of the Pre-Assessment Pool backlog, clear expectations of timelines for processes in the lifetime of the case and engagement throughout with the customer. The numeric data included throughout is based largely on the existing way of working in LeO and uses existing performance metrics to achieve a full year forecast for 21/22. The forecast data assumes some improvements in investigator productivity and increased closures but changed ways of working, a focus on the Pre-Assessment Pool and significantly improved performance outputs have not been included in the numeric forecasts within our work. Therefore the projections in the Business Plan and in this document should be the minimum expected.
Timeframe: Ongoing

Treatment of the backlog – Addressing the time customers spend waiting for a file to be assessed is the key performance and customer service priority. A dedicated team will be identified to review the files currently waiting, to understand the makeup of this work, review multiple/linked complaints, review actions and remedies with an aim of appropriate and swift clearance and progression where possible.
Timeframe: Immediate implementation with weekly review points

Flexible operational resource - The Executive have already undertaken a significant amount of work to ensure that its operational resource is as flexible as possible. Through the use of the agreed dataset LeO's Executive will consider how and where it focuses its operational resources in order to maximise efficiency and effectiveness in pursuit of performance improvement.
Timeframe: Ongoing

Pilot Alternative Processes - The Executive are investigating the viability of a number of different initiatives which would involve a change to its existing service delivery model and potentially provide process efficiencies. Although currently only at the investigation/scoping stage, if considered viable, the intention would be to create a small pilot team, staffed by existing members of our General Enquiries Team (GET) (backfilled by temporary staff) who will test these ways of working on live cases. If these pilots are successful, their use will be extended into operations. Investigation/scoping into viability are furthest progressed in relation to (i) standardising service provider responses and (ii) an adjudication model to dispute resolution.

Standardising Service Provider Responses - Complaints handling procedures differ significantly between service providers which, in turn, results in a wide variety of responses being provided following an initial information request by an Investigator. LeO's Executive are scoping trialling a process requiring lawyers to respond to a standardised information request at the point a complaint is accepted for assessment, rather than waiting until our investigation starts to request information.

It is anticipated that for certain lower complexity work this approach may enable Investigators to progress cases more quickly. There are risks to this approach, most significantly that a standardised information request does not elicit relevant information and holds up an investigation rather than helping to move it forward by introducing additional irrelevant material for review. These risks can be controlled for, but it will be vital to pilot this change thoroughly to ensure it achieves a net benefit in terms of case processing times.

Adjudication Model - LeO's casework approach is focused on supporting the parties to reach agreement about how a complaint is resolved wherever possible. Customer satisfaction research shows that customers value the dedicated support and that LeO's business model provides. However, the Executive are investigating whether there may be ways of reaching an appropriate outcome with reduced support and contact, thereby reducing the time required to resolve those complaints.

The Executive are investigating piloting an adjudication model for some of the lower complexity work. This will focus on the parties to a complaint providing information in response to a standardised request within a limited time frame with a decision then provided by LeO on an appropriate outcome (rather than encouraging parties to agree an outcome). This method of dispute resolution is used, for example, in relation to disputes about parking violations. This approach would not be suitable for vulnerable complainants or more complex work, but it might prove a more efficient way of resolving some lower complexity complaints.
Timeframe: Q1 21/22 (implementation of pilot), Q2 21/22 review and recommendations, Q3-4 wider implementation as appropriate

Automated processing and triage of cases - Work is currently underway with a provider to look at how an AI solution may assist us in automating some of the initial processing and triage complaints. This work offers the potential of significant savings on processing times for complaints before they are accepted for assessment; the expectation is this frees up resource within the General Enquiries Team (GET) to focus on other activities; and reduce failure demand later in the process.
Timeframe: Automated processing implemented from Q4 20/21

Portal Research and Proposal - Service providers increasingly expect to be able to upload documents directly to us rather than sending documents by email, and consumers also increasingly expect to be able to communicate in that way. Reducing email contact also has potential advantages in terms of improved information security and potential efficiencies from reducing the overall number of contacts being managed. A project will be completed to look at cost / risks / benefits

of implementing a portal for sharing documents with our customers; including looking at the experience of other ombudsman schemes.
Timeframe: Q3-4 2021/22

Dynamic forecasting model - Developing a forecasting model based on processing times for each stage of the complaints handling process will enable us to better understand where efficiencies are most likely to be achieved in processing times, and to effectively model the likely impact of planned improvements. A £20,000 provision has been included for external expertise to support development of the model, particularly in relation to capturing the appropriate processing time for key parts of the complaints handling process.
Timeframe: Q4 20/21 design & build, Q1 implementation

Criteria 3

A robust business case that clearly demonstrates the linkages between any additional resources sought to the expected benefits across operational performance (including staff morale), policy and impact, and other relevant activities.

Budget requested

The OLC has listened to the key messages from stakeholders who have provided their feedback to the consultation and have also considered plans in the context of current performance and the rapidly changing Covid-19 situation. After careful consideration the OLC has amended the proposed budget to request a budget of £14.5 million in 2021/22.

This represents a 13% increase on 2020/21 (an 8.9% increase on the baseline figure for 20/21) and is a revision to the 19% (£15.6m) increase detailed in the consultation document. This reduction is primarily achieved through reducing the planned levels of recruitment in 2021/22 and reducing elements of spend from non-operational areas.

This investment will support stability and recovery in 2021/22 and significant growth and improvement through to the end of the current strategy period. We will maintain, as a minimum, our existing commitment to reducing and stabilising the Pre-Assessment Pool (PAP) in 2021/22 but with a sharper focus brought to this backlog as a critical early priority to assess how we can reduce this even more quickly through 2021/22. Our forecasting shows that in 2021/22 this investment will reduce the PAP, reduce waiting times for all case complexities and increase case closures. By the end of 2022/23, as a minimum, we will reduce wait times for all case complexities by 32% (from 277 days in 2020/21 to 186 days by end of 2022/23) and increase the number of case closures by 73% (from 4,583 in 2020/21 to 7,962 by the end of 2022/23).

