

Legal Ombudsman

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Sir Mike Pitt,  
Chairman's Office  
Legal Services Board  
One Kemble Street  
London  
WC2B 4AN

30 October 2015

Dear Mike,

**Section 120 Legal Services Act 2007 – Performance Measurement Framework and Performance Assurance**

On 3 June 2015, you wrote to me setting out a number of requirements under sections 120 and 121 of the Legal Services Act. One of these required the OLC to furnish the LSB, by 1 November 2015, with proposals for a comprehensive framework for key performance indicators and performance measures to apply to the performance of the Legal Ombudsman scheme from April 2016 onwards.

Additionally you required proposals for the governance arrangements which we will adopt to ensure that our administration of the Legal Ombudsman scheme allows for effective monitoring of performance against the KPIs and measures from 1 April 2016. The current arrangements were set out by me in my letter to you of 28 August 2015 and our intention is to continue with these, although it is highly likely that the OLC's Review of Financial Controls and Systems, which an independent contractor is just completing, will suggest improvements and it is our intention to act on the basis of those recommendations once they are finalised. Until we have the final report, we cannot set out what the possible revisions may be - but I will make sure that you are aware of them as soon as possible. As is currently the case, the effectiveness of the future governance arrangements will of course be kept under constant review by myself in collaboration with the Chief Ombudsman and Chief Executive.

The detailed proposals for the new suite of KPIs and performance measures are in the report attached to this letter. As required, the report provides an explanation of the reasoning behind the proposals to demonstrate why the OLC is assured that these are the most appropriate KPIs and performance measures for the Legal

The logo for the Legal Ombudsman, featuring the word "LEGAL" in a stylized, pink, serif font with a decorative flourish above the "L", and the word "OMBUDSMAN" in a plain, black, sans-serif font below it.

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Ombudsman scheme, having due regard to the regulatory objectives and best practice principles for the administration of ombudsman schemes.

We have adopted a “balanced scorecard” approach which ties the KPIs closely to the strategic priorities of the organisation and marshals them against those priorities. It also links the priorities to the regulatory objectives. The performance measures that we have developed are, we believe, far more closely aligned to the business actually carried out by the OLC than the existing suite. In particular, the proposed cost measures, which have moved away from the Unit Cost measure, are more granular and will provide a relevant and accurate picture of the cost of our operations, removing a perverse incentive to minimise those costs that did not directly deliver case resolutions – which regrettably have included governance activities. Those cost targets will be quantified as a result of the budgeting process.

Our timeliness measures retain the existing periods – although we intend to keep these under review and, as you would expect, will reconsider them in future if evidence indicates that differing time periods are more appropriate. Equally, we will keep the targets set for these periods under close review and will, if we conclude that it is realistic to do so, consider raising them, either as part of our strategy consultation exercise, or farther into the future. The time related KPIs for the CMC jurisdiction use the same periods but have different targets which reflect the distinct nature of that jurisdiction.

The quality measures are tied into the new quality framework developed by the Interim Chief Ombudsman and informed by the research we are undertaking. Because key research impacting on this area is not yet available, it is conceivable that the findings could lead us to reconsider proposals - in which case we would revisit them as part of our strategy consultation process. As the measures cover new fields, we do not have an existing body of data against which to benchmark and set targets. We intend to build that up over the next two quarters - but whilst we do, we will use the quality target applied by the LSB as a temporary KPI.

Developing meaningful measures and KPIs to monitor our performance in terms of the dissemination of knowledge and best practice was challenging and we concluded, in relation to monitoring impact, that we needed to look more closely at the survey work we undertake, using this to identify and then devise a measure. Because there is an absence of existing data for benchmarking purposes, the associated targets will have to be developed once we have that data. Nevertheless, the monitoring of the performance in these areas will, even before we are in a position to set targets, enable a clear understanding of trend to be acquired.

The OLC Board and the senior management have worked closely and intensively on these proposals. We have been very clear that this year is a period of change, consolidation and of refocusing for the OLC and the Legal Ombudsman Scheme. We have worked with interim senior management to stabilise the organisation's performance, revise its processes and structure, and set out a vision of a mature, ombudsman-led, quality-focused organisation which is resourced and organised to deliver its strategic priorities effectively and efficiently. We now have the permanent Chief Executive and Chief Ombudsman we need to deliver that vision and lead a high-performing organisation.

By the beginning of 2016/17, we expect our performance to be on an upward trajectory. We are confident that once these performance measures come into operation, they will play a key role in helping us to support and challenge the executive in completing the change process and delivering the high quality, efficient service to the public and to the legal sector which we know the organisation to be capable of.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steve Green', is centered on a light gray rectangular background.

Steve Green  
**Chair**  
**Office for Legal Complaints**

Att: