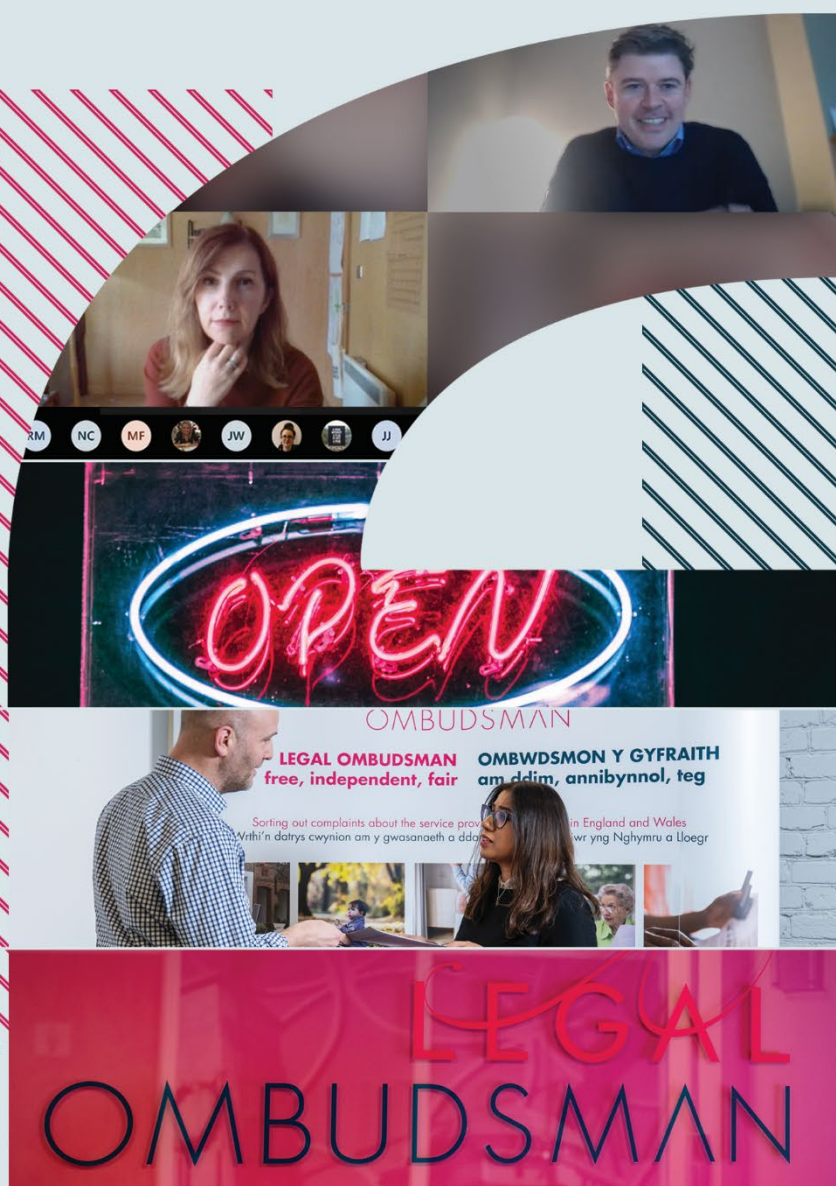


The Office for Legal Complaints

# Annual report and accounts

For the year ending 31 March 2021

LEGAL  
OMBUDSMAN







The Office for Legal Complaints

# **Annual report and accounts**

For the year ending 31 March 2021

Presented to Parliament pursuant  
to Section 118 of the Legal  
Services Act 2007.

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# Section 1: Performance overview

## 1.1 FOREWORD FROM THE CHAIR OF THE OFFICE FOR LEGAL COMPLAINTS



**An Annual Report is an opportunity to reflect and consider the changes of the last year. And of course, 2020/21 has been a year when this seems even more important.**

Covid-19 has led to a period of immense instability and uncertainty for all of us, both personally and professionally. There is still absolutely much to be done to reach a position where the Legal Ombudsman scheme is delivering the right level of service to its customers, but we have moved into the current business year having started to regain the confidence of key stakeholders, and with a clear Business Plan in place that is already being delivered by a re-invigorated workforce. This puts us in a strong position to continue moving forward in 2021/22.

As the incoming Chair back in 2020 I had set myself three main priorities to address confidence in the scheme:

- Building confidence in modelling to ensure predictions were realistic and to get a grip on performance;
- Building confidence in operational leadership and capacity to ensure the Legal Ombudsman had the right skills and experience to deliver the quality of service necessary; and
- Building confidence in responding to people issues, to ensure the Legal Ombudsman had sufficient staff in place to increase the number of cases closed.

Twelve months later, I am pleased that there is much progress to talk of and it's important this Annual Report does this justice. Last year's interim leadership team kept the organisation moving forward, preparing the way for the new Chief Ombudsman and Chief Operating Officer in January 2021. The Budget Learning Review enabled both the Office for Legal Complaints and the Legal Ombudsman to openly learn from, and address, past failings and to reframe its relationship with critical stakeholders, including with the Ministry of Justice and the Legal Services Board. The scheme continued to deliver a service throughout the early months of the pandemic. More positive staff survey results have shown improved levels of engagement and a clearer sense of pride in what it means to be part of the scheme. This is a workforce that is starting to feel listened to.

In recognising the progress that has been made there is not an ounce of complacency about the work that is required to continue to build confidence in the Legal Ombudsman. While we are moving in the right direction, ultimately confidence will return when the backlog begins to reduce. In terms of numbers the last year has been difficult. The impact of Covid-19 has seen an increase in the backlog of cases as a result of the reduction in case closures.

Annual Reports must assess the past year, but they are inevitably also an opportunity to re-emphasise plans for the future and this report provides a timely reminder of what now needs to be done. This last year has been about stabilising and starting to rebuild confidence, but next year must be about delivering improvement at pace. The scale of the backlog at the front end – and what this means for customers – looms large over everything we do and every decision we make. While it is still early in the current business year we are progressing as per the Business Plan: Staff are being recruited and monthly case closures have continued to exceed pre-pandemic levels. In the Business Plan there is also a commitment to transparency and accountability.

Change and improvement will be delivered alongside a continued commitment to being transparent with the sector, listening to concerns and setting out how these are being addressed. Passive information sharing will not be enough. This is about active and visible accountability and as part of this the Challenge and Advisory Group has already been set up and work has begun.

In a year that has seen changes at the Board level I am grateful for the dedication of current, past and outgoing Board members. Together with the new leadership team, they have been willing to honestly and visibly set a new direction for the scheme and their humility should not go unnoticed.

The Annual Report for 2020/21 reflects the challenges of this last year whilst recognising progress. It reiterates the energy and impetus that lies behind the whole organisation's approach to recovery and the desire to improve the experience for the Legal Ombudsman's customers.



**Elisabeth Davies**

Chair of the Office for Legal Complaints

09 July 2021

## 1.2 INTRODUCTION

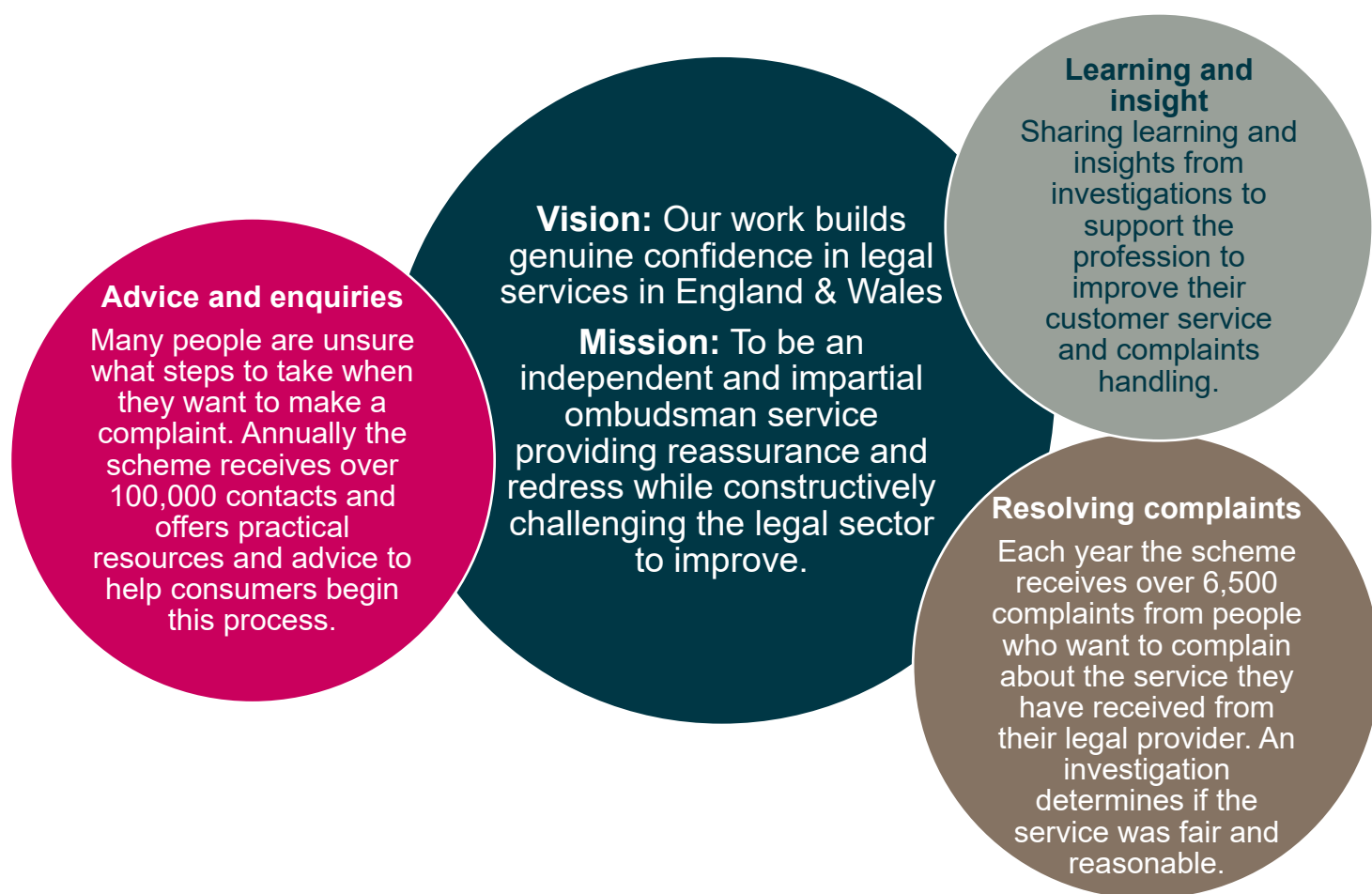
Those who use legal services do so at some of life's most significant moments, whether buying a new home, ending a relationship or seeking redress for personal injury.

The Legal Ombudsman Scheme for England and Wales was set up by the Office for Legal Complaints (OLC) in 2010, to help consumers resolve complaints about legal services. The statutory role of the Legal Ombudsman is to provide a scheme where consumer complaints about the service provided by regulated lawyers can be resolved quickly and with minimum formality.

The OLC is the governing body for the Legal Ombudsman and an Arms Length Body (ALB) of the Ministry of Justice (MoJ). Oversight of the OLC is provided by both the Legal Services Board (LSB) and the Ministry of Justice.

This Annual Report covers the period from April 2020 – March 2021, and therefore covers the period of the Covid-19 pandemic. This Annual Report sets out the impact that this has had on the performance of the scheme and how priorities have been reassessed during the year.

## 1.3 STRATEGIC FRAMEWORK



The Strategic Framework for 2020-23 was set when it was already clear a backlog of cases was developing at the front end of the Legal Ombudsman's service. The Strategy sought to reduce this backlog in a number of ways: reducing the time it takes to resolve a complaint, ensuring the approach identifies those cases where an investigation can make a difference, and looking at



ways in which the service can be delivered differently either through alternative dispute resolution models or the use of technology. At the same time the Strategy recognised the need to invest in both policy and learning and insight work, using the experience from casework to drive improvements in the sector and increase service providers ability to resolve complaints themselves.

Three Strategic Objectives were set with the aim of moving the Legal Ombudsman to a position of sustainable performance, delivering the right level of service for consumers and service providers. The Business Priorities for 2020/21 were put in place within this framework and prior to Covid-19. The Performance Report sets out how these priorities developed during the year, taking into account the impact of the pandemic on the Legal Ombudsman.

## Strategic objectives 2020/23

## Business Plan priorities 2020/21

# 1

Improving the experience of our service for complainants and service providers while using our expertise to guide and add value to the complaints journey.



Improve the efficiency of the front end of our business process.



Continue with existing initiatives to improve front-end assessment and smooth flow of cases through the resolution process.

# 2

Developing our service to ensure it is appropriate for the evolving legal sector



Focus on what improved customer service looks like at Legal Ombudsman.



Maintain and develop Management Information and Business Intelligence in line with business requirements



Support improved operational performance through tailored development plans to build skills and expertise.

# 3

Increasing the transparency and impact of our casework to support greater access to justice.



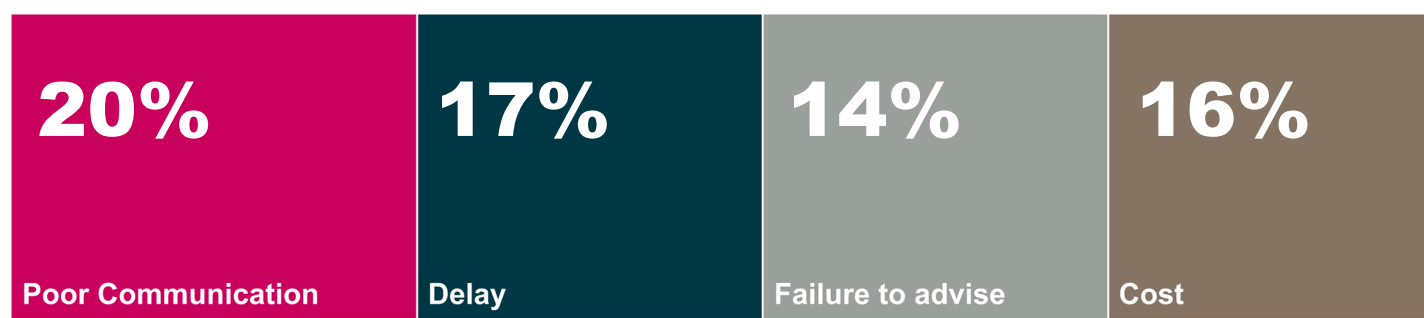
Develop our organisational learning strategy to facilitate internal learning and feedback to the sector.

## 1.4 WHAT DIFFERENCE HAS THE SCHEME MADE?

### Our process



### Upheld complaints



### 1.4.1 The Legal Ombudsman works through a number of teams:



Each year this team respond to over 100,000 queries from consumers and service providers. They are the first point of contact for the majority of people who use the service and have a valuable role in helping people to make complaints, answering consumers initial questions about the process and checking complaints to ensure it is a case the Legal Ombudsman can investigate.