This forecast represents the minimum expected position, given that our modelling is based on assumptions from existing processes and ways of working. We understand that complainants and stakeholders want to see greater pace. As a new leadership team, we have made some early assessments of existing ways of working and set out our intention to approach performance challenges with a more fundamental focus on underlying approach. We hope to deliver some early signs of improvement but it is too soon, at this point, to forecast with confidence the intended cultural change as well as the cumulative impact of planned initiatives and innovations, including the impact of a dedicated focus on the backlog. What we can say at this stage is that we anticipate being able to deliver more, and that we will, in the short term, urgently seek to improve the experience for customers who are simply waiting too long for an investigation.

We recognise that certainty is key to building confidence. We will be accountable for our progress and are committed to maintaining an open dialogue about our performance. In this plan we commit to establishing a stakeholder Advisory Group from April 2021 and to undertaking a mid-year stocktake of progress against the Business Plan by November 2021. Through this stock take we will openly account with the sector for our performance and progress with improvements

Areas of focus

The OLC will seek to deliver the necessary performance improvements with a reduced level of investment and recruitment in year one, looking instead to maximise improvements that can be made with existing resources and reviewing operational processes. LeO's People Plan will focus on capability and also engagement of LeO staff at all levels and in doing so is expected to improve staff retention, leadership and organisational resilience.

The OLC and LeO's Executive remain keen to direct limited increases in operating budget for the forthcoming year to pursue innovations and pilot alternative delivery models. In the Business Plan these innovations are developed more clearly and commit to seeking opportunities to simplify ways of working. Investment is required to enable LeO to exploit technology not only in terms of case handling but also through the development of a dynamic forecasting tool.

LeO will focus more resource on Impact and Insight, making full use of the learning from casework to drive improvement in the sector. Whilst the need to improve operational performance is crucial, the OLC believe that it is important for LeO to be able to build on the excellent work already done in previous years around external engagement; sharing insight from casework and driving improvement across the legal sector and using innovative digital ways to do this in a cost effective way.

Making the case for an increased budget

The OLC recognise that demonstrating sustained, improved performance will provide a greater level of confidence in the scheme and will support the case for further investment at a later date. Detailed consideration has therefore been given to the implications of either a smaller or greater budgetary investment at this stage. Higher levels of recruitment would result in faster progress in reducing pre-assessment wait times but the level of increase in budget required over a two-year period was not considered viable, particularly given feedback from stakeholders regarding a desire to limit any rise in cost this year. A standstill budget was also considered, however this did not enable any improvement in the customer experience.

Savings have been identified where possible in order to limit the increase in the requested budget. The areas of additional investment and savings are set out in the table below and discussed in the subsequent narrative.

Budget movement			
Base Budget 2020/21		**12,808,316**	
New posts agreed in interim budget		236,100	
Budgetary errors		283,150	
Effective base budget		**13,327,566**	**4.1%**
New Ops teams (1 Jul & I Nov)		602,584	
Additional posts added (including service complaints, paralegal		276,859	
IT expenditure increase		215,438	
GET trial		117,000	
bank interest removed		75,016	
Other increases (including more SG staff)		46,578	
reduction in depreciation	-	90,000	
Holiday accrual reduction	-	100,000	
2021/22 Budget		**14,471,042**	**13.0%**

Baseline position

It must be noted that 4.1% of the requested increase to the budget relates to historic budgetary errors, issues and fundamental weaknesses identified in the 2019/20 submission which was approved by the LSB. This budget submission made clear that a number of the elements and roles identified as being critical would, if approved, have impacts for future budgets. The implication is that the baseline position for the 2021/22 budget infers a 4.1% increase straightaway and therefore the increase requested in this budget represents an 8.9% increase factoring in the new baseline position established by the interim budget submission.

Investment in additional operational staff

A further 4.7% increase is requested in relation to recruitment of additional operational delivery staff. Several options have been considered in relation to increasing staffing numbers in 2021/22 to achieve an improved pre-assessment wait time by the end of the current strategy period.

The recommended option is to recruit to increase investigator numbers by recruiting 1 additional team (comprising 12 investigators and one team leader) in July 2021 and a further 1 team in November 2021. Whilst this represents an increase in staff numbers, the number of investigators to be recruited is greatly reduced compared with the consultation document.

Bringing in new teams will support the reduction of the Pre-Assessment Pool as further cases are taken for investigation and resolved. As the new teams build up to full operational capacity over a 12 month period, it is forecast that this option will enable wait times for all case complexities to begin to reduce as set out under Criteria 2, to under 190 days by the end of the current strategy period (March 2023). Given the time required for training staff and achieving full capacity, the most significant improvements related to this investment will be observed in 2022/23.

Phasing recruitment during 2021/22 will be critical in order to allow for the appropriate infrastructure to be put in place, enabling the capacity of those teams to be optimised from day one. A recruitment and induction strategy will swiftly be developed to match the profile of the new resources and revised requirements to ensure they are effective quickly.

In addition, LeO recognises the importance of inducting new recruits who will have a revised expectation of them and revised understanding of what good performance looks like. Delaying the recruitment of the second team till November means that new staff could be brought on to immediately operate any new business processes identified and developed under Priority two. This could mean that the additional resources are able to contribute to operational output at a higher rate than is currently forecast.

Proposed changes to salary ranges to arrest attrition have been paused to reflect a significant slowing of loss of investigators from late 2020.

Strengthening operational improvements

4% of the staffing element of the budget increase is intended to support operational improvements and more effective and efficient ways of working to positively impact the customer journey. This includes work to be completed under Priority Two, enabling the recruitment of temporary additional staff into the General Enquiries

Team. This will free up existing experienced staff to trial the new pilot models to be further developed under Priority Two and to consider further ways to improve the service at the front end of LeO's process. In addition, this investment will allow LeO to strengthen the Operational Transformation and Impact, and the Service Complaints & Quality function. These roles are key in identifying opportunities to improve the quality of casework and identify areas for learning and increased efficiency. These roles are also instrumental in the design and development of pilot models under Priority Two.

With this additional investment in 2021/22, 82% of the Legal Ombudsman's workforce will be pointed towards operational delivery and service improvement. That equates to over 75% of the requested staffing budget.

