

<b>To:</b>	Legal Services Board		
<b>Date of Meeting:</b>	23 November 2017	<b>Item:</b>	Paper (17) 77 (ii)

<b>Title:</b>	OLC 2018/19 budget principles		
<b>Author / Introduced by:</b>	Wanda Goldwag, OLC Chair Kathryn Stone, Chief Legal Ombudsman Rob Powell, OLC Chief Executive		
<b>Status:</b>	Official		

**Summary:**

The purpose of this paper is to give Board Members early sight of the OLC's budget principles as they develop their indicative budget for 2018/19, and an opportunity to explore any issues with OLC colleagues.

The OLC will run a formal external consultation on its 2018/19 budget and business plan in late 2017/early 2018. The LSB can provide further comment and feedback to the OLC during the consultation period.

The Board will be asked to approve the OLC's final budget at its meeting in March 2018.

The paper provided by the OLC, at Annex A, sets out the strategic, financial and performance context, budget principles, high level revenue and capital budgets, key assumptions and risks and outlines the OLC's plans for a stronger framework for performance assurance.

[REDACTED]

Wanda Goldwag, OLC Chair, Kathryn Stone, Chief Legal Ombudsman and Rob Powell, OLC Chief Executive are attending the meeting and will be able to answer any questions Board Members may have on the draft plan and budget.

**Recommendation(s):**

The Board is invited to **note** this report and to **raise any questions** with OLC colleagues.

**Risks and mitigations**

<sup>1</sup> All 2017-18 budget figures are for the revised budget agreed by the LSB in September 2017.

<b>Financial:</b>	The OLC will consult on its new business plan and budget for 2018/19 and will need to demonstrate that it will have sufficient resources to deliver against their Plan. The OLC team can provide assurance that these initial numbers are sufficient to do this.
<b>Legal:</b>	N/A
<b>Reputational:</b>	The OLC's new business plan and budget needs to demonstrate that they can operate efficiently and provide the service they have been set up to operate.
<b>Resource:</b>	N/A

Consultation	Yes	No	Who / why?
<b>Board Members:</b>	✓		Marina Gibbs was consulted before the draft budget acceptance criteria were sent by the LSB to the OLC on 9 October.
<b>Consumer Panel:</b>		✓	
<b>Others:</b>			

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Second-to-last para of summary box	Section 22: information intended for future publication	
10-14 15 bullet points 17 – first figure	Section 22: information intended for future publication	
9 18	Section 36(2)(b)(ii)	
Annex A	Section 22: information intended for future publication	
Annex B	Section 22: information intended for future publication	

## LEGAL SERVICES BOARD

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	23 November 2017	<b>Item:</b> Paper (17) 77 (ii)

### OLC 2019/19 budget principles

#### Background / context

1. In accordance with the Legal Services Act 2007, schedule 15 para 23, before the start of each financial year the OLC must adopt an annual budget which has been approved by the Board. This decision will come to the Board in March 2018.
2. At this stage, and as in previous years, the OLC are sharing with the Board their initial assumptions and the outcome of their internal planning in regards to their indicative budget.
3. The Board will be aware that the OLC now has two sources of funding: the legal jurisdiction is funded by a levy on approved regulators; the claims management company (CMC) jurisdiction is funded by the Ministry of Justice (MoJ), by means of grant-in-aid funding. The MoJ in turn recoups this funding via statutory fees charged to CMCs. Both jurisdictions also receive income from case fees. These two funding streams are clearly identified in the proposals and a methodology has been agreed between MoJ, LSB and OLC as regards apportionment of overheads between the two jurisdictions.
4. The paper says at paragraph 3 that it “focuses on the legal jurisdiction, recognising that the Lord Chancellor is reviewing our CMC budget submission”. However, despite the CMC jurisdiction funding being provided by MoJ, the Board is still required to approve the whole of the OLC budget<sup>2</sup>.
5. In parallel, even though the Board will approve the OLC budget each March, the MoJ still need to provide authority to spend in the form of a budget delegation to the OLC’s Accounting Officer.

#### Draft budget acceptance criteria

6. Under the terms of the LSB-OLC-MoJ tripartite operating protocol, we are committed to sending draft budget acceptance criteria to the OLC by the end of October. As allowed for in the tripartite protocol, these draft criteria may be subject to change following the LSB’s November Board meeting.
7. On 29 September, the Chair of the OLC wrote to us requesting early sight of the draft criteria if possible, to facilitate the OLC’s work on its budget. We were able to provide the draft criteria on 9 October, in consultation with the LSB Board lead on OLC matters.

---

<sup>2</sup> The OLC paper states at paragraph 6 that the OLC expects the transition of the claims management jurisdiction to the Financial Ombudsman Service no earlier than 1 April 2019.

8. The draft criteria (attached at Annex B) are largely similar to those used in previous years with the addition of a request that the OLC budget submission include (i) an estimate of the impact of the 2018/19 'modernising LeO' initiatives and (ii) an approximate split of expenditure between complaint handling activities and analysis/feeding back to the sector activities.

■ [Redacted text block]

[Redacted text block]

[Redacted text block]

■ [Redacted text block]

**Points to note**

[Redacted text block]

[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

11. [Redacted text block]

■ [Redacted text block]

- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

- [Redacted]
- [Redacted]

[Redacted]

- [Redacted]
- [Redacted]

[Redacted]

[Redacted]

15. The OLC is planning to move to using different KPIs based on case complexity. The OLC will be making a separate presentation at the Board meeting on 'What good looks like' (Paper (17) 77 iii). The OLC budget paper states at paragraph 2e that "our final budget will set out our expected performance trajectory during 2018-19, informed by the operational forecasting model currently being developed". The proposed forecasting model is discussed further at paragraphs 20 and 37-38 of the OLC paper. There are some indications of when OLC expects KPIs to improve at paragraph 40, assuming demand is as forecast:

- [Redacted]
- [Redacted]

<sup>4</sup> Sensitivity analysis has been conducted around this forecast – see paragraphs 14 and 15 of the OLC paper.



[REDACTED]

**Next steps**

19. Following the November Board meeting, acceptance criteria for the final OLC budget submission are typically agreed. It is proposed that the Chair, the Board OLC lead (Marina Gibbs) and the Chief Executive approve these final criteria.
20. The OLC will run a formal external consultation on its 2018/19 budget and business plan in late 2017/early 2018. The LSB can provide further comment and feedback to the OLC during the consultation period.
21. The Board will be asked to approve the OLC's final budget at its meeting in March 2018.