Many staff are Investigators. The majority of the work on complaints is undertaken by the team of Investigators. Their role involves reviewing and analysing what can sometimes be quite complex evidence bundles through to building relationships with the parties to a complaint in order to try to agree an outcome.



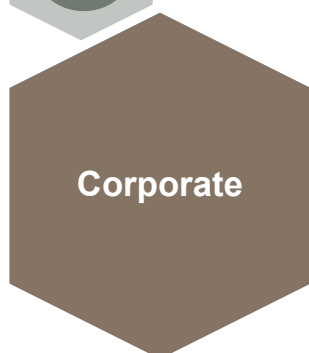
An Ombudsman will review a case if the parties can't reach an agreement. If this happens, they write a report and make a final decision. Once this is completed, and if the consumer accepts the decision, it is a formal and binding decision.



Vulnerable Customer Champions are there to support consumers and service providers who need extra help to access and properly use the complaints process.



The Corporate team underpin the key functions of all the ombudsman's work from HR and finance through to Business Intelligence and data analysis.



This team is responsible for the assessing the quality of the Legal Ombudsman's investigation work. They look at how investigations are conducted and what the organisation needs to learn from and improve. They also consider complaints about the service provided by the Legal Ombudsman.



### 1.4.2 Impact of the Legal Ombudsman

The stories below focus on the consumers and service providers that Legal Ombudsman teams have helped during the year.

#### Supporting a vulnerable consumer



*Vulnerable Customer Champion Katie Ayre shares how she supported an elderly customer struggling to get her provider to recognise her complaint and the significant financial loss she had suffered.*

The customer contacted me with a complaint about a Law Centre who told her she had a year longer than she had to take a matter to court. This meant she lost out on the potential to claim £6,500 in damages for work done to her property.

The Law Centre initially told her she couldn't complain over the phone and the Legal Ombudsman had no jurisdiction. They repeated this when I first contacted them however my investigations showed their policy did allow verbal complaints. As the adviser was supervised by a regulated solicitor meaning we could look at the complaint.

It took a substantial amount of time, including advice from our ombudsman, to convince the Law Centre the complaint was one we could accept. After making an initial offer of £1,000 the matter was referred to their insurers who advised them to pay £6,000.

This is a good example of how important the Legal Ombudsman can be to consumers who would otherwise have struggled to receive a fair outcome to what was a justified complaint.

#### Working with the regulators



*Investigator Claire Orzel shares her story of working with the Solicitors Regulation Authority (SRA) to protect the consumer's interest.*

I received cases from two different consumers complaining about the same firm and about similar sorts of issues. Both consumers had been told that their cases were covered by insurance so it would not cost them anything. They were shocked several months later when High Court Enforcement Officers came to recover the defendant's costs. They later learned that the defendant had been chasing the firm for their costs, but the correspondence had not been dealt with.

As well as being a complaint about the service the firm provided it raised issues for me about the conduct of the firm. I made a misconduct referral to the SRA who acted quickly, and I worked with them whilst they did a spot check to verify whether the documentation on file matched what had been sent to the Legal Ombudsman. The visit showed that the documentation had been created just for the investigation.

My investigations confirmed there was poor service, and the SRA's work led to the firm being closed down and the solicitor struck off. In addition, the joint work of both organisations means consumers will be protected from this solicitor and firm.

## Fair costs for probate



*Ombudsman James Lalor shares a decision he recently had to make where a service providers initial quote for administering an estate was far from the final invoice.*

The Legal Ombudsman was approached by the beneficiaries of an estate who were upset the final costs of administering the estate were three times more than the original estimate.

The information provided as part of the complaint showed the estimate of £12,000 was quickly exceeded in just over a month. When the Legal Ombudsman looks at a case it always takes into account an estimate can never be completely accurate, but it should be as precise a figure as possible considering what was known about the work at that point. As it had been exceeded so quickly, I concluded the firm had not exercised a reasonable level of care when they provided the estimate. The service provider felt there were unforeseen complications with the estate, but I was unable to find anything that was unusually complex or could not have been taken into account from the beginning.

The service providers had not told the beneficiaries the original estimate had been exceeded so they only found out the full costs when they saw the final estate accounts.

As there were no mitigating circumstances to explain the difference between the original estimate and final quote, I decided the service providers should reduce their bill back to the original estimate, a reduction of over £30,000.

This was a significant reduction, and a situation where without the support of the Legal Ombudsman the beneficiaries would have lost out on a large proportion of the estate.

## Negotiating a successful outcome



*The Legal Team shares an example where they supported the successful conclusion of a case from the decision stage through to ensuring the remedy was paid.*

The Legal Team become involved in cases when a service provider does not cooperate with the process or a judicial review claim is made. In this case the Legal Team supported the process from an earlier stage, providing advice on the interpretation of immigration law which was central to the final decision on the complaint.

The service providers challenged the decision and then made an application for judicial review. The team successfully defended the claim which meant the final decision was upheld and the remedy of £8,000 for the complainant needed to be paid.

Because it was a large remedy the team negotiated instalment payments and continued to intervene to ensure the payment plan was adhered to, and the complainant received the right remedy.



# Section 2: Performance report

## 2.1 FOREWORD FROM THE CHIEF OMBUDSMAN



As with other organisations and sectors this year, the Covid-19 pandemic has significantly impacted on the Legal Ombudsman and our staff and the ability of the legal sector to respond to complaints.

In this Performance Report we make it clear there is much for the Legal Ombudsman to do to recover and move to a position of stable and sustainable performance - and to deliver the level of service that customers should expect from us.

The organisation was able to swiftly move to home working at the beginning of pandemic with our service remaining open and our teams continuing to close cases, resolve complaints for consumers and service providers and deliver learning courses for the sector.

Our performance has suffered, however, and the clearest impact of Covid-19 has been the doubling of the backlog at the pre-assessment stage of our process and the number of people (both consumers and legal service providers) waiting to access our service. At the time of the 2019/20 annual report this figure was at 2,464. At the end of March 2021 this figure stands at 4,829 and the Legal Ombudsman has closed significantly fewer cases: 4,562 in 2020/21, down from 6,343 in 2019/20. This is clearly an unacceptable position and my focus since joining in January 2021 has been developing and implementing plans for recovery and to reduce the numbers of people waiting. This is the primary focus of our Business Plan for 2021/22 which places the backlog and speeding up our process as critical and central priorities. All of us at the Legal Ombudsman are committed to delivering on this.

We have been open with stakeholders about our position and the need for recovery. Our recovery planning is progressing, and we have seen steady signs that our performance is starting to recover with the level of case closures continuing to exceed pre-pandemic levels. This is a reason for cautious optimism although there is much to do.

Despite the challenges of this year, it is important to reflect on progress. One clear area of progress in 2020/21 was the substantial work undertaken to enhance our Business Intelligence modelling and ensure this allows us to better understand performance and how this can be monitored and managed more effectively. We have worked with OLC Board members through our Performance and Quality Task and Finish Group to test our modelling to ensure it is robust and puts us in the best possible position to forecast performance accurately and with confidence. We have worked closely with the MoJ and LSB and the resulting Agreed Data Set now forms the basis of our reporting on performance. To meet our commitment to transparency and accountability we will continue to seek ways to enhance our reporting on performance with a wider range of stakeholders.

Our people are absolutely central to our plans for recovery. We previously reported that staff morale had hit its lowest in 2019/20. I am pleased to see considerable improvements in the annual staff engagement survey for 2020/21 and that staff turnover has reduced significantly. There is still a way to go and we will monitor these with a degree of caution. As our focus has moved to reducing the backlog over recent months, we have been fully committed to engaging and working effectively with our people to achieve this.

2020/21 has been a challenging year for the Legal Ombudsman and I am very aware of the scale of the challenge that continues to face us. I am, however, confident that, with the commitment of our people, our 2021/22 Business Plan will provide the basis for recovery and stability and for delivering the essential improvements needed to build confidence in our service.



**Paul McFadden**

Chief Ombudsman

09 July 2021

## 2.2 RESPONDING TO COVID

The Covid-19 pandemic has had wide reaching effects for us all, including across the legal sector. The Legal Ombudsman's plans and performance for 2020/21 were significantly impacted, and further details are outlined in the performance section and the remainder of this report. It is important to highlight that the Legal Ombudsman's service remained fully open and continued to serve our customers throughout the pandemic and the various restrictions and periods of lockdown. Doing so represented a considerable challenge and was only possible due to the swift and successful transfer to home working and the commitment and cooperation of staff, many of whom were faced with their own individual challenges requiring them to combine work and caring responsibilities during an extremely challenging period, to continue to deliver a service to customers.

### Changing working model

In early 2020, the Legal Ombudsman moved to an interim home working operating model. Ensuring all staff had access to the necessary equipment in their respective places of work, were DSE compliant and other reasonable adjustments were catered for, was a significant logistical challenge for the organisation; but one that was successfully managed. The financial implications of delivering these changes are set out below.

### Financial Implications

Capital Expenditure Spend	Capital Expenditure	Revenue Expenditure
Additional IT equipment and furniture to comply with DSE legislation and to allow safe home working	£27,000	
Replace end-of-life desktop PC with laptops to support the new working arrangements	£43,000	
Office safety upgrades	£2,000	
Air conditioning		£3,000
Office signage and cleaning		£2,000
Delivery costs		£3,000
Home / office equipment not capitalised		£3,000
<b>TOTAL</b>	<b>£72,000</b>	<b>£11,000</b>

## Impact on operational performance

Although the Legal Ombudsman remained open and continued to provide a service to its customers throughout the year, operational performance has been significantly affected. At its peak there was a reduction in the Legal Ombudsman's overall productivity of around 33%. This has meant the number of customers waiting for an investigation to commence increased from 2,464 at the start of the financial year to 4,829 at the end of the year. The number of cases closed in year has also reduced from the original forecast of 6,342 to 4,702.

There are several reasons for this including:



**Impact on staff.** Staff have balanced and adapted to the challenges of combining work commitments with caring responsibilities, home-schooling and in some cases Covid itself.

The Legal Ombudsman provided staff continued access to flexible working in order to balance caring responsibilities with work and, in line with guidance from the Ministry of Justice, where exceptional circumstances prevented them from working the option of paid special leave was made available.

As the year has progressed the impact on the wellbeing and mental health of some staff has become apparent. The welfare of Legal Ombudsman staff remains an absolute priority and support has been provided through the Wellbeing champions and the organisations Employee Assistance Programme.

Where required the Legal Ombudsman has taken steps to provide a Covid-safe office environment for the small number of staff whose health and wellbeing have been adversely impacted by working at home on a permanent basis.



**Impact on the profession.** In the early stages of the pandemic a number of service providers struggled to engage with the Legal Ombudsman, which resulted in a higher number of investigations being suspended or time extensions being provided which impacted the length of time taken to resolve cases and the number of cases that could be concluded in the early part of the year. There are usually approximately 160 suspended investigations, but at its highest this reached 300 during the year. As the year progressed service providers adapted to the challenges Covid-19 presented and as a result the need for investigations to be suspended has declined to levels seen in previous years.



**Impact on demand.** The number of new contacts being made to the Legal Ombudsman over the course of the year has not shown any significant variation on previous years although there has been a channel shift with more new contacts coming in by way of email and the Customer Assessment Tool as opposed to telephone-based contact.

The Legal Ombudsman has invested significant time and resource during this year to analyse and understand the impact of Covid-19 on its staff and capacity. As the year has progressed the Legal Ombudsman has seen the negative impacts of Covid-19 reduce. Significantly, the levels of

absence or loss of capacity due to caring responsibilities, directly attributable to Covid-19, started to return to pre-Covid levels from September.

Throughout the year the Legal Ombudsman has continued to deliver on its commitment to provide knowledge, learning and insight to the sector. Covid-19 restrictions have meant it has not been possible for the Legal Ombudsman to deliver its usual suite of face-to-face courses, seminars and workshops. Instead, those sessions have been successfully delivered virtually, gaining positive feedback from the sector. The Legal Ombudsman also took the step of providing guidance to the sector on dealing with customers and complaints during the pandemic and modifying its own expectations of good complaint handling in light of the challenges Covid-19 presented to the sector.

## 2.3 PERFORMANCE ANALYSIS

The performance analysis in this section sets out how the Legal Ombudsman has progressed against Business Plan priorities for 2020/21. This year the primary focus has been on delivering Strategic Objective One and this is reflected in the performance reporting below.

### Strategic Objective One:

**Improving the experience of our service for complainants and service providers while using our expertise to guide and add value to the complaints journey.**

2020/21 Key Priorities	Progress
<i>Continue with existing initiatives to improve front-end assessment and smooth flow of cases through the resolution process</i>	<p><b>In progress</b></p> <p>The number of customers waiting for an investigation to start increased from 2,464 (1 April 2020) to 4,829 (1 April 2021).</p> <p>Due to Covid-19 the priority shifted to maintaining a service to all. However key work took place to improve the front-end assessment including:</p> <ul style="list-style-type: none"> <li>• New website and online complaint form allowing more consumers to submit complaints online. Resulting in an increase from 540 online forms per month, to 670 per month.</li> <li>• Reallocation of team resources to adapt to channel shift in consumer communication away from phone towards emails and online forms.</li> <li>• Testing of initiative to identify and dismiss complaints at an earlier stage of the process.</li> </ul>
<i>Developing a recovery plan for the increased backlog*</i>	<p><b>Achieved</b></p> <p>Developed in Q4 for implementation at start of next financial year.</p>

**Improved operational forecasting****Achieved**

The Operational Forecasting Model has been developed and rigorously tested with the Performance and Quality Task and Finish Group to build confidence in its use and accuracy.

This has led to the Agreed Data Set which will provide further insight into performance.

*\* It became a priority to develop a recovery plan due to Covid-19 and the increase in the backlog of people waiting to use the service.*

Last year's Annual Report highlighted a range of challenges which were impacting customers experience of the Legal Ombudsman's service. These included a developing backlog of complaints, lack of consistency in performance, and low staff morale.

This performance report shows that whilst the backlog has continued to grow (as a result of Covid-19 and the ongoing impact on staff resources), there has been gradual improvement in performance towards the end of the business year, a notable increase in staff morale and significant investment in developing and beginning to implement a recovery plan.

*"The only negative side was the length of time it has taken to get around to my complaint. Other than that, my experience is extremely good."*

By April 2020, the beginning of the business year, the full impact of the Covid-19 pandemic was beginning to be felt. This prevented the organisation from addressing its operational challenges as planned and the emphasis shifted in the early part of the year to maintaining operations. The Legal Ombudsman kept its doors open to customers, and accepted cases throughout, but the ability to progress them in a timely way reduced throughout the year. This can be seen in the increasing numbers of customer cases in the backlog, the customer journey time and the reduced level of case closures. Despite replanning and reforecasting intended outcomes, productivity reduced, and the backlog of cases grew.

		1 Apr-20	1 Apr-21
	Number in Pre-assessment Pool	2,464	4,829
	Accepted cases	6,425	4,573
	Closed cases	6,384	4,702

*Figures calculated on an annual basis*

		Apr-20	Mar-21
<b>Average days to close...</b>	Low complexity case	182	285
	Medium complexity case	281	372
	High complexity case	526	616

*Figures calculated at end of each month*

Whilst the timeliness of investigations and rate of closures have been affected the data from Customer Satisfaction Surveys shows customers still have a positive view of the service they receive. For those consumers who were satisfied with the outcome of their case over 90% were satisfied with the Legal Ombudsman, and similarly over 80% of service providers were also satisfied.