Policy and Insight work. Included within this investment is a small but important level of staff resource dedicated to feedback to the profession and policy/impact work. Whilst reductions have been made to the investment proposed in the consultation document, it remains vital that an ombudsman not only resolves complaints but provides the appropriate opportunities for the sector to prevent and resolve complaints themselves. These roles are essential to provide a wider range of opportunities for the profession to engage with and learn from greater insight and analysis of case work. This priority will also take forward the Transparency and Reporting Impact work which began last year, the importance of which has been emphasised in the recent report from the Competition and Markets Authority (CMA).

Increased IT spend

A small element (1.5%) of the proposed increased relates to increased spending requirements for Information Technology. This largely relates to essential upgrades to systems and cyber security, along with increased licensing and software costs which are unavoidable.

Criteria 4

An explanation of how value for money will be delivered and measured.

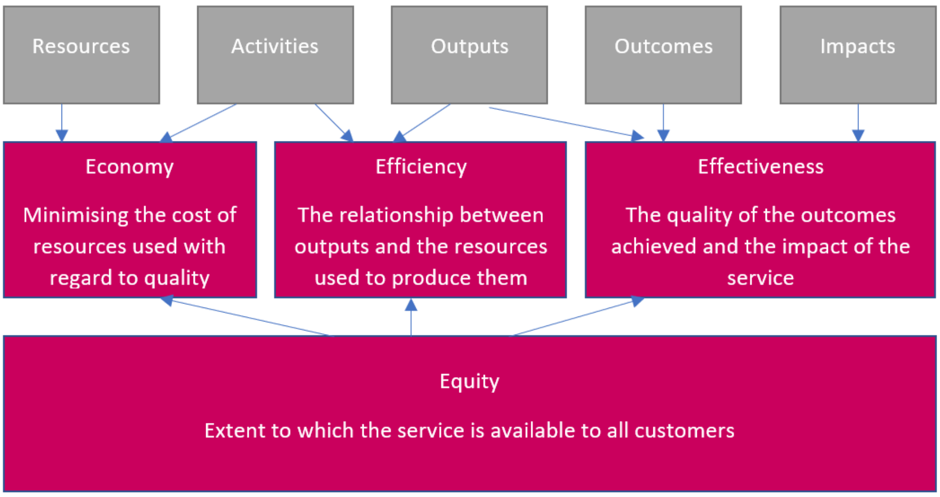
The Legal Ombudsman currently monitors value for money against a Unit Cost metric, which is a simple equation dividing the cost of running the Scheme by the number of cases that are concluded in any financial year. This measure focuses solely on the work done by the Legal Ombudsman's resolution centre which, although an important measure of the value of the Scheme, is not comprehensive or reflective of all that the Legal Ombudsman does.

The unit cost does not make any reference to the service the Legal Ombudsman provides to current and prospective customers at the initial contact stage (where, it should be remembered, the Legal Ombudsman receives over 100,000 contacts each year) nor does it reflect the work done to inform and improve the sector through case studies, seminars, thematic studies and engagement with regulators and other key stakeholders.

It is for this reason that the Executive are proposing moving away from sole reliance on unit cost as a measure of value for money and replacing it with a more comprehensive suite of measures, built around the 4 E's model adopted and recommended by the National Audit Office (NAO).

<u>The proposal</u>

The 4Es measures value for money by reference to 4 key criteria - Economy, Efficiency, Effectiveness and Equity as follows:



The 4Es model is already widely used across the public sector and as such is considered a proven method of measuring value for money.

Measurement of VFM

When looking at the application of the 4E's to the Legal Ombudsman, we are confident that the information reported within the commonly agreed data set and our existing suite of external KPIs and Board measures would form the backbone of the criteria to enable us to measure value for money as follows.

Economy	
These indicators look at spend against agreed budget and levels of staff retention	
Indicator	**Metric**
Spend against budget	Monthly finance report
Staff attrition	KPI07
Efficiency	
These indicators would evidence whether resource is sufficient for demand	
Indicator	**Metric**
Unit Cost	KPI06
GET handling times	PI01
Customer Journey	KPI02
Individual investigator performance	BM01
Cases awaiting assessment (PAP)	KPI08
Effectiveness	
These indicators look at the quality and impact of the service and outcomes provided	
Indicator	**Metric**
Impact	KPI04
Customer Satisfaction	KPI03 / KPI05
Quality	KPI01
Service Complaints	PI05
Equity	
These indicators would look at the accessibility of our service to all customers	
Indicator	**Metric**
ED&I	Compliance with PSED

ED&I data is currently captured for all customers whose cases are passed for assessment and we analyse that data to ensure that the demographic of customers accessing our service is reflective of the demographic of consumers of legal services. EDI data is currently reviewed annually in line with Public Sector Equality Duty (PSED) and further work would be required to be enable us to report on this criteria on a more frequent basis and to ensure that it provides the desired level of insight and assurance.

The existing Impact KPI is also reported on an annual basis and further work would be required to develop a measure that will provide assurance that the work done under Priority Three is enhancing the impact of our work and driving improvement within the sector.

It is proposed that performance against each of the elements of this new VFM framework (which are already reported individually as part of the commonly agreed dataset) would be rated with an overall RAG rating then being attributed to each of the 4Es. The criteria for determining whether a measure is recorded as red, amber or green are to be agreed in discussion with OLC Board and LSB but could be either an agreed tolerance against a measure, a trajectory or pattern, or a subjective assessment depending on the individual measure and in all instances would be delivered with a supporting commentary. The RAG ratings against the 4E's and performance against individual metrics would be reviewed by the Legal Ombudsman's Executive Team on a monthly basis with overall RAG rating being reported to each OLC Board meeting. It is not envisaged that this new measure would in any way replace the existing agreed data set but would instead run alongside those individual measures.

Delivery of VFM

The proposed investment outlined in the Budget and Business Plan has been reviewed to ensure that it offers the best value for money when it comes to delivering our Corporate Strategy. A range of alternative investment options have been considered and assessed to ensure that the option proposed delivers best value for money whilst acknowledging stakeholder feedback on organisational priorities.

The OLC is confident that an improvement in value for money will be delivered over the remainder of this strategy period by a combination of the upskilling and support of existing staff, investment in innovation (through the use of AI and machine learning) and driving improvement in the sector.

The impact of innovation and process improvement initiatives will be tracked to ensure that they drive the increased efficiency and optimisation of existing staff. The overall effectiveness of staff and business process will be driven through a combination of the application of the Quality and Feedback model, the upskilling of existing staff and continued adherence to quality standards. Work will continue over the remainder of this strategy period to drive further improvement in the sector through the impact of our casework, thereby optimising demand. Analysis of the diversity of the Legal Ombudsman's customers will enable us to ensure that the service is accessible to all consumers of legal services, that areas of unmet need are addressed and that there is no disproportionality of outcome or satisfaction.

Illustrative Assessment of VFM measure

By way of an illustration, performance against VFM criteria might be reported as follows:

As noted above, further engagement will be required to determine agreed criteria for RAG ratings and level of supporting narrative is to be agreed.	
Economy	
Spend against budget	The original budget has been supplemented by an additional interim budget to address budget errors, unforeseen expenditure and to provide senior level resilience
Staff attrition	Turnover at 14.6% against a target of 18%
Economy RAG Rating	
Efficiency	
Unit Cost	Unit cost is currently £3,271 against a target of £2,112
GET handling times	Although all email enquiries are addressed within 30 days, only 55% addressed within 14 days
Customer Journey	Average days to close low and medium complexity on target, high complexity off target
Individual investigator performance	Average established investigator performance is 4.59 against a target of 6.3 but is evidencing improvement
Cases awaiting assessment (PAP)	There are currently 4356 cases in the PAP against a forecast of 4353
Efficiency RAG Rating	
Effectiveness	
Impact	Performance measured annually but meets KPI
Customer Satisfaction	Performance in line with KPI for customers satisfied with outcome but below KPI for those dissatisfied with outcome
Quality	Performance ahead of target for ombudsman and investigator but off target in GET (88% against target of 95%)
Service Complaints	Numbers of service complaints received in month remains consistent
Effectiveness RAG Rating	
Equity	
ED&I	Assessed annually but diversity of customers reflective of diversity of consumers of legal services
Equity RAG Rating	

Criteria 5

An explanation of how the proposed budget would promote equality, diversity and inclusion for both colleagues and the Legal Ombudsman's customers. As part of this, details of any plans to measure for any disproportionality of complaint outcomes.

Customers

LeO currently requests Equality Diversity and Inclusion (EDI) data from complainants at the start of the pre-assessment stage of the business process. This data is reviewed each year against the Legal Services Consumer Panel survey of legal services users. This review provides assurance that LeO's service is accessible, and enables the Executive to identify and take steps to address any potential issues in relation to accessibility.

LeO also uses the EDI data to analyse the range and proportion of complaint outcomes (both by reference to findings - poor service/no poor service, and the method by which the case is concluded - ombudsman decision/ agreed outcome/ dismissal) taking into account area of law. This is to provide assurance that there are there are no significant variations of outcome when viewed in light of EDI characteristics.

As in previous years, the outcomes of those reviews at the end of the 2020/21 year will inform the focus of LeO's activities into 2021/22 and beyond.

During 2020/21 LeO has started looking at the merits and logistical challenges of collecting/accessing EDI data from service providers. The significant issue with this approach is that the majority of service providers are entities rather than individuals and therefore a decision would need to be made around whether, for those entities, data is collected in relation to the person who provided the service or the person who addressed the complaint. The Executive will continue to consider this issue in 2021/22 before deciding how best to progress with the collection/use of this data.

EDI data for complainants and complaint handlers is collected by the independent research agency that carries out the end of process customer satisfaction survey. This ensures that the feedback collected is from a representative cross section of customers and if necessary enables investigation into whether there are any reasons why any specific group might not provide feedback. In 2021/22 LeO will look to utilise its growing business intelligence capability to understand whether there are differential levels of customer satisfaction at the end of process with reference to protected characteristics.

Over the last year the service has been further strengthened in relation to supporting customers who require reasonable adjustments to be able to access the service. This has included refreshing communications in this area and commissioning bespoke expert training for staff. The Executive intends to build further on that work in 2021/22 by revisiting the inclusive service provision more widely and identifying whether there are any other areas where it would be appropriate to strengthen this.

Staff

Performance on the annual Civil Service People Survey has seen improvement in relation to previous years' scores for measures relating to EDI and LeO is committed to driving that improvement forward in 2021/22.

Provision was made in the interim budget application in 2020/21 to recruit an EDI specialist. This person will help deliver LeO's commitment to provide an inclusive service to customers but it will also help with the OLC's commitment to being an inclusive employer. The Legal Ombudsman is committed to being an employer of choice and to addressing historic issues around staff engagement, development and progression, and attrition. Without a dedicated specialist in post LeO's ability to drive improvement in these areas has been resource constrained and has typically impacted on either operational or HR capacity. Recruiting to this role will provide much needed resilience in this area.

The new incumbent will work closely with the OLC Board EDI sponsor across a range of areas of focus. They will build on the work that has already been done to develop the profile and influence of Staff Network Groups and Wellbeing Champions as well as helping to further progress the Race Action Plan. They will also help LeO deliver on its commitments under the Race at Work Charter.

The EDI specialist will work closely with the HR team in developing and embedding an Equality and Diversity framework for the business. This will include driving forward the Employee Relations, Pay & Reward and Recruitment Strategies as part of the People Plan. They will also help LeO deliver against its Equality Priority Objectives and drive its commitment to meeting the Public Sector Equality Duty.

It is essential that, as the organisation responsible for resolving complaints and feeding back to the sector on complaints handling and prevention, the OLC consistently models good practice in relation to inclusive service provision. In-house expertise will help ensure that is the case.

Criteria 6

A summary of where the budget has changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.

The Business Plan and Budget consultation took place between 4 November 2020 and 15 January 2021. During the consultation phase two online stakeholder events took place (attended by 17 stakeholders) and individual meetings took place as well. Three internal sessions took place with staff.

Fifteen written responses (an increase from ten responses to the previous consultation) have been received. The feedback received from the written responses and face to face engagement highlights the following themes:

Scale and pace of improvement

Nearly all stakeholders are in agreement that urgent improvements are required to reduce the pre assessment pool. Views on the pace and scale of this change are varied, though on balance there is a preference for continuing to deliver efficiencies from existing resources, and reviewing the plans with the new leadership and updating the Business Plan in due course.

