

Office for Legal Complaints

Budget 2014-15



February 2014

Version: 1.0

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1 Executive Summary

This budget reflects the forecast costs and income for the Legal Ombudsman's existing jurisdiction over the legal profession. It does not include a forecast of costs or income relating to potential new jurisdictions such as Claims Management. The budget and funding for these other activities are to be agreed separately, and discussions regarding Claims Management are in progress with the Ministry of Justice. That said, once Claims Management activity is activated, we anticipate that costs of our organisation infrastructure will be shared across both activities. This is expected to result in a substantial reduction in our cost to legal regulators.

Our budget supports the three strategic objectives set out in our business plan consultation:

1. To continue to improve our efficiency.
2. To create an improved legal complaints handling system.
3. To replicate what we have learned more widely.

2013-14 Out-turn:

In July 2013 the OLC and Management team undertook a strategic cost review. This was driven both by the need to ensure that the Ombudsman delivered a value for money service, and also to ensure that the organisation is positioned to respond to changes in the environment anticipated over the coming 3 to 5 years.

The outcome of the cost review was a plan to reduce total expenditure for our current activities from a budget for 2013-14 of just under £17m to £15.6m for 2013-14 based on delivering a volume of around 8,000 cases per annum (a unit cost of £1,950 per case). The review also targeted continued productivity improvement and fixed cost reductions to deliver further cost savings in 2014-15 and 2015-16. The review set a goal of reducing expenditure for 2014-15 to £14.5m (unit cost of £1,812 per case) and thereafter to reduce costs to just under £12.0m (unit cost of £1,500 per case) through productivity and other structural cost reductions.

Our full year forecast outturn for 2013-14 is for total expenditure of £15.7m and resolution of around 8,100 cases. Our forecast 2013-14 out turn includes one off costs of £0.7m in provisions for future rent and services charges, the impairment of fixtures and fittings and an increased estimate for dilapidation costs on our current premises. These were not anticipated as part of the cost review. The 2014-15 budget is reduced correspondingly to reflect the accelerated recognition of some of these costs in 2013-14. This gives a unit cost of around £1,938 per case for 2013-14, still some £12 per case ahead of the cost review target despite the additional one off charges described above.

Proposed budget

The proposed budget for the Legal Ombudsman for 2014-15 is £13.9 million based on a volume of 8,000 cases. This gives a unit cost of £1,734 per case. This budget exceeds the cost reduction

goals set out in the cost review of July 2013 and is also significantly lower than the proposed budget of £14.5 million set out in our Strategy and budget consultation published in November 2013. Levy costs charged to regulators will have reduced by 10.6% in 2013/14 and this budget anticipates a further 12% reduction for 2014/15. The budget plans and allows for the start of the renewal of our Office and IT infrastructure, both of which are central to the delivery of the organisation's strategic objectives. Capital expenditure of £1.7 million is planned for 2014-15 in order to renew our case management systems, and to enable a move to lower cost premises in early 2015. These two renewal activities are central to the transformation of the organisation's cost base and efficiency, and to enable LeO to do more to support and inform the legal profession.

1.1.1 Funding New Jurisdictions

The Legal Ombudsman ring-fences any material resources not incurred in the delivery of service to legal regulators. No incremental costs have been incurred to date, and no material existing resources expended. New jurisdictions (including Claims management activity) are expected to be financed by the stakeholders of those jurisdictions. Until the timing and mechanism for the implementation of Claims Management has been determined it is not prudent to include these costs within this budget for 2014-15. This budget therefore does not include additional costs or revenues associated with the development, implementation, or delivery of Claims Management, or any other additional jurisdictions.