*“Once my case was looked at I’ve been happy with the service but the time it takes to get a case assessed is not ideal.”*

However, whilst consumers and service providers are generally content with the quality of the interactions they have with the Legal Ombudsman, the surveys also show that they are unhappy with the delay in their investigation starting.

Reducing the backlog and the time customers have to wait for an investigation to begin has been a key focus of work in the latter part of the year. A recovery plan has been put in place, developed in partnership with staff, and implementation began in Q4. In addition, there is investment in the leadership cohort to upskill and consolidate learning which will in turn support effective delivery across the business. There are ongoing pilots to test proof of concept as well as some smaller, low risk changes which have already started. The impact of these will be seen in 2021/22.

The final quarter of the business year, January – March 2021, saw results in line with revised assumptions and which for March 2021 are higher than 2020. Case closure assumptions have been achieved or exceeded and the productivity of the investigator community has increased.

Central to managing performance and developing recovery plans is rigorous Business Intelligence. Significant investment has been made in this during the year providing senior management with greater insight into operational performance and delivery. The Business Intelligence and operational forecasting has been tested and reviewed through the joint OLC and Legal Ombudsman Performance and Quality Task and Finish Group. This also led to the creation of an Agreed Data Set which provides a fully transparent, shared view of operational delivery and performance.

### Key Performance Indicators (KPI)

The [performance section](#) of the Legal Ombudsman website sets out the full range of KPI’s and explanation of how the data is gathered. The KPI’s form part of a wider Agreed Data Set which are used by the OLC to monitor the progress of the Legal Ombudsman.

### Volume of cases awaiting assessment

This KPI measures the number of people waiting for their complaint to be assessed and accepted for investigation. As set out above this shows a steady increase in the number of cases in the backlog.

	1 July 20	1 Oct 20	1 Jan 21	1 April 21
<b>Volume of cases</b>	3,603	4,160	4,500	4,829

### Customer Journey Time

This KPI measures the average length of time it takes for a complaint to be resolved. It includes the time that cases are currently waiting for assessment and the investigation time. As set out in the Performance Report the information below highlights the impact of Covid-19 on the overall time taken to resolve complaints for people. The recovery plan focuses on stabilising and reducing these figures.

Average days to close	June 20	Sep 20	Dec 20	Mar 21
<b>Low complexity</b>	204	222	248	285
<b>Medium complexity</b>	306	312	325	372
<b>High complexity*</b>	547	676	458	616



*\*The number of high complexity cases being dealt with at any one time is small and therefore the average figure for a high complexity case can be affected by one or two particularly complex matters.*

### Value for money

The Legal Ombudsman remains committed to achieving and demonstrating value for money in the way the service is run. The unit cost is calculated by dividing the total cost of operating the ombudsman scheme by the number of cases concluded. The increase in the unit cost is therefore attributable to the reduced number of case closures.

From 2021/22 the Legal Ombudsman will use an alternative set of measures to demonstrate value for money as the current model focuses solely on the work of the Operational Delivery team and is not representative of the work of the whole organisation. The Legal Ombudsman will use the 4 E's model (Economy, Efficiency, Effectiveness and Equity) adopted and recommended by the National Audit Office (NAO). The Agreed Data Set will form the basis for developing this model.

Legal Services Activities	2020/21	2019/20
Total cost of the ombudsman scheme (A) £'m	13.16	12.30
Total cases resolved during the year (B)	4,704	6,384
Unit cost all cases (A divided by B) £	2,798	1,927

### Strategic Objective Two:

#### Developing our service to ensure it is appropriate for the evolving legal sector.

Business plan priority	Progress
<i>Focus on what improved customer service looks like at the Legal Ombudsman.</i>	<b>In progress</b> Focus on trialling projects to reduce the customer journey time such as Robotic Processing of complaint forms and identifying cases in the backlog that don't require full investigation.
<i>Support improved operational performance through tailored development plans to build skills and experience.</i>	<b>In progress</b> Development programme underway to upskill team leaders and develop cultural change.

This year saw the initiation of a programme of work with the Legal Ombudsman's IT partners to explore how innovation technology and disruptive processes can improve a range of aspects of the Legal Ombudsman's work. The work has focused on identifying areas of the business process where efficiencies can be gained from using technology to undertake manual processes, and in doing so free up people to support customers in more complex areas. This includes Robotic Processing Automation (RPA) which transfers complaint forms directly into the case management system. The testing of this has taken place and will be delivered in the first quarter of 2021/22.

As well as RPA, further innovations have been scoped including technology which supports the review of large volumes of case evidence. These will be further developed in 2021/22 and support the delivery of business priorities by speeding up and automating processes and providing a better service to customers.

Additional projects during the year have piloted approaches to reducing the backlog, these will be taken forward under the backlog recovery plan in 2021/22. In addition, the Legal Ombudsman has kept up to date with developments in the ombudsman sector on Online Dispute Resolution products. This work is at the initial stages, and not yet reflected in this performance report, but is informing work in 2021/22 as the Legal Ombudsman looks at alternative models of service delivery.

### Strategic Objective Three:

#### Increasing the transparency and impact of our casework to support greater access to justice.

Business plan priority

#### Progress

*Develop collaborative stakeholder relationships through greater sharing of data and learning*

#### *In progress*

This is an ongoing programme of work which has commenced with website development.

*Develop our organisational learning strategy to facilitate internal learning and feedback to the sector*

#### *In progress*

Plans developed but implementation delayed due to Covid-19.

Learning and Insight work at the Legal Ombudsman covers training courses on complaints handling, guidance and resources and policy development.

Over the last year training has moved online with courses being delivered to over 350 participants during the year and covered topics such as the key drivers of complaints, best practice in complaints handling and understanding the Legal Ombudsman process.

*"We changed our procedures in light of this matter and now make sure that we tell clients about the problems we may face and manage them effectively, so the complaint allowed us to learn a lesson and if the client hadn't written in we may have duplicated this same problem over and over."*

This year the portfolio of training has been extended to include smaller focused sessions

*"The opportunity to have a one-to-one discussion with you as an Ombudsman was invaluable."*

with service providers which gives an opportunity to look at the individual complaints process, how they respond to complaints and offer tailored advice. A focus on tailored advice will continue going forward.

In September 2020 a new Legal Ombudsman website was launched. This will provide a better platform for sharing complaints handling resources and guidance as well as key performance information about the scheme. The new platform also delivers improvements to the online complaint form which has led to an increase in the number of

consumers submitting complaints online.

The scheme has kept up to date with ongoing discussions in the sector, including participating in online conferences on areas such as transparency and supporting consumer choice. Next year Transparency and Reporting Impact will be the focus of policy work.

## Key Performance Indicators

### Value of guidance and training

This KPI measures service providers views of the guidance and training provided by the Legal Ombudsman. It is measured annually through service providers responses to the Customer Satisfaction Survey.

	2018/19		2019/20		2020/21	
	Relevant	Useful	Relevant	Useful	Relevant	Useful
<b>How would you rate our guidance?</b>	79%	80%	80%	81%	75%	77%
<b>How would you rate our training?</b>	76%	76%	84%	82%	60%	65%

### Learning and insight

This KPI measures stakeholders' views of how well Legal Ombudsman is sharing learning and insight with stakeholder bodies such as regulators and professional associations, as well as with service providers. It is measured annually through a Stakeholder Survey. The responses this year show a decrease in the KPI. This may be due to less visibility of online training or a wish for more information about areas related to the Legal Ombudsman's performance.

Over the last 12 months	2018/19	2019/20	2020/21
<b>% of stakeholders agree we have effectively shared learning/insights with them</b>	68%	87%	73%
<b>% of stakeholders agree we have effectively shared learning/insights with service providers</b>	79%	93%	73%

## 2.4 PEOPLE AND ORGANISATION

During 2019/20, and going into 2020/21, the Legal Ombudsman had a range of challenges related to working with staff. These challenges included: high levels of attrition, low levels of morale and significant variations in individual productivity levels which was having an impact on the overall performance of the organisation. An underlying reason for this was a target driven culture which placed case closures at a premium.

A People Plan was developed to begin to respond to these challenges but has subsequently been revised during the year to take into account the impact of Covid-19 and the subsequent changes in working practice and needs of the staff and organisation.

The People Plan has been developed in collaboration with a wide range of staff groups to use their collective knowledge of the organisation and build a more inclusive culture. It is organised into the following projects:



As the year has progressed two key areas of focus have been supporting the wellbeing of staff and defining how performance will be managed moving forward.

As with many organisations, the wellbeing of staff has been of paramount importance over the last year. In the early months of year there was a clear direction to ensure that staff could balance their work and caring responsibilities, and (as set out earlier in this report) special leave was granted where necessary. The Legal Ombudsman already had a network of Wellbeing Champions who have been a source of vital support for many across the year. Further champions have been trained this year, and in addition the roll-out of a Team Leader Development programme began.

The Team Leader Development Programme covers a range of areas. Equipping Team Leaders to support the mental health of team members is a key focus of the training, as this is responsible for a high level of absence. They are also being trained to support a revised way of managing performance which still acknowledges the importance of closure targets and productivity levels, but balances this with valuing customer service and individual wellbeing.

This support, alongside commitment from the new Senior Leadership to work collaboratively with staff is expected to deliver progress in the next business year.

The annual results from the annual Civil Service People Survey were positive. The survey response rate was 82%, a significant increase on last year (2019 - 57% response rate), and there were positive increases across all themes. For example: overall engagement, pride in the job and organisation and a positive reduction in the number of staff feeling bullied and harassed.

Whilst this shows positive progress, there is more work to be done to come into line with other ALB's and the wider Civil Service. The KPI figures below also show a notable decrease in the rolling annual turnover rate, but a longer term view is needed to fully understand the impact of Covid-19 on this figure.

### 2.4.1 Equality, Diversity and Inclusion

The Legal Ombudsman has an active group of staff networks who support colleagues and raise awareness on a range of issues. This year the networks have enabled the organisation to support events such as LGBTQ+ week, Black History Month, Disability Awareness week, and shared information about a range of religious festivals. At key points, staff have also shared their experience and insights on Black Lives Matter, encouraging both individuals and the organisation to do more to prioritise this conversation. Staff from the BAME network attended an OLC Board meeting to discuss the importance of racial injustice and organisational commitment to equality, diversity and inclusion.

The Legal Ombudsman signed up to the Race at Work Charter, as part of its RACE Action Plan commitment, and updated its zero tolerance statement on Bullying, Harassment and Discrimination. The appointment of an Equality Diversity and Inclusion Manager early in 2021/22 recognises there is more work for the Legal Ombudsman to do, and the early focus of this role will be to develop a strategy for embedding Equality Priority Objectives in all areas of work.

#### Key Performance Indicator

This KPI measures the total number of people who voluntarily decide to leave each month. The reduction in turnover rate is likely to be primarily due to Covid-19 and ongoing economic uncertainty. It is calculated on both a quarterly and annual basis.

People and culture indicators	2019/20	2020/21	Target
Rolling annual turnover rate	20.9%	9.9%	<18%

## 2.5 OTHER REPORTING

### 2.5.1 Environmental matters

The OLC is committed to working with its suppliers and employees to ensure it takes proper account of the impact of all its activities on the environment.

The office location, design and infrastructure are designed to be sustainable. Over the last year most staff have worked permanently from home due to Covid-19 which has led to reduced use of the office and resources. Environmental matters and office footprint will be taken into consideration as decisions are made about the future working model for the organisation.

### 2.5.2 Capital expenditure

In 2020/21 the OLC had a capital expenditure budget of £250k. Total expenditure was £244k.

The capital investment included: Case Management System (CMS) and Website System Enhancements, CMS small changes, DSE and Home working, AI Implementation, BI work, Infrastructure & Equipment upgrade, Office and Environment upgrades.

### 2.5.3 Payment of creditors

The OLC is committed to paying supplier invoices by the due date (or within 30 days of receipt if no due date has been agreed) and to deal with payment queries promptly, ensuring any undue delay is notified to the supplier in a timely fashion. 34% of invoices were paid within agreed

terms in 2020/21 (2019/20: 98%) and the average number of days taken to pay creditors was 39 days (2019/20: 15 days).

The move to remote working has hampered the ability of the Finance Team to ensure invoices are authorised in a timely way and chase authorisers. This was most felt in Q1 when there was a staffing shortage in Finance and not all invoices were received electronically from suppliers. Whilst performance improved in Q2 and Q3, staffing changes also led to delays in Q4. Improvements to the process have now been implemented to minimise delays, and this will be closely monitored in 2021/22.

#### **2.5.4 Counter-fraud, corruption and bribery**

Fraud is a significant risk to the UK public sector with far-reaching financial and reputational consequences. Recently the National Audit Office (NAO) has challenged the government to do more about this hidden crime.

The purpose of the government functional standard is to set the expectations for the management of fraud, bribery and corruption risk in government organisations. The Functional Standard(s) for Counter Fraud were developed by a senior group of fraud experts in government, approved by the Finance Leaders Group and launched by the Minister for the Constitution in 2017. The standard applies to all government departments and their Arm's Length Bodies (ALBs).

The OLC have been working with the MoJ Counter Fraud Centre of Expertise to ensure that exposure to the risk of fraud is minimised, and to ensure that the Anti-Fraud Policy and Fraud Risk Assessment remains fit for purpose.

As part of the measures to prevent fraud the GovS Annual Assurance Checklist is used to assure financial processes.

The newly recruited Risk Manager will be reviewing and updating the Counter Fraud Strategy and Fraud Risk Assessment during 2021/22.

#### **2.5.5 Cyber Security**

Since moving to homeworking, a layered approach to cyber security has been used, concentrating on devices, infrastructure, user awareness and monitoring.