While reducing the waiting time is vital a number highlight that, rather than recruiting staff at the moment, this could be achieved through greater efficiencies within the existing business process. Suggestions in this area range from: an advisory group which can advise on best practice (and ensuring that an appropriate business process is in place depending on the complexity of the case), suggestions for quick wins that are available, letting existing initiatives bed in and addressing staffing and cultural issues. Responses from the service providers also highlight their experience of the business process and therefore areas which they consider need improvement.

Some stakeholders questioned recruitment plans, looking at ability to undertake a significant recruitment campaign and whether there was a clear understanding of the impact of recruitment on core operational performance.

As a result of the feedback the following changes have been made:

- **An Advisory Group will be set up to advise on both the current business model and options for innovation.**
- **The emphasis of Priority One has been reframed from maintaining operational performance to supporting staff to increase performance and productivity. This includes addressing variations in performance and using examples of best practice and performance.**

- **Greater emphasis has been placed on building on existing work to analyse the pre-assessment pool and taking this forward to develop a detailed recovery plan.**
- **Target focused resource to review, progress and conclude cases within this robust backlog recovery plan.**
- **The level of recruitment has been reduced from four to two operational teams, and scheduling it to begin later in the year.**
- **We will conduct a transparent mid-year Business Plan stocktake in November 2021 to review progress.**

Importance of innovation to reducing waiting times

During the consultation meetings there was significant discussion on the importance of innovation both in terms of changes to the business process and use of technology to improve efficiency. Stakeholders showed an interest in further details on what this work will entail: how previous pilots have influenced thinking and potential impact on waiting times and forecasts, and the progress on technology projects so far.

There were mixed views on the extent to which the innovation work should be progressed at the moment. Some considered that focusing on efficiencies within the existing process should be the priority with innovation following afterwards. Others noted that innovation is likely to be key to reducing waiting time more quickly and the only viable way to target the backlog.

Considerably more detail has been included in the Plan on Priority Two. The broad scope of the work under Priority Two remains the same, however we will work with the Advisory Group to ensure that the innovation work draws on a wider range of experience from relevant sectors. This work will also begin slightly later in the year.

Timing of learning and insight work

Nearly all stakeholders noted the importance of this work, both for improving complaints handling within the sector and for contributing to the transparency agenda and discussions about the unauthorised sector and regulatory frameworks.

However a number of stakeholders, including those who have pushed for greater work in this area in the past, have indicated that for the next financial year, resources should be focused on Priority One.

The ambition within Priority Three has been scaled back based on the feedback received. The intention is to deliver more focused and tailored training and support to those who have identified issues with their complaints process, or where our, and the regulator's data, indicates that support is required. Work under the transparency umbrella will continue but is likely to focus on developing the business case for publishing decisions.

Budget increase

A number of stakeholders expressed disagreement with the proposed budget increase. The two key reasons for this were the timing and impact on the legal profession, and a lack of cost benefit analysis showing how the budget increase would lead to the forecast performance improvements.

However a number of stakeholders noted that the possibility of accessing reserves existed and encouraged a further application to the MoJ which would reduce pressure on the legal profession. It is not clear whether some stakeholders think that this request should be made regardless of whether a budget increase is approved.

The budget increase has been reduced from 19% to 13% as a result of feedback, this is primarily as a result of reducing operational recruitment to two teams instead of four. With the support of the LSB, and with a view to minimising the impact on the profession of the proposed budgetary increase, the OLC has sought to clarify whether and how it can access some or all of its reserves. The Ministry of Justice has confirmed that government financial management rules around the annual allocation from the Treasury and the drawdown of public expenditure are such that this is not viable.

Accountability

A smaller number of stakeholders expressed a desire for a greater level of accountability and reporting so that stakeholders can be assured of progress against the business plan.

A stakeholder Advisory Group will be established from April 2021 to undertake a mid-year stocktake of progress against the Business Plan in November 2021. Through this stock take we will openly account with the sector for our performance and progress with improvements over the first half of the year. We will also set out the emerging individual and cumulative benefits of innovation projects and improvement initiatives which we expect to realise in 2022/23.

Levy

The impact of a budget increase on the levy is mentioned by a number of stakeholders, and informal discussions have raised the question as to whether it could be calculated differently, for example depending on case complexity.

OLC will give further consideration to this during the course of the year, including considering alternative distributions where there is a case to do so. The OLC will work with the Advisory Group in considering this further.

Summary of changes to Budget and Business Plan

Consideration has been given to the scale of the budget increase proposed in the consultation, in light of stakeholder feedback, input from the new Chief Ombudsman, and the fast-moving Covid-19 situation. The OLC has decided to modify the budget request by reducing this down to £14.5m - an increase of 13%, as opposed to the 19% set out in the consultation. This is an actual increase of 8.9% on the baseline budget for 20/21.

This has been achieved by reducing the level of recruitment, in favour of focusing on operational improvements. This approach recognises the feedback given and also reflects the potential difficulties in managing large scale recruitment in the context of the current pandemic. Whilst the OLC remain persuaded that investment is required in order to improve the experience of LeO’s customers, it is acknowledged that sustainable acceptable performance must first be demonstrated, in order to give stakeholders and the sector confidence that this investment will be beneficial.

The Business Plan has been updated to reflect the feedback received around detail – more explanation has been provided around the work of the People Plan in improving engagement and outputs, and further information is provided around the innovation work and scope for reviewing existing business processes. Greater emphasis is also placed on the need to consider Priorities One and Two as two sides of the same coin – maintaining and improving operational performance within existing resources, whilst simultaneously looking for innovative ways to perform better.

Criteria 7

The submission should confirm that the OLC has submitted a medium-term financial plan that reflects these acceptance criteria to the Ministry of Justice, and that wider engagement with the department has taken place consistent with the tripartite operating protocol.

The OLC submitted the budget consultation document to the Ministry of Justice finance team in November 2020 for their review and have formally submitted a medium-term financial plan to the MoJ in January 2021 in line with their timetable. It was made clear that this is subject to change and final acceptance by LSB.

Criteria 8

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

The Budget Learning Review into the preparation of the 2019/20 budget found that the OLC Board did not sufficiently challenge the data and evidence being used. It was not given the time to adequately engage and question collectively and, in the absence of a clear project plan and timetable, no Board meeting was held for two months and during a critical period of the budget planning and review process. This has been addressed and improved this year in a number of ways.

- LeO have applied a project and programme approach for the 2021/22 Budget and Business Planning submission. Levels of approval were defined which have been embedded by the new senior management re-structure, which has provided opportunity for more challenge to occur internally.

- The project plan was set up in three different phases to include; Planning & Preparation, Internal approval and External approval.

- The project plan is sponsored by a member of the Executive, whereby assurance from the Business Performance Manager is provided on a monthly basis to the Project Sponsor and the wider Executive. Regular updates have been provided to the Management and Executive Teams including regular reviews of the programme risk register.

- In direct response to the Budget Learning Review, an OLC Performance & Quality Task & Finish Group was created to provide robust challenge to assumptions which underpin the budget submission. The Task and Finish Group has met in June, August and September of 2020 and a final check and challenge meeting was held in January 2021.

- The LeO Executive shared the budget consultation document with MoJ colleagues in November as per the Tripartite Protocol and during December there has been further engagement between LeO, OLC and MoJ colleagues to progress the medium-term financial plan further. The Executive have formally submitted the medium-term financial plan in January 2021, in line with MoJ's timetable.

- Assurance on The Budget Setting process has been shared with ARAC for review and comment and further assurance was provided to the OLC Board on the 12th February 2021.

- The OLC Board have reviewed and approved the final budget submission and Business Plan in February, and this was issued to the LSB Board on the 18th February.

A summary of key milestones to date and over the coming months can be found at Appendix B.

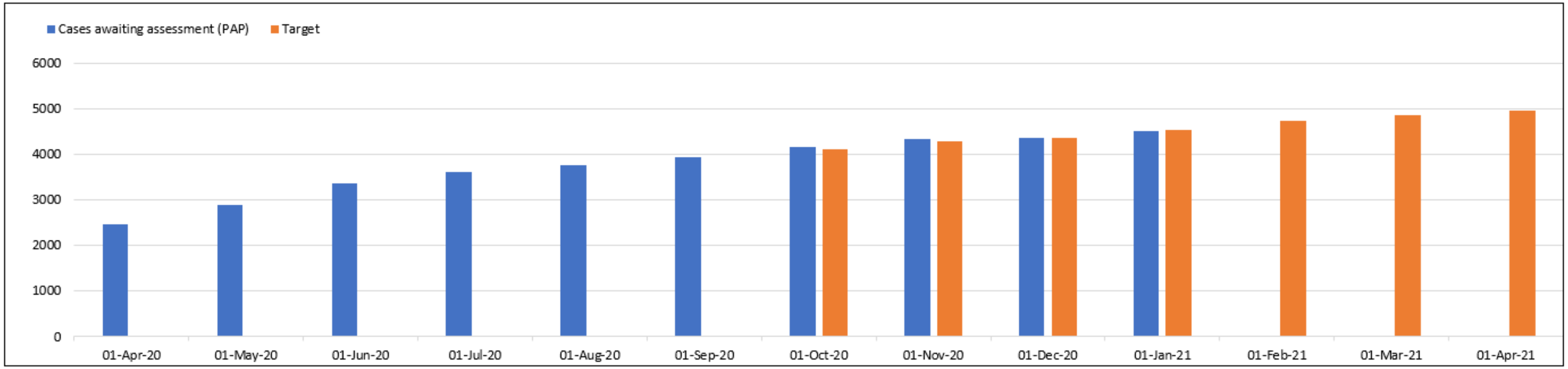
The OLC Board have given their full and formal support to the budget proposal as written.

Appendix A – Performance data

Pre-Assessment Pool

Volume of cases awaiting assessment (PAP)

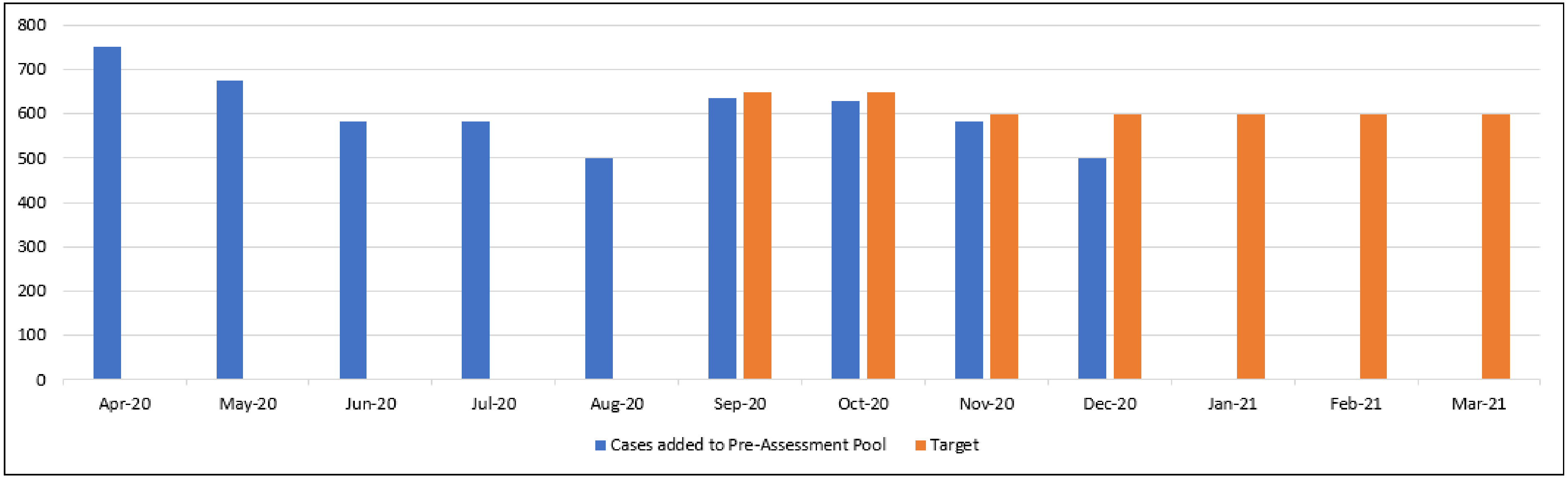
The number of cases in the Pre-Assessment Pool (PAP) over time. Cases are initially triaged by the General Enquiries Team (GET) before awaiting a final assessment by an investigator as to whether the case falls within our jurisidiction to investigate. The target numbers are our forecast projections, based on incoming demand and our productive capacity