2 Summary Budget

| | | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------------|------------|---------------|---------------|---------------|---------------|
| | Section | Actual | Actual | Forecast | Budget |
| | | £'000 | £'000 | £'000 | £'000 |
| Levy Income | 7.1 | 16,671 | 16,278 | 14,559 | 12,805 |
| Case Fee Income | 7.1, 4.2.1 | 341 | 264 | 1,182 | 1,061 |
| Other Income | | 282 | 96 | 0 | 0 |
| Total Income | | 17,294 | 16,638 | 15,741 | 13,866 |
| Staff Costs | 4.2.2, 6 | 11,470 | 11,211 | 10,680 | 9,668 |
| Travel & Subsistence | | 40 | 43 | 41 | 45 |
| Fees & Research | 4.2.3 | 548 | 357 | 511 | 571 |
| IT & Telecoms | | 1,175 | 1,193 | 997 | 1,014 |
| Premises & Facilities | 4.2.4 | 1,609 | 1,779 | 2,238 | 1,346 |
| Bad debts | 4.2.5 | 65 | 51 | 267 | 250 |
| Other Costs | 4.2.6 | 590 | 111 | 48 | 65 |
| Contingency | 4.3 | 0 | 0 | 0 | 250 |
| Total Cash Expenditure | | 15,497 | 14,745 | 14,782 | 13,209 |
| Depreciation | 4.4 | 1,797 | 1,893 | 959 | 657 |
| Total Revenue Expenditure | | 17,294 | 16,638 | 15,741 | 13,866 |
| Year on year change | | | -3.7% | -5.4% | -11.9% |
| Capital Expenditure | | | | | 1,700 |

3 Changes to the plan and budget following Stakeholder consultation

Stakeholder feedback has been incorporated into our revised Strategy and Budget. Stakeholders noted and supported our focus on unit cost. There was no specific comment about budget levels except a general and consistent message not to focus on cost at the expense of quality.

A key addition is a new goal to set out the programme of work that will be required to set-up and then launch the new area of work that is claims management complaints. We have also sought to make a clear separation of the proposed budget and KPIs for the existing remit. It is noted that budget, financial and governance arrangements and KPIs will be set separately and at a later date once more clarity of these arrangements is available. The addition of this new goal therefore does not impact upon this budget.

We also shared the draft strategy and budget with the MoJ. A meeting with Shailesh Vara MP occurred on 22 January 2014, and the strategy was on the agenda for discussion; there were no substantive changes as a result of this engagement with the Minister and Ministry of Justice (MoJ).

4 Assumptions and sensitivity

4.1 Key volume assumptions

The key measures for the organisation are set out below:

| | Actual 2011-12 Activity | Actual 2012-13 Activity | Forecast 2013-14 Activity | Budget 2014-15 Activity |
|--|--|--|--|--|
| Contact volumes | 75,370 | 71,190 | 69,000 | 70,000 |
| Conversion rate | 11.2% | 11.5% | 12.2% | 12.0% |
| Expected Number of Cases accepted (approx.) | 8,420 | 8,200 | 8,400 | 8,400 |
| % Complaints accepted for investigation that are closed as not within our jurisdiction | 13% | 8.5% | 8% | 6% |
| Expected number of cases requiring full investigation and resolution (external cases) | 7,325 | 7,500 | 7,730 | 7,900 |
| Reduction of Work in progress | 130 | - | 370 | 100 |
| Cases resolved (external measure) | 7,455 | 7,500 | 8,100 | 8,000 |
| Unit Cost (Total Budget Expenditure divided by the No. of cases closed (external measure)) | £2,281 | £2,140 | £1,943 | £1,734 |
| % of Cases requiring Ombudsman Decisions (% of External Measure) | 35% | 39% | 37% | 37% |
| Number of Ombudsman decisions required | 2,696 | 2,990 | 2,997 | 2,960 |

Contact Volumes and expected demand

Contact volumes reflect the number of calls and enquiries received by our assessment centre each year. Demand for our existing service expected to remain broadly flat in 2014-15.

We aim, during the financial year, to implement a new case management system which will enable us to offer a new web-based channel for consumers to access our service and which will provide more accessible guidance and support about when we can help and how consumers can best complain to their lawyer. We anticipate that this will significantly alter the way that consumers access our service. This may require and enable a different and more meaningful definition of a “contact” which will also replace or modify the expected conversion ratio measure.

The economy is expected to start to recover and signs of economic growth and a more active housing market are now visible. These factors are likely to lead to increasing numbers of legal transactions which in turn is likely to result hence complaints. However, changes to Legal Aid are expected to provide a downward pressure on volume. We have taken the view that these two

conflicting factors and a natural delay between new legal activity occurring and complaints about that activity arising mean that overall demand will remain broadly flat or increase only marginally for 2014-15.

Cases accepted, cases closed as outside of our jurisdiction, and cases resolved.