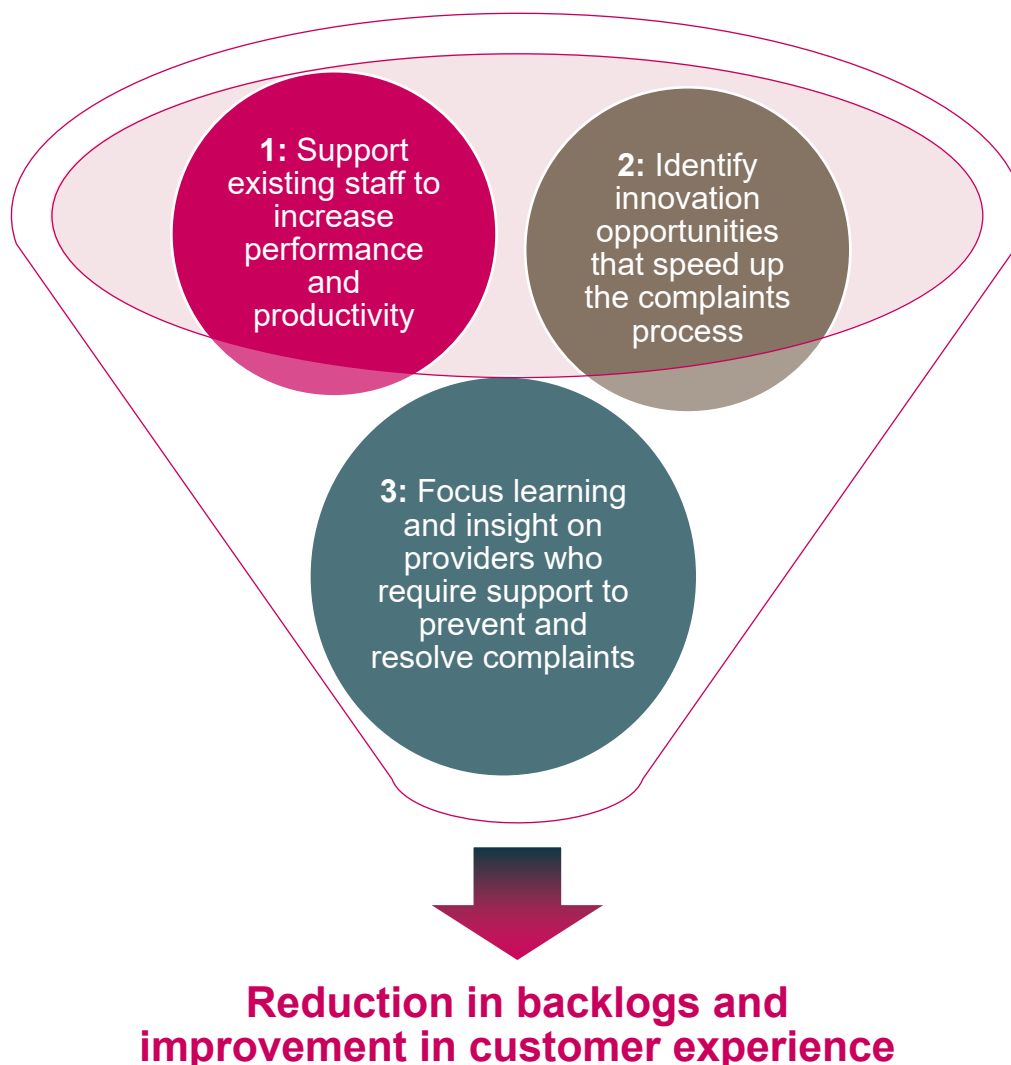
The strategy has been to add protection in layers to complement existing tools and techniques. The primary risks faced from increased homeworking are user carelessness and external attacks (particularly phishing attempts). The focus this year has been on increasing user awareness through guidance notes and workshops as well as preventing attacks using intelligent email protection.



## 2.6 LOOKING FORWARD

The performance reports show that the Legal Ombudsman needs to respond to a range of performance areas to move to a position of stable performance for customers.

The 2021/22 Business Plan and Budget sets out the following priorities:



To achieve these Business Plan priorities an increased budget of £14.471m has been approved (2020/21: £12.808m). The focus during the year will be on delivering urgent recovery and further stabilisation of the Legal Ombudsman's service which will deliver the reductions in backlog and improvement in customer experience.

The backlog is substantial, the aim is to move to a position of stability in 2021/22 and show consistent levels of case closures. These are gradually improving and making an impact on the number of people in the backlog. This will be achieved in several ways:

- Implementing the backlog recovery plan.
- Supporting the performance of operational staff.
- Ongoing development of technology projects to automate administrative tasks.
- Pilot projects to identify alternative ways of resolving low complexity cases.

The Business Plan sets out a minimum expected level of performance based on the forecasting model assumptions. During the first six months of the year pilots will take place, with a particular emphasis on low complexity investigations to determine whether there are alternative resolution processes which are more appropriate for these cases.

Throughout this the emphasis will be on supporting staff to meet performance assumptions and on being transparent with stakeholders about performance. Transparency will be achieved this year in three key ways:

- Wider access to the Agreed Data Set developed alongside the LSB and MoJ to report on our performance. Developing this data set and providing this to a wider range of stakeholders will help develop wider awareness and understanding about performance.
- A mid-year review to account for progress against our priorities and commitments and provide stakeholders with clear analysis of performance throughout the first half of the year
- Establishing a Stakeholder Challenge and Advisory Group with the remit of providing immediate and practical advice and input from a range of stakeholders on our plans for improving our processes and reducing the backlog.



**Paul McFadden**  
Accounting Officer  
09 July 2021

# Section 3: Accountability report

## 3.1 CORPORATE GOVERNANCE REPORT

This report sets out the composition and organisation of the OLC's governance structures and the work that has been undertaken during the year.

### 3.1.1 Directors' report

The Office for Legal Complaints is an Arms Length Body of the MoJ. The OLC has responsibility under the Legal Services Act 2007 to set up and administer a scheme (the Legal Ombudsman) for handling complaints about the legal service providers in England and Wales. The aim of the scheme is to fairly and effectively resolve complaints between consumers and service providers.

The OLC and Legal Ombudsman operate in accordance with the published [Framework Document](#) which sets out the basis for the operating partnership between the OLC, MoJ and LSB. Under the Legal Services Act the LSB is the oversight regulator for the legal sector.

I joined the organisation as Chief Ombudsman and Accounting Officer in January 2021. I am responsible for the day-to-day operations and running of the Legal Ombudsman. I work under the direction of the OLC Board, and as Accounting Officer I am accountable to the MoJ Permanent Secretary and Principal Accounting Officer.

As Accounting Officer, working together with my Executive Team, I have responsibility for operational performance and maintaining an effective system of governance and internal controls that allows the Legal Ombudsman to achieve its aims and objectives, whilst safeguarding the public funds for which I am personally accountable.

### OLC board and composition

Details of the OLC board members can be found at [Our Board | Legal Ombudsman](#).

### Registration of interests

The OLC board members register of disclosable interests can be found at [Registers of interests and expenses | Legal Ombudsman](#).

### Data incidents

The Legal Ombudsman handles a huge range of personal and sensitive information from those who use the service, each year over 100,000 people contact us with information and 38,000 files are set up on the case management system.

The swift move to homeworking led to particular challenges, but actions have been taken to ensure the security of data. This has included:

- Training and guidance regarding safe homeworking practice and cyber security;
- Provision of secure devices for staff to access our information and systems;
- Increased security measures around passwords, multi-factor authentication and remote control of devices; and
- Installation of intelligent filters to reduce likelihood of email-based attacks.

During 2020/21 there were 57 data related incidents of which only one met the threshold for formal reporting to the Information Commissioner's Office (ICO).

Data breach	ICO recommendations	Number of people affected	Notification date
<b>A privileged document (Power of Attorney) from a service provider was disclosed in an evidence bundle with the complainant.</b>	<ul style="list-style-type: none"> <li>Reviewing relevant policies and procedures.</li> <li>Assess new processes and procedures to prevent similar issues occurring in the future.</li> <li>Consider annual refresher training.</li> </ul>	2 people affected	7/08/2020

### Auditors

The MoJ provides internal audit services, through the Government Internal Audit Agency (GIAA) to the OLC. During 2020/21 the cost of audit work was £43,000 +VAT (2019/20: £42,000). The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with Schedule 15, section 26(5) of the Legal Services Act. For the year to 31 March 2021 the C&AG has estimated the costs at £40,000 (2019/20: £40,000). The services provided by the C&AG staff relates only to statutory audit work.

### Going concern

The OLC is a statutory body established by the Legal Services Act 2007. Under the Legal Services Act 2007, the OLC is funded by a levy on the legal profession. Levy funding is provided by the Approved Regulators annually in arrears. As at 31 March 2021, the OLC has enough cash resources to meet anticipated expenditure for financial year ending 31 March 2022 and other net liabilities.

### Format of accounts

These accounts have been prepared in a form directed by the Lord Chancellor and Secretary of State for Justice with approval of HM Treasury and in accordance with the Legal Services Act 2007.

## 3.1.2 Statement of Accounting Officers Responsibility

As Accounting Officer I am personally responsible for the propriety and regularity of the public finances for which I, as Accounting Officer, am answerable, for keeping proper records, and for safeguarding the OLC's assets. These responsibilities are set out in the Accounting Officer Memorandum issued by HM Treasury (published in Managing Public Money).

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Lord Chancellor with the approval of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

I confirm that I have taken all reasonable steps to make myself aware of any required audit information, and so far as I am aware, there is no relevant audit information which has not been disclosed to the auditors.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.



**Paul McFadden**  
Accounting Officer  
09 July 2021

### 3.1.3 Governance Statement

The governance statement sets out the basis on which the OLC is governed and managed, and how it is accountable. It identifies the major risks, risk management processes, and the effectiveness of the governance and risk arrangements.

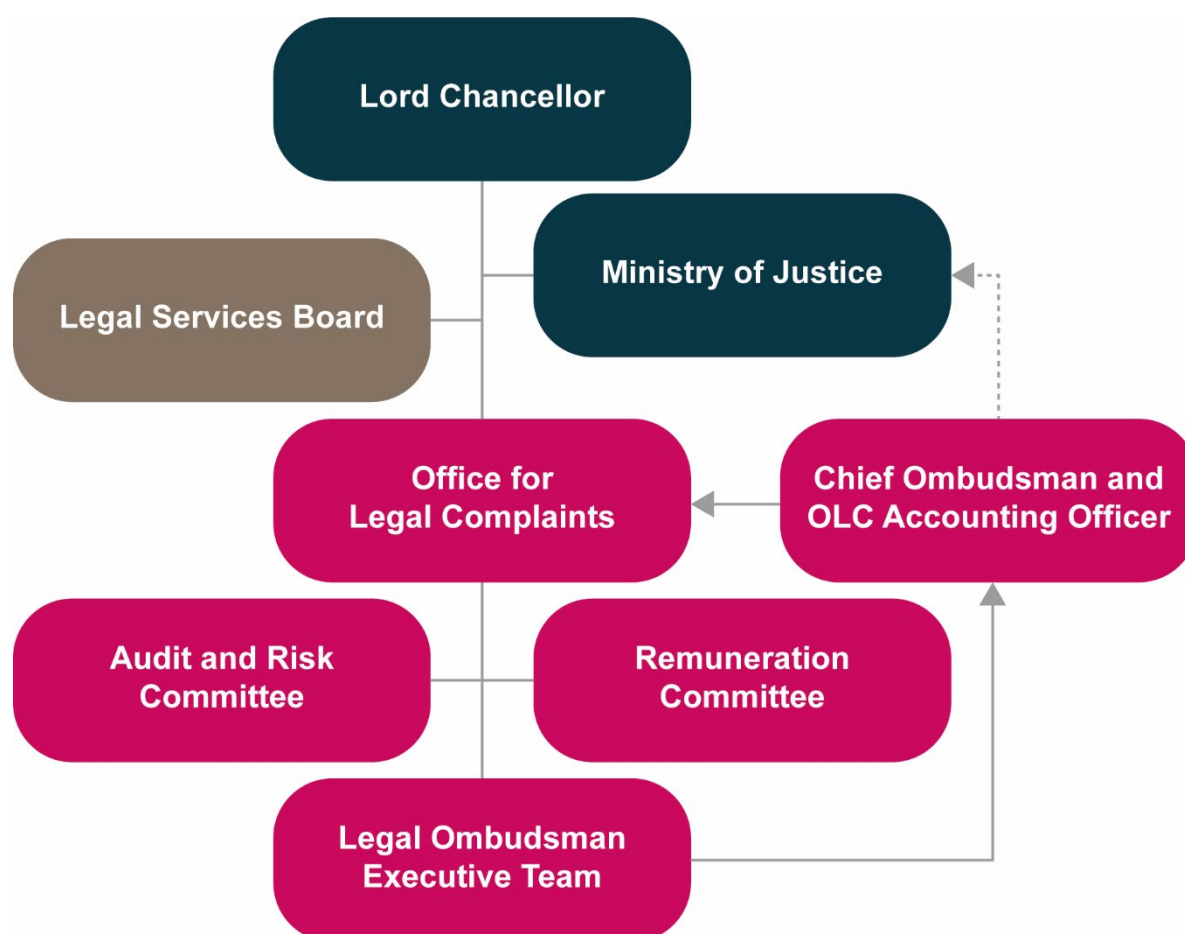
Upon joining the OLC, the Accounting Officer has received support from the Head of Finance, and also from the MoJ Centre of Expertise, and received a full handover from the previous Accounting Officer.

The Head of Finance has worked with the finance team to improve the financial governance and reporting throughout the year. The Executive team have been supported to both develop their knowledge and understanding of financial issues, but also enable them to question and challenge the financial reporting. The interim budget submission demonstrated the close working between the Executive Team.

Regular reporting to the OLC Board has occurred in 2020/21, and the new Chair of ARAC has sought, and received, further information as required to provide him with assurance of appropriate financial management.

The Financial Management audit gives assurance to the Accounting Officer over the processes, accountability and oversight of key financial controls.

## Governance framework and management structure



The OLC is a statutory body accountable to both the Ministry of Justice and the Legal Services Board. The [Tripartite Operating Protocol](#), updated in 2020, sets out how the MoJ, LSB and OLC will work together to discharge their respective responsibilities in relation to the OLC. The protocols set out the following principles which underpin the relationship:

- *General Governance Principles* – clarity on the purpose of each organisation, a proportionate approach to assurance, commitment to sharing skills and expertise, and a partnership approach.
- *Communication and Co-operation* – ensure regular communication and minimise risk of inconsistent messaging.
- *Independence* - respect for the independence of both the LSB and OLC in discharging their statutory duties.

In addition to the Tripartite Operating Protocols, both the LSB and the OLC's Framework Documents make reference to the areas of overlap to ensure there is no confusion over where responsibility lies for areas such as financial oversight (the MoJ) or OLC performance (the LSB).

As an independent Arm's Length Body of the MoJ, the OLC has responsibilities directly to that department, principally through the Accounting Officer role.

The LSB has several responsibilities in respect of the OLC:

- With the consent of the Lord Chancellor, to appoint and (if necessary) remove the OLC Chair;



- After consultation with the Chair, to appoint and (if necessary) remove the other members of the Board;
- Remunerate the OLC Chair and members of the Board;
- Give consent to scheme rules made by the OLC, and where necessary, direct the OLC to take steps to modify its scheme rules;
- Make rules in consultation with the OLC providing for the imposition of a levy on leviable bodies; and
- Approve the annual budget of the OLC, and any subsequent variations to it.

The relationship with the MoJ and LSB is managed through a series of regular meetings which provide ongoing assurance. These include Business Assurance and ISA meetings with the MoJ, and regular senior meetings between the OLC and LSB. The OLC sends a regular Voluntary Assurance letter to the LSB to provide regular updates on a range of areas such as performance and governance.

### Key relationships

While the net funding for the OLC comes from a levy on the legal profession, the OLC's costs are classified as public expenditure. Therefore, the OLC is directly accountable to the MoJ for its financial management. In addition to financial accountabilities to the MoJ, the LSB approves the OLC's budget and oversees the OLC's discharge of its responsibilities for the Legal Ombudsman.