Metric	01-Apr-20	01-May-20	01-Jun-20	01-Jul-20	01-Aug-20	01-Sep-20	01-Oct-20	01-Nov-20	01-Dec-20	01-Jan-21	01-Feb-21	01-Mar-21	01-Apr-21
Cases awaiting assessment (PAP)	2464	2898	3360	3603	3757	3929	4160	4330	4356	4500			
Target	-	-	-	-	-	-	4112	4280	4353	4547	4729	4850	4968

Cases added to PAP

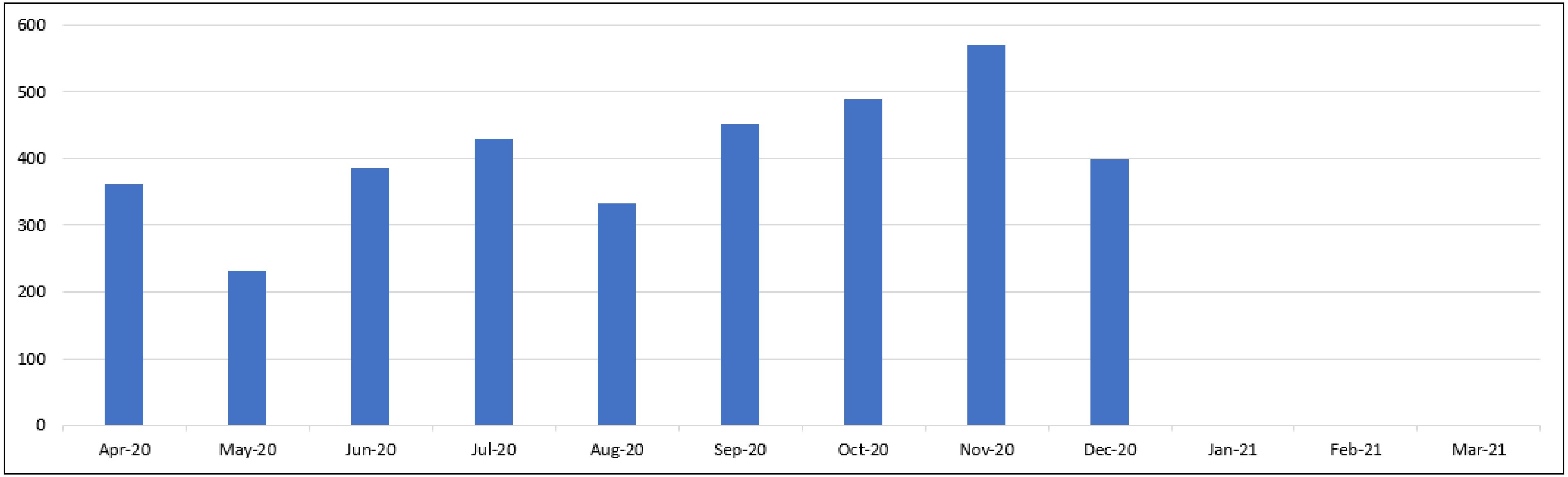
The number of cases added to the Pre-Assessment Pool (PAP) each month



Metric	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Cases added to Pre-Assessment Pool	753	675	582	584	499	635	630	582	501			
Target	-	-	-	-	-	650	650	600	600	600	600	600

Cases taken from PAP

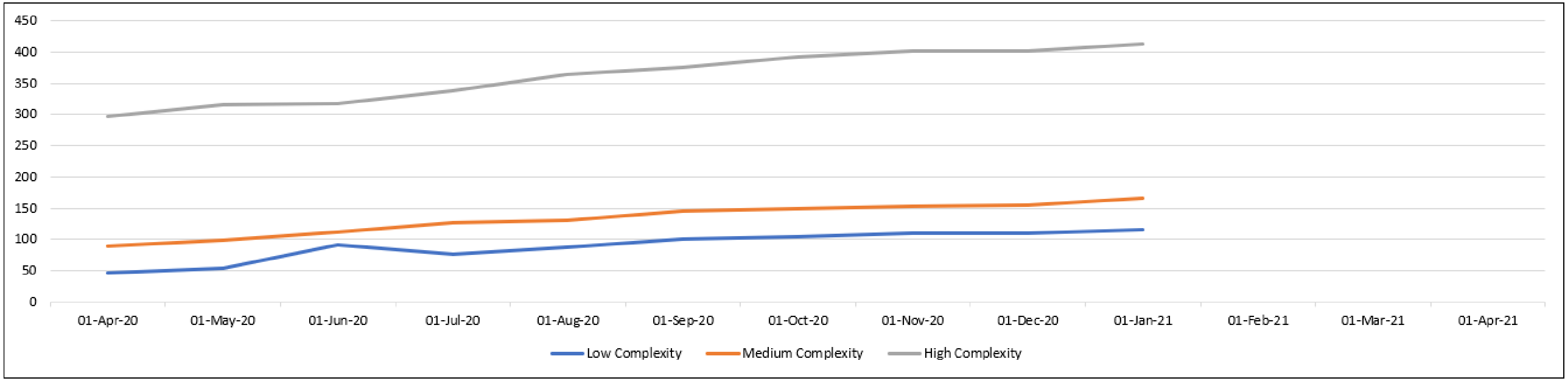
The number of cases removed from the Pre-Assessment Pool (PAP) each month



Title	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Cases taken from PAP	362	232	386	430	333	452	489	570	399			

Current average wait time in pre-assessment pool

The current average wait time of cases in the Pre-Assessment Pool (PAP) by complexity. This is a measure of current experience, and not a measure of the average total time that a case will spend in the PAP