We exclude from our external reporting measure those cases where, although we have accepted a complaint for investigation, we find on further investigation the complaint is not within our jurisdiction. This most often arises where the lawyer provides evidence during the investigation that the complaint is not within our jurisdiction, despite what the complainant had claimed. During 2013-14 we modified our approach to request copies of lawyer's final response to the consumer as part of agreeing what the complaint is about and before we accept a case for investigation. This has resulted in the proportion of cases accepted which are subsequently found to be out of jurisdiction to fall from around 9% down to 6%. We therefore expect to accept and investigate fewer cases as a proportion of contacts than in 2014-15, but anticipate that more of these cases will count towards the calculation of our cost per case.

Investigator efficiency

In resourcing the organisation we recognise that some investigators are asked to undertake secondments or other development work from time to time. We use a metric that excludes this "non investigation time" together with periods of new starter's initial training and long term sickness or absence to determine a metric for the "active" investigators (those who are actively engaged in case-work). Investigator efficiency has improved steadily from an average of 7.0 in 2012-13 to an average 7.4 per month per active investigator for 2013-14. Investigator productivity has been increasing gradually over 2013-14.

We anticipate that significant productivity gains will be realised from the new case management system which we plan to implement during 2014-15. However, as timing of the implementation is not yet certain, and as any such change brings with it a certain amount of short term disruption we have therefore planned to resource our operations based on an efficiency level of around 7.7 cases per month per active investigator in 2014-15. This represents a prudent approach to resource planning. It does not dilute management's commitment to deliver continued improvement in both cost and quality of the service over 2014-15 and 2015-16.

4.2 Other Assumptions

All VAT-able costs have been budgeted to include VAT at 20%.

4.2.1 Case Fees

Our experience is that around 20% of cases are withdrawn, abandoned or dismissed, and around 80% are potentially chargeable. However, we waive the case fee because we find in favour of the lawyer and that they had acted reasonably during their first tier complaint handling process. This leaves around 40% of cases as actually chargeable. We have extrapolated this experience when determining the potential revenue due from case fees.

4.2.2 Pay, Progression & Revalorisation:

Headcount assumptions are set out in Section 6 below. Existing staff have been recruited on the basis that they must demonstrate competence in their role as part of their probationary period and pass mandatory training and that thereafter they are expected to progress within the organization. During 2013-14 the organisation updated its pay policy. This resulted in the removal of the two upper pay points on existing pay scales and the introduction of new lower pay scales for new starters. In order to motivate and reward high performance, a system for “recognition payments” was also introduced. These modest recognition payments are non consolidated payments in line with our agreed pay remit.

Our pay remits and pay policy agreed with the MoJ allows us to reflect the increasing competence and effectiveness of our staff as the organisation matures and they become more experienced. The budget reflects the pay policy and the opportunity for performance reviews in October each year.

An average of 1% has been budgeted for revalorisation from April 2014.

National Insurance: Employer’s National Insurance has been budgeted for based on the current rate of 13.8%.

Average Employer’s Pension contribution: LeO operates a defined contribution scheme. Average Employee contribution to the LeO pension scheme is around 4%. LeO contributes twice the employee contribution up to a maximum of 10%. We proactively adopted auto enrolment of employees into the pension scheme during 2012 and currently have a high take up on the pension scheme at approx 92% of all employees. This is not expected to change significantly as a result of new auto enrolment legislation. An average Employer’s Pension contribution assumption of 8% (up from 6% last year) has been used for 2014-15 which reflects current pension costs to the organisation.

Core benefits: Death In Service and Group Income Protection Benefits are in place in line with remuneration policy and have been included in the budget as part of the costs of these benefits.

Flexible Benefits: As part of the organisational set up a flexible benefit scheme has been included in the total remuneration package. Employer costs of the Flexible benefit scheme are capped at 3% of basic pay. This has been budgeted in full as part of employee’s total remuneration package.

4.2.3 Fees & research

This expenditure comprises mainly research costs, and expected legal and audit fees.

4.2.4 Premises costs

Premises costs include rent, rates and service charges. We have vacated the 6th floor of our existing premises as this allows us to reduce our rates costs by some £160k over the 12 months to the end of February 2015. As a consequence we have provided for the future rent and service charges relating to this vacant space in 2013-14. Premises costs for 2013-14 therefore include £297k of rent and service charge costs relating to the 6th floor of our current premises. Costs for 2014-15 are correspondingly reduced.

We have also been advised that dilapidation costs for our existing property could be some £214k higher than previously estimated. While we consider this estimate to be at the high end and will seek to mitigate this as part of our planned move to new premises in late 2014-15, we have provided for this in full in 2013-14. To the extent that we are able to mitigate our dilapidation costs this will result in a reduction in premises costs reported in 2014-15.