Along with formal governance relationships, the OLC has a broad range of external stakeholders encompassing regulators, other ombudsman schemes and complaint handling bodies, professional associations, service providers and consumer groups/charities. The OLC has working arrangements in place with all of the frontline regulators of legal services, which are set out in a series of Memoranda of Understanding which are available at [Governance agreements | Legal Ombudsman](#).

The OLC has this year focused on ensuring a high level of transparency in its relationships, and in particular building understanding of performance and previous governance issues and joint understanding of how these will be addressed moving forward.

### The effectiveness of the Board and its Committees

The HM Treasury's corporate governance code recommends that an independent evaluation of Board effectiveness be undertaken at least every three years. The Board last commissioned an external independent review in September 2018, which reported to the Board in March 2019. In September 2020 the Board revisited the findings, along with considering wider Board effectiveness issues including:

- The findings relating to Board effectiveness of two Independent Reviews.
- The timing and frequency of Board meetings and the balance between Board meetings and Board workshops and seminars.
- Board development needs.
- Future Board leads and replacing these with a more formal Board Sponsor role.
- Board member remuneration.

A Board development session was held in February 2021 at which the Board considered the following areas for improvement:

- Collegiate working and collective decision making.
- Effective governance for high performing Boards and governance culture.
- Managing the Exec / Non-Exec divide.

In addition each member of the Board receives an annual competency-based appraisal of their performance in quarter four, with appraisals shared with the Legal Services Board, and in advance of every Board meeting the Chair identifies a board member to feedback at the end of the meeting on its effectiveness considering: Which session has worked particularly well during the Board meeting and why? Which paper was particularly useful and why? Where would you suggest there is learning and value in doing things differently in the future?

Findings are minuted and reviewed in the next planning meeting and changes/improvements have been made to:

- Agendas: Taking into account the duration of meetings, the time spent in front of screens as a result of meetings being held remotely during the pandemic, and the flow of Board discussions ensuring sufficient time for debate and decision making.
- Board papers: Ensuring clarity on key messages, the quality of information presented and that papers are distributed to allow sufficient time for Board members to read and digest the information presented.
- Board / Executive boundary: Ensuring Board discussions take place at the strategic level and there is a balance of constructive Board challenge and support to the Executive.

In 2020-2021, one new non-executive Board members was appointed. The new Chair of ARAC began his term on 1 October 2020.

## OLC Board

Office for Legal Complaints	
Terms of Reference	OLC Rules of Procedure
Chair	Elisabeth Davies
Focus areas	<p><b>Budget Learning Review</b> Budget Learning Review considered concerns about 2019/20 budget process. Recommendations included:</p> <ul style="list-style-type: none"> <li>• Adoption of project management structures for business planning year.</li> <li>• Adoption of effective communications strategy.</li> <li>• Establishment of a Performance and Quality Task and Finish Group to assure robustness and integrity of the operational delivery model.</li> <li>• Address lack of senior operational capacity.</li> <li>• Clarify roles of the OLC, LSB and MoJ within the budget acceptance and strategy approval process.</li> </ul> <p>All recommendations have been progressed during the year, resulting in successful adoption of the 2021/22 budget.</p> <p><b>Leadership</b> At the beginning of the year two key senior staff departed. The OLC supported an interim leadership structure through the challenge of managing an organisation during a national pandemic.</p> <p>The OLC recruited and appointed a new Chief Ombudsman and Chief Operating Officer, who took up post in January</p>

	<p>2021, ensuring the appointments addressed previous leadership and performance concerns.</p> <p><b>Investment in governance and stakeholder relationships</b> This has been addressed by the OLC Chair throughout the year and the feedback during the most recent Business Plan and Budget consultation has shown that this has been positively received.</p> <p><b>Integrity of operational modelling</b> The Performance and Quality Task and Finish Group (consisting of OLC Board members and Legal Ombudsman Executive) tested the robustness of the operational delivery model. This has led to the development of the Agreed Data Set which will be used to monitor the performance of the Legal Ombudsman scheme and has been well-received by the MoJ and LSB.</p> <p><b>Performance recovery</b> The OLC maintained oversight of the performance of the Legal Ombudsman through the initial stages of Covid-19 and working towards a staged approach to recovery. The staged approach focused first on stabilising performance and then identifying opportunities for recovery.</p>
Issues covered	<p>Oversight of performance of the OLC against its key performance indicators and tolerances, delivery against the Business Plan, and future performance forecasting.</p> <p>Regular updates on Financial Management and Planning.</p> <p>Created the Performance and Quality Task and Finish Group to review the integrity of operational modelling.</p> <p>Approved key appointments including the Chief Ombudsman and Chief Operating Officer.</p> <p>Held joint session with members of the BAME network to discuss organisational commitment to race equality.</p> <p>Considered:</p> <ul style="list-style-type: none"> <li>• Progress of the People Plan.</li> <li>• Work of the Transparency and Reporting Impact project.</li> <li>• Paper on the Board Effectiveness Review.</li> <li>• Current strategic risks.</li> <li>• Service Complaint Adjudicator's interim report.</li> <li>• Results from the Civil Service Survey.</li> </ul>

<b>Documents approved</b>	<p>Ratified out of committee decision made on 30 March to adopt a standstill budget for 2020/21.</p> <p>Approved:</p> <ul style="list-style-type: none"> <li>• In-year budget submission to the LSB for the year 2020/21.</li> <li>• Business Plan and Budget for April 2021 to March 2022.</li> <li>• Annual Report and Accounts for 2019/20.</li> <li>• Annual Report on the Welsh Language Scheme.</li> <li>• Revised set of Key Performance Indicators and the Agreed Data Set.</li> <li>• Changes to the Scheme of Delegations.</li> <li>• LSB Business Plan consultation</li> </ul>
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In all its work the OLC has had regard to good practice and standards for both the ombudsman and legal sectors. The Legal Ombudsman has continued to be a member of the Ombudsman Association and the OLC takes account of the views of Board members who have experience from other ombudsman schemes.

The OLC Board has regard to the regulatory objectives laid out in the Legal Services Act 2007, and details of the extent to which these have been met is set out in Appendix One of this report.

The OLC is duty bound to comply with HM Treasury *Corporate governance in central government departments: Code of Good Practice (2011)*. As a statutory body, the OLC complies with the Code where it is deemed practical and relevant to its circumstances. The OLC's governance arrangements satisfy the requirements of the main principles that are relevant to OLC and there are no departures to report.

## OLC Committees

<b>Audit and Risk Assurance Committee</b>	
<b>Terms of Reference</b>	Review being undertaken in Q4 2020/21
<b>Role</b>	The Committee supports the OLC and the Accounting Officer by independently reviewing the comprehensiveness and reliability of assurances about governance, risk management, the control environment and the integrity of the financial statements.
<b>Responsibilities</b>	<p>Provide assurance and advice to the Accounting Officer on:</p> <ul style="list-style-type: none"> <li>• Effectiveness of control environment and appropriate mitigations.</li> <li>• Scope of internal and external audit work.</li> <li>• Review and advise on risk assurance reports.</li> <li>• Assure compliance of annual financial statements and arrangements to prevent fraud and corruption.</li> <li>• Advise if matters are believed to be ultra vires.</li> <li>• Undertake stakeholder engagement as per the Whistleblowing Policy.</li> </ul>

<b>Chair</b>	Harindra Punchihewa
<b>Issues covered</b>	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Received regular risk assurance reports incorporating the Assurance Map; status and progress on Internal Audits; update on strategic and business unit risks and Covid-19 related risks.</li> <li>Advised Executive on further developments to the risk assurance framework.</li> </ul> <p><b>Audit</b> Received updates on:</p> <ul style="list-style-type: none"> <li>Effectiveness of internal control systems (internal audit).</li> <li>Delivery of actions from the ICO voluntary Data Protection review.</li> </ul> <p><b>Received following audit report</b></p> <ul style="list-style-type: none"> <li>OLC Audit Completion Report (External).</li> <li>Financial Management (Payments) Audit Report (Internal).</li> <li>Corporate Governance Report (Internal).</li> <li>Risk Management and Assurance Framework Audit Report – phase one (Internal).</li> </ul> <p><b>Audits in progress</b></p> <ul style="list-style-type: none"> <li>Case Progression – phase one. (Concluded, report due in May 2021. Phase two to take place in 2021/22.)</li> <li>Workforce Planning - in progress but not reported on.</li> </ul> <p><b>Other areas</b></p> <ul style="list-style-type: none"> <li>Agreed 2019/20 Annual Report and Accounts.</li> <li>Commenced review of the Committee's Terms of Reference.</li> </ul>
<b>Other areas:</b>	<ul style="list-style-type: none"> <li>Annual Fraud Report</li> <li>Annual review of the Business Continuity Plan report</li> <li>Annual Cyber Security and Monitoring Report</li> <li>Cyber Security Self-Assessment and Infrastructure report</li> <li>Annual Health and Safety Compliance Report</li> <li>Update reports on the Better Records Management Project</li> <li>Information Rights and security Incidents reports</li> <li>Data assurance reports</li> <li>Attestations and single tenders' reports</li> </ul>
<b>Areas for further review:</b>	<ul style="list-style-type: none"> <li>Improve the risk assurance reporting structure with a comprehensive risk assurance map which also includes post mitigation status directly linking to the agreed risk appetite matrix.</li> <li>To implement the agreed methodology and the related action to enhance how ARAC can obtain further assurance on the Budget and Business Planning process.</li> </ul>

<b>Remuneration Committee</b>	
<b>Terms of Reference</b>	Last reviewed 29 June 2020
<b>Role</b>	Provide assurance that the Legal Ombudsman is discharging its responsibilities for the recruitment, retention and motivation of staff equitably.
<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>• Review People Strategy and Plan, including reports on delivery of the plan.</li> <li>• Ensure recruitment and people management policies are fair and lawful.</li> <li>• Oversee arrangements for senior appointments and succession planning.</li> <li>• Ensure terms and conditions of service for all staff are fit for purpose and deliver organisational objectives.</li> <li>• Review remuneration, pensions, benefits, and allowances of the Chief Ombudsman and provide advice to the Chief Ombudsman on the same for Senior Staff.</li> <li>• Provide advice on changes to the organisation's pay structures.</li> </ul>
<b>Chair</b>	Jane Martin
<b>Issues covered</b>	<p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Oversight of Senior Team restructure and implications of interim structure.</li> <li>• Oversight of appointment of Chief Ombudsman and Chief Operating Officer.</li> </ul> <p><b>People Plan</b></p> <ul style="list-style-type: none"> <li>• Development and implementation of the People Plan, providing advice and receiving updates to monitor progress.</li> <li>• Development of People Performance report and further reports at each meeting.</li> <li>• Considered the Civil Service and Pulse Survey results.</li> <li>• Joint meeting with Staff Council.</li> </ul> <p><b>Reward and recognition</b></p> <ul style="list-style-type: none"> <li>• Approved payment of retrospective quarterly awards, end of year performance awards and annual awards.</li> <li>• Agreed approach for 2021/22 Celebrating Success: Reward and Recognition scheme agreeing its future re-evaluation under the People Plan.</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>• Feedback on Equality Priority Objectives for 2021/22.</li> <li>• Monitored implementation of staff appraisal process.</li> <li>• Considered findings of Independent Reviews and oversight of an action plan to address findings. Regular updates to monitor progress of the action plan.</li> <li>• Updated Committee's Terms of Reference.</li> <li>• Reviewed policies that fall within the Committee's remit.</li> </ul>



<b>Reports received:</b>	<ul style="list-style-type: none"> <li>Celebrating Success: Reward and Recognition scheme assurance report.</li> <li>Annual Health and Safety Compliance report</li> </ul>
<b>Areas for further review</b>	<ul style="list-style-type: none"> <li>Ensure continued focus of the People Plan on people issues across the organisation.</li> <li>Finalisation Equality Priority Objectives as swiftly as possible.</li> </ul>

### Category One Publications Committee

The OLC established a Category One Publications Committee to fulfil the functions of the OLC as detailed in its Publishing Decisions Policy. The Committee is intended to guide the OLC in the exercise of its discretion under Section 150 of the Legal Services Act 2007.

The Committee did not meet in 2020/21.

### Attendance for OLC Board and Committees

Schedule 15.1 of the Legal Services Act 2007 requires the OLC Board to consist of a Chair and at least six, but no more than eight, other persons. It must have a lay (non-legal) majority and reflect the experience and knowledge set out in Schedule 15.4.

Member	Term of appointment	OLC Board meetings / seminars	ARAC meetings	RemCo meetings**
<b>Elisabeth Davies</b> Non-Executive Director and OLC Chair	1 April 2020 to 31 March 2023	10/10	5/5*	4/4*
<b>Elisabeth Bellamy</b> Non-Executive Director and Member of RemCo	1 March 2018 to 28 February 2022	10/10		4/4
<b>Rod Bulmer</b> Non-Executive Director and Member of RemCo	1 April 2019 to 31 March 2022	10/10	1/1***	4/4
<b>Rebecca Hilsenrath</b> Non-Executive Director and Member of ARAC	1 April 2020 to 31 March 2021 (second term)	6/10	4/5	
<b>Shrinivas Honap</b> Non-Executive Director and Chair of ARAC	1 April 2019 to 30 September 2020	4/4	3/3	
<b>Annette Lovell</b> Non-Executive Director and Member of ARAC	1 March 2021 to 28 February 2023 (second term)	10/10	5/5	
<b>Jane Martin</b> Non-Executive Director and Chair of RemCo	1 May 2021 to 30 April 2024 (second term)	10/10		4/4
<b>Harindra Punchihewa</b> Non-Executive Director and Chair of ARAC	1 October 2020 to 30 September 2024	6/6	2/2	

\*The OLC Chair attended all ARAC and RemCo meetings as an observer.

\*\*A number of extraordinary RemCo meetings took place between April and June to approve the future leadership structure.

\*\*\*Rod Bulmer was co-opted to ARAC to ensure the quoracy of the March 2020 meeting.

## Risk Management

This section sets out how risk management is assured and the key strategic risks that are being monitored.

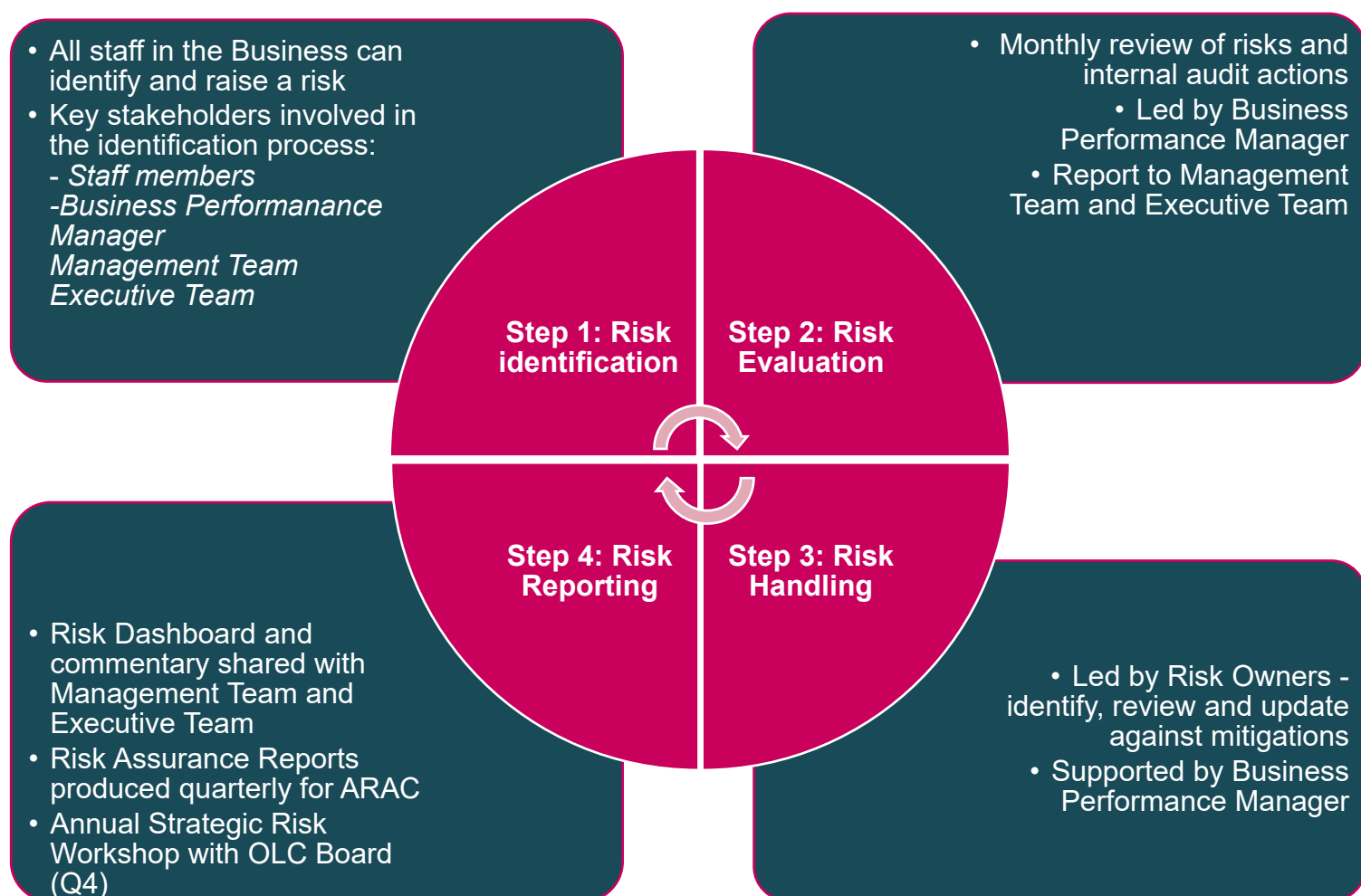
## Risk Assurance

The following model demonstrates how the Legal Ombudsman manages risk: from Risk Identification to Risk Reporting. The risk reporting element of the process also includes a bespoke Risk Dashboard which is shared internally and is used by the Management and Executive Teams as a monthly reporting tool.

The OLC Board's Audit and Risk Committee receives a regular Risk Assurance Report, which includes the latest position on strategic risks, the status of internal audits and progress made on actions arising from them and any escalated business unit risks.

The OLC Board receive an update on strategic risks as part of the annual strategic risk update paper.

The performance section of the report sets out the risks for each business area, which as per the model below are identified and reviewed as part of the Business Performance Review process.



## Strategic risks

The table below summarises the key strategic risks for the Legal Ombudsman during 2020/21, including those related to the impact of Covid-19, long standing performance challenges and

stakeholder and customer confidence in effective organisational leadership and service provision. The strategic risks are reviewed on an annual basis and for 2021/22 will reflect the improvements that have been made this year in governance and the trajectory of operational improvement.

Risk Description	Year-end update	Theme
<p><b>Lack of resilience at a senior level</b>  <i>Departure of key individuals during the past 12 months and recognising the single points of failure and critical roles within the organisation</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• <i>Interim budget submission approval – allowing for key roles to be recruited.</i></li> <li>• <i>People Plan activity – talent and career pathways</i></li> </ul>	<p>This risk has reduced since the start of the year, but further work is required over the coming months which will be driven by the People Plan.</p>	<p>People Reputation</p>
<p><b>Loss of stakeholder confidence in effective organisational leadership</b>  <i>Poor organisational performance and failure to deliver against improvement trajectory.</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• <i>Regular programme of stakeholder engagement by management and executive team</i></li> <li>• <i>Performance &amp; Quality Task &amp; Finish Group – check and challenge of assumptions</i></li> <li>• <i>Implementation of Agreed Data Set – shared with key stakeholders monthly</i></li> </ul>	<p>The risk has reduced following the agreement of the 2021/22 Budget and Business Plan and the implementation of the Agreed Data Set but remains a key priority for 2021/22.</p>	<p>Reputation</p>
<p><b>Coronavirus pandemic impacting on the operation of the Legal Ombudsman</b>  <i>Government guidelines on working from home and managing to ensure we deliver a service to our customers.</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• <i>Office opened for exceptional circumstances to support staff with their mental health and well-being</i></li> <li>• <i>All IT and DSE kit issued to staff</i></li> </ul>	<p>This risk continues to decrease following more positive outlook in line with recent changes to Government guidelines and continued embedment of new ways of working both internally and with service providers.</p>	<p>Reputation Operational</p>

<ul style="list-style-type: none"> <li>Reduced phone hours for GET staff to allow focus on customer correspondence</li> </ul>		
<p><b>Inability to spend within 2020/21 budget</b>  <i>Due to impacts of Covid-19 and budget errors from previous year's budget submission</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>Interim budget application</li> <li>Discipline in organising and monitoring spend</li> </ul>	<p>This risk has been closed following the closure of the 2020/21 accounts ledger.</p>	<p>People</p> <p>Reputation</p> <p>Operational</p> <p>Financial and Governance</p>
<p><b>Levels of staff engagement diminish</b>  <i>Recent senior leadership changes and departures and poor staff engagement survey results.</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>Staff Council revitalised and increased engagement</li> <li>New senior leaders focusing on engaging with staff</li> </ul>	<p>This risk will feature as part of the new suite of strategic risks for 2021/22 and will also be driven by the success of the People Plan.</p>	<p>People</p> <p>Reputation</p> <p>Operational</p>
<p><b>Lack of customer confidence in the Legal Ombudsmans ability to provide effective redress</b>  <i>Poor operational performance and failure to deliver against improvement trajectory.</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>Wait times published on website - managing consumer expectations</li> <li>Improved communication with all customers throughout the process</li> <li>Stakeholder engagement on supporting redress and common trends</li> </ul>	<p>This risk has reduced slightly from the start of the year, however given the case volumes and delays this will continue to be addressed via the People Plan and Business Plan initiatives.</p>	<p>Reputational</p> <p>Operational</p>
<p><b>Failure to secure increased budget for 2021/22</b>  <i>Lack of confidence and/or credibility in plans and assumptions</i></p> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>Two new senior leaders engaging with key stakeholders</li> </ul>	<p>This risk has been closed given the approval of the budget submission in March 2021.</p>	<p>People</p> <p>Reputation</p> <p>Operational</p> <p>Financial and Governance</p>

- *Check and challenge provided by the Performance & Quality – Task & Finish Group*
- *Collaboration with OLC Chair*

*\*Trend based on start of year position vs end of year position*

A project focused on improving the Risk Assurance Framework was established in the last six months of 2020/21. This has led to the implementation of several key enhancements including revised risk reporting templates for more structured reporting and a revised risk matrix to enable more informed and consistently applied assessment against materiality and likelihood. Work is now underway to implement quantitative measures and tolerances which will be monitored to track performance against risk appetite. These activities form part of wider plan based on providing assurance against the Risk Management Framework and align to other activities in train to strengthen the Governance framework.

### Internal audit

The Government Internal Audit Agency (GIAA) delivered the following internal audits for the OLC in 2020/21.

Audit area	Rating	Recommendations
Risk management and Assurance Framework	Limited	Three recommendations (one high and two medium priority)
Corporate Governance	Limited	Five recommendations (four medium and one high priority)
Financial Management	Moderate	Six recommendations (four low priority and two medium priority)
Workforce Planning	Substantial	One recommendation (medium priority)
Case Progression Part 1 (Part 2 of this audit is scheduled for 2021/22).	Moderate	Three recommendations (two low priority and one medium priority)

### GIAA Annual Report and Opinion

The GIAA Annual Report and Opinion for 2020/21 delivered an overall limited assurance rating for the framework of governance, risk management and control within the Office for Legal Complaints for 2020/21. This was based on the internal audit activity conducted during the period and outlined in the reports listed above. A limited assurance means there are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.

GIAA stated that they had identified weaknesses in the key areas of risk management and corporate governance, although acknowledged these weaknesses were offset by more positive audit outcomes elsewhere, particularly in the operational area, and improvements had been made in recent months. At meetings of the OLC Audit and Risk Committee the GIAA clarified in their Annual Report and Opinion that this opinion is based on the operation of the framework throughout the 2020/21 year rather than on the position at year-end.

### Progress and improvements

Significant work has been undertaken over the last six months of 2020/21 to address issues and recommendations raised in these audits and implement agreed actions, including those in

relation to Risk Management and Assurance and Corporate Governance. This includes the work outlined above to develop the approach to the management and control of risk with enhanced strategic focus on risk in the latter stages of 2020/21. A Risk Manager was appointed and joined in March 2021, an important step in enhancing capacity and capability in the area of risk management.

Recommendations and agreed actions from GIAA reports are managed by the Legal Ombudsman and reported to the ARAC quarterly. GIAA have indicated their satisfaction with this process.

A significant number of actions agreed in relation to the report on Corporate Governance have been completed. To address remaining actions a project to review corporate governance has been initiated to undertake a full review of existing governance frameworks, identify gaps and potential improvements and address these.

Reporting on their audit on financial management GIAA stated they were satisfied the OLC's key financial risks are being managed through standard processes, clear accountability and appropriate oversight. GIAA recognised that this represented an improvement in the position over the last year (from 2019/20). Actions agreed in response to this audit's recommendations are being implemented in 2021/22 to strengthen financial management further. The imminent appointment of a Finance Manager, a qualified Accountant with a broad range of accounting experience, will provide additional capacity and capability.

There is need for further improvement in relation to risk assurance and corporate governance but the Legal Ombudsman welcomes the GIAA acknowledgment of improvements made in recent months.

As Accounting Officer, I am confident, based on actions completed and work progressed since I joined the organisation in January 2021, that improvement has been made in the latter stages of the year from the point at which these audits were undertaken and that arrangements continue to be strengthened. I also welcome GIAA's assessment and improvements identified by GIAA in relation to Financial Management.

### **Response to UK withdrawal from EU**

A review of the impact of the UK's withdrawal from the EU on the scheme and jurisdiction was undertaken in 2019/20 which found that there were no significant risks to the scheme. No further work has been undertaken in 2020/21.

### **3.1.4 Conclusion**

As Accounting Officer I am satisfied that the OLC has maintained a functional overall standard of financial governance and control.



**Paul McFadden**

Chief Ombudsman and Accounting Officer

09 July 2021



## 3.2 REMUNERATION AND STAFF REPORT

This report sets out the OLC's remuneration policy for directors and explains how the policy has been implemented. It provides details of the amounts awarded to the OLC directors as well as details of remuneration and staff, which is key to the OLC's accountability to Parliament.

### 3.2.1 Appointment and termination of OLC Board members

Elisabeth Davies took up the role OLC chair appointment on 1 April 2020. Shrinivas Honap left on 30 September 2020, and Rebecca Hilsenrath left on 31 March 2021.

On 1 September 2020, the LSB announced the appointments of Harindra Punchihewa with effect from 1 October 2020 as a new lay member of the OLC board and Chair of the Audit and Risk Assurance Committee. Jane Martin was reappointed in October 2020 (for the period May 2021 – April 2024) Annette Lovell was reappointed in October 2020 (for the period March 2021 – February 2023).

### 3.2.2 Board Remuneration (*audited*)

The remuneration of OLC Board members is shown in the tables below. The Chair and other OLC Board members are remunerated by the LSB and the total remuneration paid to the OLC Board is disclosed in the accounts of that body.

Member	Annual Rate £'000	Year to March 2021 £'000	Year to March 2020 £'000
<b>Elisabeth Davies</b> (Chair from 01.04.20)	50-55	50-55	-
<b>Wanda Goldwag</b> (Chair to 31.03.20)	-	-	50-55
<b>Elisabeth Bellamy</b>	5-10	5-10	5-10
<b>Rod Bulmer</b>	5-10	5-10	5-10
<b>Rebecca Hilsenrath</b>	5-10	5-10	5-10
<b>Shrinivas Honap</b>	5-10	0-5	5-10
<b>Annette Lovell</b>	5-10	5-10	5-10
<b>Jane Martin</b>	5-10	5-10	5-10
<b>Harindra Punchihewa</b>	5-10	0-5	-

The table does not include information on expenses paid to Board members.

In addition to the remuneration above, £304 of expenses was paid to Board members in 2020/21. This relates to 2019/20 expenses which were not accrued by LSB.

In 2019/20 the LSB identified a legacy issue where neither tax nor NI has been paid in relation to costs incurred by Board members travelling to Board and Committee meetings held at the Legal Ombudsman offices. In 2020/21, this liability was calculated as £20,656 for OLC Board members. This figure excludes interest and penalties. The LSB has made a voluntary

disclosure to HMRC in January 2021 and is awaiting a response. The LSB have made a provision in their 2020/21 accounts to cover the liability, interest, and any penalties. The Ministry of Justice have approved the utilisation of LSB reserves to fund this provision.

### 3.2.3 Executive Remuneration (audited)

Year to 31 March 2021	Role	2020/21			Annual Equivalent		
		Salary £'000	Pension £'000	Total £'000	Salary £'000	Pension £'000	Total £'000
<b>R Marsh</b>	Chief Ombudsman and Chief Executive (until 04/10/20)	65-70	5-7.5	75-80	130-135	12.5-15	145-150
<b>M Hughes*</b>	Acting Chief Ombudsman (5/10/20 – 10/01/21)	65-70	5-7.5	75-80	80-85	7.5-10	90-95
<b>P McFadden</b>	Chief Ombudsman (from 11/01/21)	20-25	0-2.5	25-30	110-115	5-7.5	115-120
<b>B Arnold**</b>	Director of Corporate Services (until 30/09/20)	45-50	2.5-5	50-55	90-95	5-7.5	95-100
<b>S Strinati</b>	Chief Operating Officer (from 04/01/21)	20-25	0-2.5	25-30	100-105	5-7.5	105-110

\*M Hughes was Acting Director of Operations from 01/07/20 and Acting Chief Ombudsman from 05/10/20 to 10/01/21

\*\* From 01/07/20 to 30/09/20 B Arnold did not work during their notice period following a management restructure.

Comparative figures for the previous financial year 2019/20 appear in the table below.