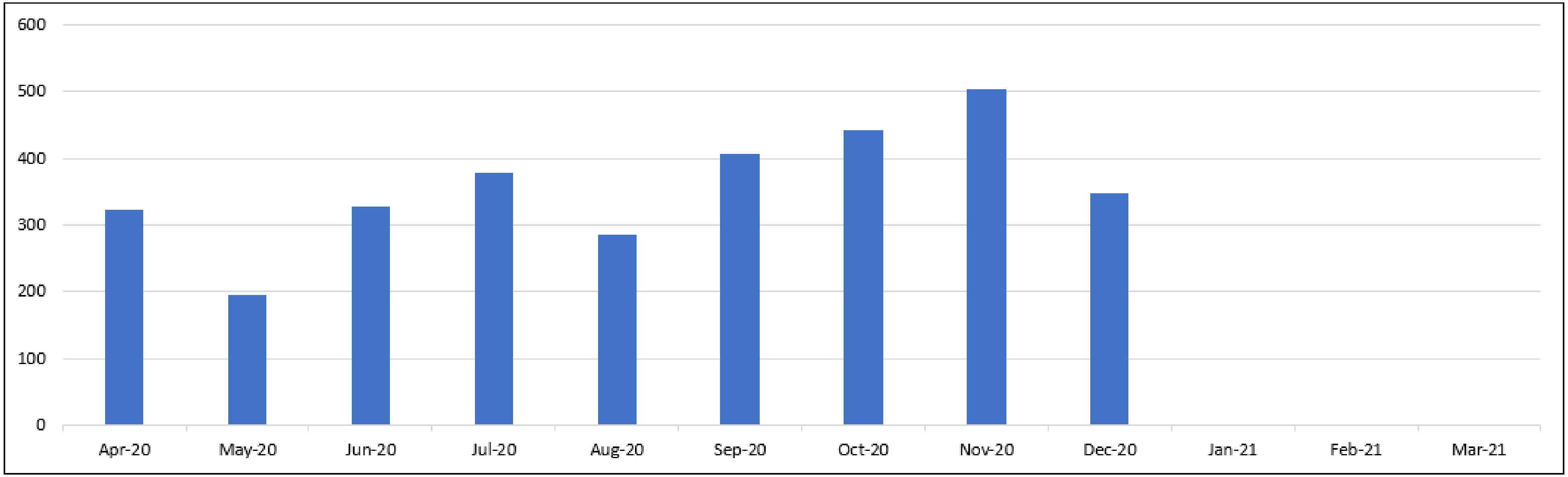


Title	01-Apr-20	01-May-20	01-Jun-20	01-Jul-20	01-Aug-20	01-Sep-20	01-Oct-20	01-Nov-20	01-Dec-20	01-Jan-21	01-Feb-21	01-Mar-21	01-Apr-21
Low Complexity	46	54	92	76	87	100	105	109	109	116			
Medium Complexity	90	98	112	126	131	145	149	152	155	166			
High Complexity	296	316	318	339	364	375	393	402	401	414			
All Cases	82	87	110	109	117	128	133	137	138	145			

Investigation

Cases accepted for investigation

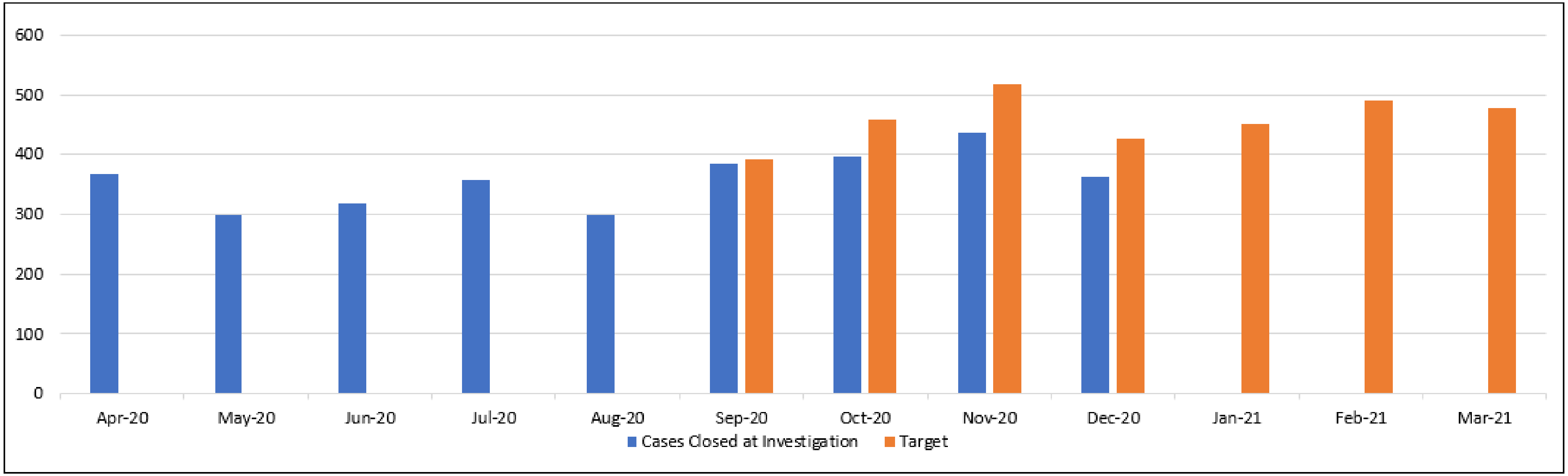
The total cases accepted for investigation each month



Metric	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Cases accepted for investigation	323	196	328	378	286	407	442	504	347			

Cases closed at investigation

The number of cases closed at investigation each month, and the percentage of cases closed by closure type



Title	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Cases Closed at Investigation	367	300	318	358	299	385	396	437	363			
Target	-	-	-	-	-	393	459	519	426	451	491	479
Agreed Outcome	44%	41%	53%	42%	36%	38%	40%	42%	39%			
Ombudsman Final Decision	31%	39%	25%	32%	41%	36%	32%	38%	34%			
Other	25%	20%	22%	26%	23%	25%	28%	20%	27%			

Appendix B – Budget and Business Plan project timeline