We currently anticipate moving to lower cost premises during December 2014 or January 2015. This has been allowed for in the budget for 2014-15. We anticipate further reductions in premises costs during 2015-16 as a result of these plans.

4.2.5 Bad Debts

We experience a significant proportion of unrecoverable case fees. The increase in bad debt expense is in proportion to the increase in case fee income from £264 in 2012-13 to £1,182 in 2013-14 due to the change in scheme rules. Bad debt mainly arises where the law firm has gone out of business by the time the complaint is brought to us or by the time it has been resolved. We have included a reserve for bad debts of £250k for 2014-15. The amount budgeted reflects bad debt levels experienced to date in 2013-14.

4.2.6 Other costs

Other costs mainly comprise the translation services, plus other minor sundry items.

4.3 Contingency

We have allocated a contingency of 1.8% of budget to provide some cover for unexpected fluctuations in demand and the other risks outlined above, in particular the risk of having to defend a significant Judicial Review threat. We believe that this is prudent.

4.4 Depreciation and impairment

The useful economic life of fixtures and furnishings has been extended from 5 years to 10 years. Even allowing for expansion of CMCs we are likely to have excess office equipment. Equipment not currently in use has therefore been impaired to its residual value during 2013-14.

The economic life of our IT hardware was extended from 3 to 4 years in 2012-13. This equipment will be fully depreciated during 2014-15. Management considers the IT infrastructure assets created during the implementation phase of the organisation in 2010 to have no further economic value to the organisation. This asset was fully amortised during 2013-14.

Leasehold improvements are amortised to the end of the initial lease term at the end of February 2015.

Depreciation on capital expenditure planned for 2014-15 is anticipated from the point at which these assets are brought into use. The impact of capital expenditure anticipated as a result of the implementation of our case management system and Office move is to increase depreciation costs towards the end of 2014-15, however the full year impact of this expenditure will not be seen in depreciation costs until 2015-16.

4.5 Sensitivity analysis

The Assessment Centre is a high volume operation. LeO is able to absorb temporary spikes in activity through re-deploying investigator resource to assist in the Assessment Centre. The Call volumes average around 265 inbound calls per day and regularly fluctuate naturally in a range between 250 and 330 calls per day.

The key risk to the capacity of the organisation to deliver an effective service is how case volume and investigator efficiency changes impact on our investigator capacity. The 3 key measures are:

- **Contact Volume:** A 1% change in Contact Volume would generate a change of 700 contacts and around 84 cases per annum. This results in a medium to long term change in the requirement for investigators of +/- 1.0 FTE (+/-£38k per annum payroll costs plus recruitment and training costs).
- **Conversion Ratio:** A 1% change in the conversion ratio results in a change of 700 Cases per annum and a corresponding change in the number of investigators required of +/- 7.8FTE (+/-£300k per annum payroll costs plus recruitment and training costs)
- **Investigator efficiency:** A 0.25 cases per month change in investigator efficiency results in a corresponding change in the number of investigators required of +/-3.0 FTE Investigators over the medium to long term (+/-£114k per annum payroll costs plus recruitment and training costs)

Operational stepped costs are incurred in the form of a requirement for 1 additional/fewer Investigation Team Leader (+/-£47k per annum payroll costs plus recruitment and training costs) for each addition/reduction of 12 FTE investigators, and for 1 additional/fewer Operations Manager (+/-£57k per annum payroll costs plus recruitment and training costs) for each addition/reduction of 50 Investigators.

We have plans in place that would allow us to respond to larger increases in demand of 10% to 20%. These plans are summarised in Appendix I, however an increase in headcount would require additional budget authority and possibly grant in aid cash flow support in year. The cost reduction activity of 2013-14 has reduced our ability to respond quickly to significant shifts in demand. We believe that it is sensible to accept this increased risk in the light of the stability of demand over the last three years and the cost savings that this allows. Looking forwards, once we have reduced the size of our office, our ability to respond quickly to significant shifts in demand will also be limited by the speed with which we can move existing employees to increased home-working patterns.

5 Key risks and mitigating actions planned

The key risks to the achievement of the budgeted expenditure are detailed below:

5.1 Variations from planned contact and case volume

A short term increase in calls to the service is manageable through the re-deployment of investigator resource to the Assessment Centre. All Investigators are able to work in the Assessment Centre. In the event that contact volumes fell substantially, we would review the underlying causes of this change to ensure that this was expected to be a persistent change, and suspend replacement of leavers from the Assessment Centre until the causes were more clearly understood.