Year to 31 March 2020	Salary £'000	Pension £'000	Total £'000
<b>R Marsh</b> Chief Ombudsman and Chief Executive	130 - 135	12.5 – 15	145 - 150
<b>B Arnold</b> Director of Corporate Services	80 - 85	5 – 7.5	85 - 90

Staff Costs	2020/21			2019/20		
	Total £'000	Permanent Staff £'000	Other Staff £'000	Total £'000	Permanent Staff £'000	Other Staff £'000
Wages and salaries	8,672	8,436	236	8,423	8,105	318
Social security costs	813	813	0	776	772	4
Other pension costs	664	664	0	643	639	4
Exit packages	44	44		0	0	0
<b>Total net costs</b>	<b>10,193</b>	<b>9,957</b>	<b>236</b>	<b>9,842</b>	<b>9,516</b>	<b>326</b>

There are no employees who were relevant union officials during 2020/21, so no hours or associated costs were incurred.

### 3.2.4 Staff Number and Related Costs

The annualised salary band of the highest paid individual at the reporting period end date was £110,000 to £115,000, mid-point £112,500 (2019/20: £130,000 to £135,000, mid-point

£132,500). The mid-point of the highest paid individual's banded remuneration was 3.43 times (2019/20 4.12 times) of the median remuneration of the workforce in March 2021, which was £32,833 (2019/20 £32,189). The decrease in the ratio is due to changes in the Executive Team in 2020/21.

In 2020/21, no employees received remuneration in excess of the highest paid director (2019/20 none). Remuneration ranged between £10,287 to £110,000-£115,000 (£8,628 to £130,000 - £135,000). These figures exclude our piece rate workers.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments or employer pension contributions, and there is no cash equivalent transfer value of pensions. All employees are eligible for interest-free season ticket loans, which are repayable over 10 months or upon leaving employment. This has remained the same from 2019/20 to 2020-21.

### 3.2.5 Average Number of Persons Employed (*audited*)

The average number of whole-time equivalent persons employed during the year was as follows:

	2020/21			2019/20		
	Total	Permanent Staff	Other Staff	Total	Permanent Staff	Other Staff
Directly employed	239	235	4	235	225	10
Not directly employed	2	-	2	5	-	5
Total	241	235	6	240	225	15

Proposed pay changes and any revision of pay for senior managers (and for the OLC as a whole) are reviewed and approved by the Remuneration Committee.

### 3.2.6 Gender Pay

This year the gender pay gap for 2021 will be published. As at 31 March 2021, 71% of staff employed are women. This amounts to 185 female staff and 74 male staff. There is a difference in the median salary of 5%, and the difference in the mean average hourly salary is 11% in favour of men. These differences are due to the gender mix in the new senior leadership team.

### 3.2.7 Staff policies applied during the year

Reasonable adjustment requests are agreed in consultation with colleagues and their line managers, Occupational Health and the Human Resources team.

Health & Safety issues are regularly reviewed, quarterly Health and Safety returns are made to the MoJ and an annual report provided to the OLC Board.

Our pay remit for 2020 was applied in January 2021 following budget agreement with stakeholders and is consistent with guidelines on public sector pay.

### 3.2.8 Reporting of Civil Service and other compensation – exit packages (audited)

	Number of compulsory redundancies	Number of other Departures Agreed	Total Number of Exit Packages by Cost Band
<£10,000	-	-	-
£10,000 - £25,000	1	-	1
£25,001 - £50,000	1	-	1
Total number of exit packages	2	-	2
Total Cost 2020/21 / £	44,129	-	44,129
Total Cost 2019/20 / £	-	-	-

### 3.2.9 Staff sickness

	2020/21	2019/20	Target
Average days per employee lost to sickness	11.96 (FTE)	12.1 (FTE)	XpertHR Sickness Absence Rate & Cost Survey 2021 average of 7.4 days
Total number of working days lost due to sick absence	5.07% (including Covid-19 absence)	4.4%	n/a

### 3.2.10 Pensions

The OLC has agreed that the Legal Ombudsman has a defined contribution group personal pension scheme to which the OLC makes fixed contributions but has no other liabilities. During the year, the OLC allowed employees to elect to sacrifice a proportion of their basic pay in return for correspondingly increased contributions to their pension scheme. The OLC makes matching contributions of twice the amount contributed by individual employees up to a maximum of 10%. Reductions in Employer National Insurance contributions resulting from this salary sacrifice arrangement are also contributed into the employee pension scheme as part of this arrangement. There are no changes to the pension scheme provided by the Legal Ombudsman to its employees in 2020/21; it remains the same as in 2019/20.

### 3.2.11 Consultancy (audited)

There was no consultancy expenditure in 2020/21 (2019/20: none).

### 3.2.12 Off-payroll engagements (audited)

One individual – the Service Complaint Adjudicator – is considered an off-payroll engagement due to the independence requirement of the role. The Service Complaint Adjudicator is contracted on the basis of work delivered and is not paid a salary. No other off-payroll engagements were undertaken by the organisation in 2020/21.

## 3.3 PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

### 3.3.1 Regularity of Expenditure (*audited*)

#### Losses and special payments

There were no losses and special payments in 2020/21 (2019/20: none).

#### Gifts

There were no gifts made by the organisation in 2020/21 (2019/20: none) that exceeded limits proscribed in *Managing Public Money* (HM Treasury).

#### Remote contingent liabilities

There are no remote contingent liabilities to report in 2020/21 (2019/20: none).

#### Financial Instruments

The OLC does not have borrowings; it is primarily reliant on a levy on the legal services sector and case fee income for its cash requirements. Therefore, the OLC is not exposed to significant liquidity risks. This applies to both years 2020/21 and 2019/20.

#### Long term expenditure trends

The OLC's initial budget in the first full year of operation (2011/12) was £17.304m in the legal jurisdiction. This reduced in each subsequent operating year until 2017/18 when there was a small increase for one year relating to the one-off costs of the modernisation programme. In 2020/21 a standstill budget was put in place, however an interim budget submission was made during the year, bringing the total budget to £13.248m. In 2021/22 an increased budget of £14.474m has been approved. Currently this is forecast to increase in 2022/23 in order to respond to the current performance challenges.

#### Fees and charges

Analysis of fees and charges is disclosed on page 60.



**Paul McFadden**

Accounting Officer

09 July 2021

## 3.4 CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND LORD CHANCELLOR

### Opinion on financial statements

I certify that I have audited the financial statements of the Office for Legal Complaints for the year ended 31 March 2021 under the Legal Services Act 2007. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as interpreted by HM Treasury's Government Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office for Legal Complaints' affairs as at 31 March 2021 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with the Legal Services Act 2007 and Secretary of State directions issued thereunder by the Lord Chancellor with approval of HM Treasury.

### Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 (Revised 2020) 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed companies. I am independent of the Office for Legal Complaints in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

The Office for Legal Complaints' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Legal Complaints' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Board and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Office for Legal Complaints is adopted in consideration of the requirements set out in International Financial Reporting Standards and interpreted by HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. The Board and the Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Legal Services Act 2007; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Office for Legal Complaints and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and accountability report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Responsibilities of the Board and Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer, are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing the Office for Legal Complaints' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer anticipates that the services provided by Office for Legal Complaints' will not continue to be provided in the future.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Services Act 2007.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Office for Legal Complaints' internal auditors (through attendance at Audit Committee) and those charged with governance, including obtaining and reviewing supporting documentation in respect of the Office for Legal Complaints' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Legal Complaints' controls relating to the Legal Services Act 2007 and Managing Public Money.

- discussing among the engagement team and where required, involving relevant internal and or external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I considered the potential for fraud in the following areas: revenue recognition, posting of unusual journals and accounting estimates.
- obtaining an understanding of Office for Legal Complaints' framework of authority as well as other legal and regulatory frameworks that the Office for Legal Complaints' operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Office for Legal Complaints'. The key laws and regulations I considered in this context included the Legal Services Act 2007, Managing Public Money and Employment, Pension and Taxation Laws.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- testing the appropriateness of expenditure incurred and ensuring that levy charged is to approved bodies and in line with the Legal Services Act 2007.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**

Comptroller and Auditor General  
12 July 2021

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Section 4: Financial report

### STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ending 31 March 2021

	Note	£'000	2020/21 £'000	£'000	2019/20 £'000
<i>Income</i>					
Income from operating activities	3		(13,162)		(12,298)
<b>Total Income</b>			<b>(13,162)</b>		<b>(12,298)</b>
Staff costs	2	10,193		9,842	
Depreciation, amortisation and impairment	4,5	280		391	
Provision expense	10	11		(131)	
Other operating expenditure	2	2,680		2,262	
<b>Total operating expenditure</b>	<b>2</b>		<b>13,164</b>		<b>12,364</b>
Net operating expenditure			2		66
Interest receivable			(2)		(82)
Taxation			-		16
<b>Net expenditure after interest and taxation</b>			<b>-</b>		<b>-</b>

All expenditure is derived from continuing activities. There has been no other comprehensive expenditure in the year.

The notes on page 56 to 65 are part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	31 March 2021		31 March 2020
		£'000	£'000	£'000
<i>Non-current assets</i>				
Property, plant and equipment	4	553		551
Intangible assets	5	295		333
<b>Total non-current assets</b>			<b>848</b>	<b>884</b>
<i>Current assets</i>				
Trade and other receivables	7	274		628
Cash and other equivalents	8	18,301		18,042
<b>Total current assets</b>			<b>18,575</b>	<b>18,670</b>
<b>Total assets</b>			<b>19,423</b>	<b>19,554</b>
<i>Current liabilities</i>				
Trade and other payables	9	(353)		(246)
Provisions	10	(37)		(36)
Other liabilities	9	(1,032)		(1,281)
<b>Total current liabilities</b>			<b>(1,422)</b>	<b>(1,563)</b>
<b>Total assets less current liabilities</b>			<b>18,001</b>	<b>17,991</b>
<i>Non-current liabilities</i>				
Provisions	10	(264)		(254)
<b>Total non-current liabilities</b>			<b>(264)</b>	<b>(254)</b>
<b>Total assets less liabilities</b>			<b>17,737</b>	<b>17,737</b>
<i>Taxpayers' Equity and other reserves</i>				
General Fund			17,737	17,737
Revaluation reserve			-	-
<b>Total Taxpayers' Equity and other reserves</b>			<b>17,737</b>	<b>17,737</b>



**Paul McFadden**  
Accounting Officer  
09 July 2021

The notes on page 56 to 65 are part of these financial statements.



## STATEMENT OF CASH FLOWS

For the year ending 31 March 2021

	Note	£'000	2020/21 £'000	£'000	2019/20 £'000
<i>Cash flows from operating activities</i>					
Net operating expenditure		(2)		(66)	
Adjustments for non-cash transactions	2	291		391	
Decrease in trade and other receivables	7	354		9,520	
(Decrease) in trade and other payables	9	(142)		(93)	
Use of provisions	10	-		(131)	
Interest receivable		2		82	
Taxation		-		(12)	
<b>Net cash inflows from operating activities</b>			<b>503</b>		<b>9,691</b>
<i>Cash flows from investing activities</i>					
Purchase of property, plant and equipment	4	(173)		(138)	
Purchase of intangible assets	5	(71)		(105)	
<b>Net cash outflows from investing activities</b>			<b>(244)</b>		<b>(243)</b>
<i>Cash flows from financing activities</i>					
Grants from sponsoring departments		-		-	
<b>Net cash inflows from financing activities</b>			<b>-</b>		<b>-</b>
<b>Net increase in cash and cash equivalents in the year</b>			<b>259</b>		<b>9,448</b>
<b>Cash and cash equivalents at the beginning of the year</b>	8		<b>18,042</b>		<b>8,594</b>
<b>Cash and cash equivalents at the end of the year</b>	8		<b>18,301</b>		<b>18,042</b>

The notes on page 56 to 65 are part of these financial statements.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ending 31 March 2021

	Total reserves £'000
<b>Balance at 31 March 2019</b>	<b>17,736</b>
Grants from sponsoring departments	-
Net expenditure for the year after interest and taxation	-
Notional transfer to Consolidated Funds	(12,281)
Notional receipts from Sponsor	12,281
<b>Balance at 31 March 2020</b>	<b>17,736</b>
Grants from sponsoring departments	-
Net expenditure for the year after interest and taxation	-
Notional transfer to Consolidated Funds	(13,162)
Notional receipts from Sponsor	13,163
<b>Balance at 31 March 2021</b>	<b>17,737</b>

The notes on page 56 to 65 are part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy has been selected which is judged to be most appropriate to the circumstances of the OLC, for the purpose of giving a true and fair view. The policies adopted by the OLC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by revaluation of certain assets to fair value where appropriate, as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in the FReM. The Accounts are also fully consistent with International Financial Reporting Standards (IFRS).

### 1.2 Going concern

The OLC is a statutory body established by the Legal Services Act 2007. Under the Legal Services Act 2007, the OLC is funded by a levy upon the legal profession. Levy funding is provided by the Approved Regulators annually in arrears. As at 31 March 2021, the OLC has enough cash resources to meet anticipated expenditure for financial year ending 31 March 2022.

### 1.3 Income

The OLC is funded by a combination of a levy on the legal profession and case fees. The levy is collected from the legal profession's Approved Regulators. Amounts due in respect of the levy are recognised as income in the year to which related expenditure is recognised in the statement of comprehensive net expenditure.

The Legal Services Act 2007 requires the Office for Legal Complaints to set charges (case fees) for all complaints we accept as being within the jurisdiction of the Legal Ombudsman scheme. However, a case fee may be waived in certain circumstances. These are where the complaint was abandoned or withdrawn; or settled, resolved or determined in favour of the authorised person; and an ombudsman is satisfied that the lawyer took all reasonable steps to try to resolve the complaint under their own procedure. Case fee income is recognised in the year that the case is resolved. Amounts charged in respect of case fees correspondingly reduce amounts due in respect of the levy due from Approved Regulators.

The LSB, in conjunction with the MoJ and HM Treasury, is seeking to identify a suitable legislative vehicle to make an amendment to s175 of the Act. This is to confirm the current practice whereby the OLC retains all amounts received through the levy and any prescribed fees rather than passing this over to the Consolidated Fund and then having the same amounts returned to it by the MoJ. The LSB and OLC believe that this was the intention of Parliament when debating the Bill to set up the LSB and OLC, although some of the drafting of s175 does not capture this intent correctly.

To comply with the requirements of s175 for the year ended 31 March 2021 the MoJ will be

responsible for making a payment on behalf of the OLC to the Consolidated Fund equivalent to the income received by the OLC for the year from the levy and prescribed fees. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity. An equal amount is shown as a notional receipt from the sponsoring department.

IFRS 15 Revenue from contracts with customers requires entities to apply a 5-step model framework to determine revenue recognition.

1. Identify the contract(s) with the customer: The FReM adaptation of IFRS 15 expands the definition of a contract to include legislation and regulations which enables an entity to obtain revenue. In OLC's case this legislation is the Legal Services Act 2007.
2. Identify the performance obligations in the contract: The Legal Services Act 2007 stipulates that the costs of the OLC should be recovered by means of a levy imposed on the approved regulators during the financial year for the period of operation. In addition, it requires that scheme rules make provision for charges payable by respondents (case fee income).
3. Determine the transaction price: The total costs incurred by the OLC in the financial year are allocated to Approved Regulators. Case fee income is imposed on the service providers at a value stated in the Legal Ombudsman's Scheme Rules.
4. Allocate the transaction price to the performance obligation: The levy income is accrued and matched with the OLC's net expenditure after case fees in the period to ensure that expenditure incurred is recovered in the same period. The charging or waiving of the case fee is determined by the outcome of the investigation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation: Revenue is recognised over time as expenditure relating to the regulatory activity of the OLC is incurred. Case fee income is not recognisable until the investigation is completed, and the outcome determined. Income is recognised at this point.