An increase in case volumes, whether generated by an increase or shortfall in contact volumes or by a change to the conversion ratio, would affect the investigator resource pool. The initial consequence of a significant increase above that anticipated is likely to be a backlog of cases waiting for investigation and deterioration in the speed with which we resolve cases (our Timeliness KPI).

These risks are mitigated through our recruitment strategy and flexible working policies. Our flexible working policies allow employees to increase their hours over the short term and to recover these additional hours in the form of “time off” in future months. We have also put in place arrangements to enable us to quickly recruit additional investigator resource to respond to any medium term increase in demand (See Appendix I). Although these new investigators will not initially deliver the same efficiency as our established investigators, the additional resource will enable us to minimise any backlog that arises and provide the additional capacity required to eliminate it.

In the event of a significant shortfall in case volumes, management would initially require any flexitime to be used up and freeze any planned recruitment activity while determining whether the change was persistent or permanent. Because it takes a substantial period to recruit and train an investigator, and then for them to become fully efficient, only once excess capacity had been established as likely to be long term would management take action to implement any redundancy plans.

As a result of the Ombudsman’s commitment to ongoing improvement and cost reduction the organisation has reduced its capacity to deal with a significant increase in demand. The impact of such a sudden upturn would be more significant than in the past. We believe that, after three years of operation, this is an appropriate response to what has historically been a steady level of demand.

5.2 Planned Investigator efficiency is not met

Investigator efficiency is key to our resource planning and overall cost; a relatively small change in investigator efficiency makes a significant difference to the number of investigators required to maintain the quality and timeliness of our service.

We have mitigated this risk by taking a prudent assumption based on actual achievement. To manage this risk, we monitor our work in progress, the rate of cases accepted for investigation and cases resolved weekly, and our Investigator efficiency levels monthly to ensure efficiency levels are within the expected range.

We continually review our business process and the way that we perform our investigations in order to seek to streamline and improve these. In the event that planned levels of efficiency were to fall significantly below or above those expected we would adjust investigator resource while we work to restore and achieve the required efficiency levels.

5.3 Staff turnover varies significantly from plan

The budget allows for a natural turnover in operational staffing of around 1.0 FTE per month on average. This is based on historic staff turnover trends experienced over the past 12 months (excluding the restructuring in July/August 2013). Should this rate of staff turnover alter then this will create pressure on the budget. If staff turnover decreases, this will result in headcount and costs running in excess of budget. In this scenario the management team will review long term staffing requirements to consider whether a voluntary or compulsory redundancy programme is necessary. Conversely, if staff turnover is higher than forecast, this will result in increased recruitment costs and headcount running potentially below budget. Again the management team will review activity and efficiency levels to determine whether or not to bring forwards the point at which recruitment of replacement investigators will be initiated.

The management team have mitigated this risk further by planning to recruit and train smaller blocks of operational staff to enable us to more closely meet the demands of variations in activity.

5.4 Large legal costs associated with judicial reviews

To date we have had only one material judicial review which has had a significant financial impact through third party costs requiring settlement. However, there are a small number of challenges ongoing. The nature of these challenges means that should a significant challenge develop, the costs of defending our position may be material. The OLC and management team manage this risk through regular discussion with General Counsel.

6 Organisation Structure & headcount

We have explained above the assumptions concerning activity and its impact on staff requirements, and the effect of expected staff turnover. The figures below reflect the average headcount budgeted for the year. The March 2012 and March 2013 figures and March 2014 forecast actual FTE headcounts are included for information.

| Headcount plan (FTE) | Actual FTE Headcount March 2012 | Actual FTE Headcount March 2013 | Forecast FTE Headcount March 2014 | Average Budget FTE Headcount 2014-15 | Budget Pay Cost 2014-15 £'m |
|-------------------------------|---|---|---|--|---|
| Chief Ombudsman & Ombudsmen | 12 | 11 | 13 | 13 | 1.0 |
| General Counsel & Compliance | 9 | 8 | 6 | 6 | 0.3 |
| Operational Management | 8 | 7 | 5 | 5 | 0.3 |
| Assessors & Team Leaders | 38 | 45 | 31 | 34 | 1.1 |
| Investigators & Team Leaders | 145 | 146 | 112 | 117 | 4.6 |
| Coordinators | 7 | 9 | 8 | 8 | 0.2 |
| Quality | 5 | 5 | 5 | 6 | 0.3 |
| Finance and Business Services | 30 | 31 | 23 | 23 | 1.1 |
| Policy and Communications | 16 | 10 | 9 | 9 | 0.5 |
| | 270 | 272 | 212 | 221 | 9.4 |
| | | | | Recruitment and training | 0.3 |
| | | | | Staff costs | 9.7 |

As stated in 5.3 above, the budget allows for a reduction in operational staffing of 1.0 FTE per month on average. Recruitment of replacement investigators and assessors to meet operational requirements has been allowed for in the budget, but will be undertaken only when required in order to ensure continued smooth operations.

7 Income & Expenditure

7.1 Income

Our income is made up of two streams;

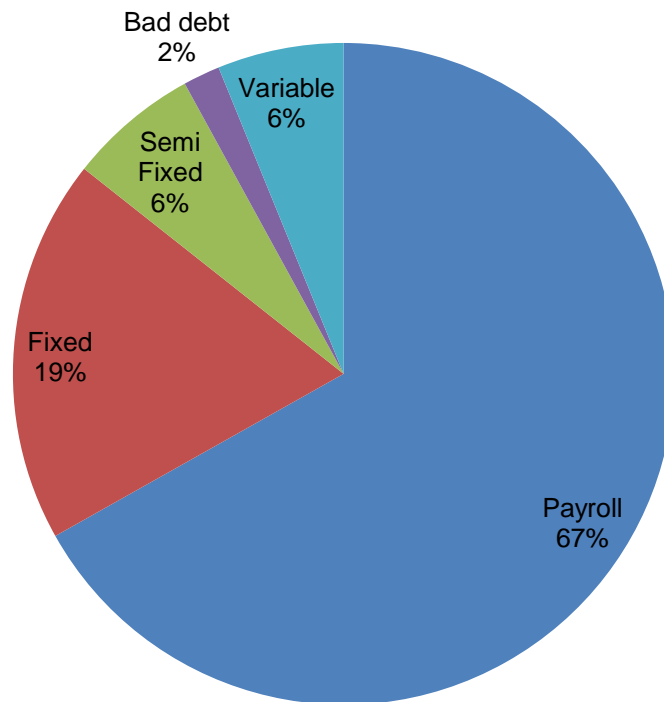
- The Levy – which is equal to the expenditure incurred by the Legal Ombudsman in delivering the Ombudsman scheme, less Case fees charged.
- Case Fee Income –Our scheme rules require us to charge a case fee for every potentially chargeable case where it has been decided not to waive the fee.

7.2 Distribution of resources

Expenditure by Category

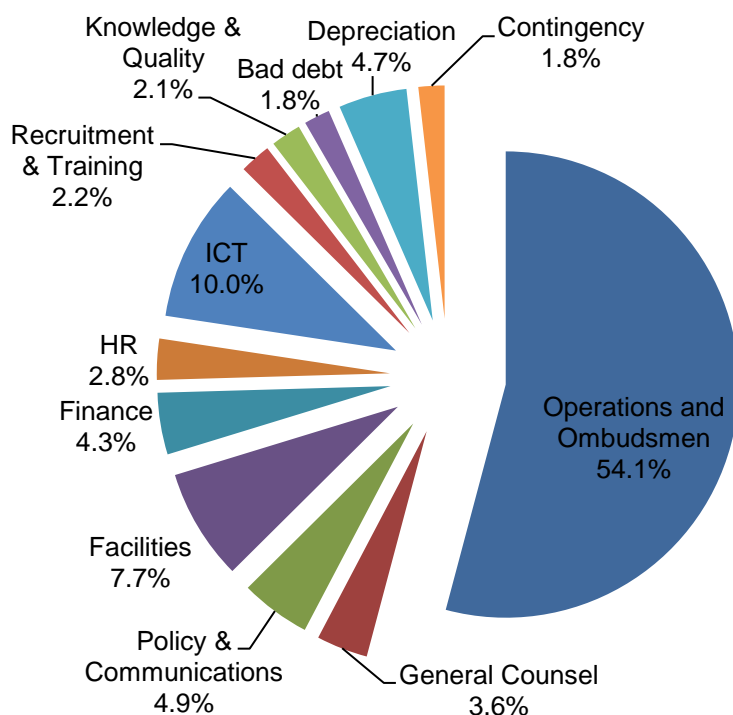
The following charts set out the breakdown of our costs by expenditure type. This shows that a significant proportion (19%) of our costs are fixed in nature (comprising Depreciation and other expenditure committed on long term contracts) with a further 6% of expenditure relating to largely non discretionary purchases such as power, audit activity, scanning, printing and translation services. Most (67%) of our costs relate to our people, of which three quarters relates to our Operations and Ombudsman teams. With bad debt costs of 2%, this leaves only 6% of truly variable costs such as legal fees, travel, research and stakeholder engagement, training, and recruitment.

Expenditure by category
2014-15: £13.9m



Expenditure by functional Area

The following chart provides a breakdown of expenditure by key functional areas;



8 Capital Expenditure & Cash flow

8.1 Capital Expenditure

| Anticipated Capital expenditure | £'m |
|--------------------------------------|-------------|
| Case Management renewal | 0.80 |
| IT Infrastructure & desktop hardware | 0.25 |
| Other Minor IT | 0.05 |
| Office Facilities | 0.60 |
| Total | 1.70 |

IT Capital expenditure

Our IT infrastructure will be four years old during 2014-15. We are in the process of procuring a replacement for our Case Management system in order to enable us to drive improved productivity and to provide improved access to our service for lawyers, consumers and stakeholders. We will also be required to have re-procured our outsourced managed IT services by June 2015.

Once the Case Management system solution has been identified we will be reviewing the remaining infrastructure with a view to re-procuring these through a cost "per seat" model rather

than through fixed long term contracts. This is expected to both reduce the capital expenditure required and increase flexibility. This flexibility and the ability for our workforce to work remotely from our office remains a key part of our ability to manage this cost as we react to peaks and troughs in demand.

We recognise that our existing onsite IT hardware (Laptops, Desktops etc) may need to be replaced during 2014-15. While it may be possible to defer this replacement activity, we will not be in a position to know whether this is possible until mid 2014-15. The budget therefore allows for the estimated costs of this replacement activity to occur in 2014-15.

Office Facilities

The lease for our current premises has a break clause in February 2015. We anticipate that we will exercise this break clause and relocate within central Birmingham to a smaller and lower cost office. The Office facilities capital budget allows for the costs of this expected relocation.

8.2 Cashflow

We have forecast Levy receipts for 2013-14 of £12.7 million which are due by 31 March 2014. Our opening cash position is forecast to be £16.6 million at the start of 2014-15. Our planned expenditure before depreciation is budgeted as £13.1m, with cash collected from case fees of around £0.8 million and Capital Expenditure of 1.7 million. We therefore, anticipate a cash balance at the end of 2014-15 in the region of £2.6 million prior to receipt of 2013-14 levy funds. We do not, therefore, expect to require additional Grant in Aid to support our core activities during 2014-15.

Implementation and operating costs for CMCs will be accounted for separately and recovered from the Claims Management Regulator in accordance with the agreed funding arrangements once these have been determined.

9 Approval

The LSB board is requested to approve the Budget for the year 2014-15.

10 Appendix I

Activities & timeframes

| | |
|------------------------------|--|
| Month 5 onwards Permanent | <ul style="list-style-type: none"> Recruitment takes 12 weeks + 4 weeks training Regular cycle of recruitment (quarterly) to replace turnover and maintain profile of LeO as an employer |
| Months 3 & 4 Temporary | <ul style="list-style-type: none"> Procured panel of agencies who are pre-briefed Contract staff can be recruited and trained in 8 weeks |
| Months 1 & 2 Existing | <ul style="list-style-type: none"> Mixed workforce including, contract / agency staff and permanent staff on variable hours contracts Ask staff to work extra hours and pay or 'bank' these against time off in lieu Increase hours on variable hours contracts Maintain transferrable skills so that staff can be re-deployed (e.g. Investigators to Assessment Centre) |

DEMAND

| | |
|------------------------------|---|
| Month 1 Existing | <ul style="list-style-type: none"> Bring all existing work up-to date and reduce work in progress Increase training, encourage use of banked hours and take up of annual leave Reduce hours on variable hours contracts Use resource to create knowledge, complete improvement projects and encourage internal secondments Encourage take up of part time contracts (with option to revert) |
| Month 2 Temporary | <ul style="list-style-type: none"> Release contract staff |
| Month 3 onwards Permanent | <ul style="list-style-type: none"> Put recruitment on hold Unpaid leave Redundancy |

Time trigger points

Time trigger points