#### 1.4 Government grants

Section 175 of the Legal Services Act 2007 requires all levy income collected by the OLC to be surrendered to the Consolidated Fund. In return, OLC receive Grant-in-Aid (GiA) funding from the Core Department equal to the income surrendered. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity and an equal amount is shown as a notional Grant-in-Aid receipt from the sponsoring department.

#### 1.5 Property, plant and equipment

The OLC recognises property, plant and equipment under International Accounting Standard (IAS) 16 as adapted by the FReM and writes off in the year of acquisition any individual expenditure of less than £1,000 on capital equipment and furnishings. Capital assets with a purchase cost of at least £1,000 are depreciated to their residual value over their useful economic life in equal monthly instalments. The first instalments are charged in the month of bringing the asset into use and no charge is made in the month of disposal.

The following rates of depreciation are applied on a straight-line basis over the following periods:

- Leasehold improvements: over the residual life of lease or 10 years.

- Furniture and equipment: three to ten years.
- Computer hardware: three to five years.

### 1.6 Intangible assets

Expenditure on major Information Technology (IT) projects is capitalised. This also includes expenditure on software, and any professional service costs exceeding £1,000 for up-front development and configuration costs establishing and developing the OLC's IT assets for use. The following rates of amortisation are applied on a straight-line basis over the following periods:

- Software licenses: in equal monthly instalments over three years or the life of the licence.
- Information Technology: three to five years or in equal monthly instalments over the residual life of the contract.

### 1.7 Impairment and revaluation policy on non-current assets

Impairment is required to ensure that assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through the use or sale of the assets. An impairment reflects a permanent diminution in the value of an asset.

### 1.8 Leases

Operating lease payments are recognised as an expense and charged on a straight-line basis over the lease term.

### 1.9 Value Added Tax

The OLC is registered for VAT. VAT incurred on the provision of training provided to the legal jurisdiction and licence arrangements for subletting are recoverable where VAT is charged on invoices. The OLC is unable to recover VAT on expenditure relating to its primary service of complaints and therefore most of the expenditure and the capitalised value of non-current assets includes this irrecoverable VAT. VAT is recoverable for costs associated with the licence arrangements for subletting of the premises.

### 1.10 Pensions

The OLC has established a defined contribution group personal pension scheme to which the OLC makes contributions but has no other liabilities. The OLC makes matching contributions of twice the amount contributed by employees up to a maximum of 10% of the employee's salary.

### 1.11 Corporation tax

The OLC earns interest on cash deposits held with the Government Banking Service. This interest is subject to corporation tax in the normal manner.

### 1.12 Provisions

The OLC provides for financial liabilities in the statement of financial position in accordance with IAS37 as adapted by FReM where: there is a legal, constructive or contractual obligation as a result of a past event; where it is probable that financial resources will be required to settle the obligation; and where a reasonable estimate can be made of the amount of the obligation.

### 1.13 Impending application of newly issued accounting standards not yet effective

There have been no new or amended standards adopted in the financial year beginning 1 April 2020.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2020 and not early adopted are as follows:

Standard	Standard to be adopted by government departments
IFRS 16 Leases	1 April 2021

The MoJ Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 April 2021 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The assets, to be described as “right of use” assets, will be presented under Property, Plant and Equipment. The standard is effective in the public sector for accounting periods commencing on or after 1 January 2019. The MoJ Group will adopt IFRS 16 in the financial year commencing 1 April 2021, although most government bodies will adopt it during the following financial year.

IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be restated and the measurement of the asset and liability balances recognised with effect from 1 April 2021 will reflect the Group’s intentions as at that date. On the date of transition to IFRS 16, the Group will recognise a right-of-use asset and a lease liability.

The lease liability will be measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing advised by HM Treasury. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options the Group is reasonably certain to exercise and any termination options the Group is reasonably certain not to exercise.

The right-of-use asset will initially be measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease. As a practical expedient for existing operating leases recognised on transition, the latter two elements will not be included in the asset value.

Where the lease requires nil or nominal consideration (usually referred to as a ‘peppercorn’ lease), the asset will instead be measured at its existing use value, with the difference between the carrying amount of the right-of-use asset and lease liability treated as notional income (or on transition, a credit to the General Fund).

Those leases currently recognised as operating leases will be converted to right of use assets and liabilities on transition to IFRS 16, with those currently recognised as finance leases transferring at their existing values.

For the material arrangements within the scope of IFRS 16, the impact of implementation is currently considered to be an increase in assets and liabilities of approximately £790k and £993k respectively.



The standard is expected to increase total expenditure in 2021-22 by approximately £19k, comprising an increase of £240k in depreciation and interest costs, offset by a reduction of £221k in operating lease rental expenses.

### 1.14 Financial instruments

The OLC does not hold any complex financial instruments. The only financial instruments included in the Accounts are receivables and payables (notes 7 and 9).

Financial assets comprise fee receivable and contract receivables. Receivables are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts in line with the OLC receivables policy.

Trade creditors are short term and are stated at carrying value in recognition that these liabilities fall within one year.

## 2 Expenditure

Further analysis of staff costs is located in the Remuneration and Staff report on pages 42 to 45.

	£'000	2020/21 £'000	£'000	2019/20 £'000
Wages and salaries	8,672		8,423	
Social security costs	813		776	
Other pension costs	664		643	
Exit packages	44		-	
<b>Total staff costs</b>		<b>10,193</b>		<b>9,842</b>
IT & Telecoms		1,293		994
Uncollectible debts		49		17
Facilities services		203		223
External communications		122		107
Staff wellbeing		92		100
Legal and professional fees		100		100
Rentals and operating leases		254		248
Recruitment costs		94		44
Premises costs		287		246
Other running costs		30		45
Training		50		60
External audit fees		46		34
Internal audit fees		60		30
Travel and subsistence		-		14
<b>Total cash operating expenditure</b>		<b>2,680</b>		<b>2,263</b>
<b>Total cash items</b>		<b>12,873</b>		<b>12,105</b>
Change in dilapidations provision		11		(100)
Change in other provision		-		(31)
Loss/profit on disposal of assets		-		-
Depreciation		171		169
Amortisation		109		222
<b>Total non-cash items</b>		<b>291</b>		<b>260</b>
<b>Total</b>		<b>13,164</b>		<b>12,365</b>

### 3 Income

Levy income represents amounts due in respect of the annual levy due for Approved Regulators (see note 1.3). Case fee income represents amounts due in respect of case fees chargeable in respect of cases closed in 2020/21 (see note 1.3).

	2020/21 £'000	2019/20 £'000
<i>Income</i>		
Levy income in respect of the Legal Ombudsman scheme	12,225	11,086
Case fee income	817	1,062
Other income	120	150
<b>Total</b>	<b>13,162</b>	<b>12,298</b>

### 4 Property, plant and equipment

	Information Technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Total
<i>Cost or valuation</i>				
<b>As at 31 March 2019</b>	<b>564</b>	<b>654</b>	<b>491</b>	<b>1,709</b>
Additions	66	55	17	138
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Transfers	-	-	-	-
<b>As at 31 March 2020</b>	<b>630</b>	<b>709</b>	<b>508</b>	<b>1,847</b>
Additions	115	32	26	173
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Transfers	-	-	-	-
<b>As at 31 March 2021</b>	<b>745</b>	<b>741</b>	<b>534</b>	<b>2,020</b>
<i>Depreciation</i>				
<b>As at 31 March 2019</b>	<b>439</b>	<b>272</b>	<b>416</b>	<b>1,127</b>
Charged in year	89	66	14	169
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Transfers	-	-	-	-
<b>As at 31 March 2020</b>	<b>528</b>	<b>338</b>	<b>430</b>	<b>1,296</b>
Charged in year	78	73	20	171
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Transfers	-	-	-	-
<b>As at 31 March 2021</b>	<b>606</b>	<b>411</b>	<b>450</b>	<b>1,467</b>
<i>Carrying value</i>				
<b>As at 31 March 2021</b>	<b>139</b>	<b>330</b>	<b>84</b>	<b>553</b>
As at 31 March 2020	102	371	78	551
As at 31 March 2019	125	382	75	582

## 5 Intangible assets

	Information Technology £'000	Software Licenses £'000	Total
<i>Cost or valuation</i>			
<b>As at 31 March 2019</b>	<b>1,274</b>	<b>596</b>	<b>1,870</b>
Additions	100	5	105
Disposals	(4)	(17)	(21)
Reclassifications	-	-	-
Transfers	-	-	-
<b>As at 31 March 2020</b>	<b>1,370</b>	<b>584</b>	<b>1,954</b>
Additions	62	9	71
Disposals	-	-	-
Reclassifications	-	-	-
Transfers	-	-	-
<b>As at 31 March 2021</b>	<b>1,432</b>	<b>593</b>	<b>2,025</b>
<i>Depreciation</i>			
<b>As at 31 March 2019</b>	<b>848</b>	<b>573</b>	<b>1,421</b>
Charged in year	217	5	222
Disposals	(4)	(18)	(22)
Reclassifications	-	-	-
Transfers	-	-	-
<b>As at 31 March 2020</b>	<b>1,061</b>	<b>560</b>	<b>1,621</b>
Charged in year	85	24	109
Disposals	-	-	-
Reclassifications	-	-	-
Transfers	-	-	-
<b>As at 31 March 2021</b>	<b>1,146</b>	<b>584</b>	<b>1,730</b>
<i>Carrying value</i>			
<b>As at 31 March 2021</b>	<b>286</b>	<b>9</b>	<b>295</b>
As at 31 March 2020	309	24	333
As at 31 March 2019	426	23	449

## 6 Impairments

There were no impairments in 2020/21 (2019/20: none).

## 7 Trade receivables and other current assets

	31 March 2021 £'000	31 March 2020 £'000
Case fee receivables	104	280
Provision for case fee receivables	(12)	(31)
	<b>92</b>	<b>249</b>
Other contract receivables	-	-
Other receivables	5	140
Intra group balances – MoJ	-	-
Prepayment	177	239
<b>Total</b>	<b>274</b>	<b>628</b>

## 8 Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Opening balance	18,042	8,594
Net change in cash and cash equivalent balances	259	9,448
<b>Closing balance</b>	<b>18,301</b>	<b>18,042</b>
<i>The following balances were held:</i>		
Government Banking Services	18,301	18,042
Commercial bank accounts	-	-
<b>Total</b>	<b>18,301</b>	<b>18,042</b>

## 9 Trade payables and other current liabilities

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	181	219
Other payables	172	27
<b>Trade and other payables</b>	<b>353</b>	<b>246</b>
<i>Intra-government balances</i>		
Taxation	84	83
Social security	113	116
VAT	(1)	5
Intra group balances – MoJ	37	30
Accruals	704	821
Deferred income	95	226
<b>Total</b>	<b>1,385</b>	<b>1,527</b>

## 10 Provisions for liabilities and charges

	Leasehold dilapidations £'000	Other £'000	Total provisions £'000
<b>Balance at 1 April 2019</b>	<b>354</b>	<b>67</b>	<b>421</b>
Provided in the year	-	24	24
Provisions not required written back	(100)	(55)	(155)
Provisions utilised in the year	-	-	-
Unwinding of discount	-	-	-
<b>Balance at 31 March 2020</b>	<b>254</b>	<b>36</b>	<b>290</b>
Correction between classification	(1)	1	-
Provided in the year	11	27	38
Provisions not required written back	-	(27)	(27)
Provisions utilised in the year	-	-	-
Unwinding of discount	-	-	-
<b>Balance at 31 March 2021</b>	<b>264</b>	<b>37</b>	<b>301</b>
<i>Expected timing of cash flow</i>			
Not later than one year	-	37	37
Later than one year and not later than five years	264	-	264
Later than five years	-	-	-
<b>Balance at 31 March 2021</b>	<b>264</b>	<b>37</b>	<b>301</b>

## 11 Capital commitments

Contracted capital commitments at 31 March 2021 not otherwise included in the financial statements amounted to nil (31 March 2020: nil).

## 12 Commitments under leases

Obligations under operating leases for the following periods comprise

	2020/21 £'000	2019/20 £'000
<i>Capital commitments</i>		
Contracted capital commitments	-	-
<i>Commitments under leases</i>		
Obligations under operating leases for the following periods comprise	-	-
<i>Buildings</i>		
Not later than one year	354	339
Later than one year and not later than five years	797	1,159
Later than five years	-	-
<b>Total</b>	<b>1,151</b>	<b>1,498</b>

### **13 Contingent liabilities disclosed under IAS 37**

Given the nature of the Legal Ombudsman scheme it is inevitable that some ombudsman decisions will be challenged by way of judicial review. The OLC has a number of ongoing judicial review cases in the Administrative Court. The OLC has proceeded to defend all the judicial review matters and does not believe that these have a realistic prospect of success.

### **14 Related-party transactions**

The OLC has a direct relationship with the LSB. The LSB has certain oversight responsibilities in relation to the OLC and its responsibilities to administer the scheme. Under the Legal Services Act 2007 the LSB is responsible for appointing and paying the salaries and expenses of the OLC Board members, which for the whole reporting period amounted to £119k (2019-20: £127k). The payment for salaries of the OLC Board members for 2020-21 was £119k (2019-20: £120k).

No Board member, manager or other related party has undertaken any material transactions with the OLC during the year.

### **15 Events after the reporting period**

In accordance with IAS10 (Events After the Reporting Period) events after the reporting period are considered up to the date on which the accounts are authorised for issue. These Financial Statements were authorised for issue by the Accounting Officer as at the date of the Certificate and Report of the Comptroller and Auditor General.

There were no post-reporting period events.



# Appendices

## APPENDIX 1: REGULATORY OBJECTIVES

The table below lists the eight regulatory objectives, as outlined in Section 1(1) of the Legal Services Act 2007, and how the Office for Legal Complaints has contributed to them during 2020/21

Regulatory objective		OLC met the objective by:
a)	Protecting and promoting the public interest	Providing access to a quality dispute resolution scheme, guided by a robust quality framework and clear service principles.
b)	Supporting the constitutional principle of the rule of law	Promoting confidence in the legal system, and the standard of legal representation, by providing a safety net for legal service users.
c)	Improving access to justice	Discharging our core jurisdiction by resolving complaints about legal service providers and feeding back to the profession to raise standards.
d)	Protecting and promoting the interests of consumers	Publishing focus reports and guidance notes, which highlight specific issues and risks affecting consumers.
e)	Promoting competition in the provision of services (provided by authorised persons)	Publishing open data regarding the number and type of complaints resolved by our scheme each year.  Publishing details of all ombudsman decisions including number of decisions made against service providers, and remedy types.
f)	Encouraging an independent, strong, diverse, and effective legal profession	Promoting continuous professional development through training on effective complaint handling.  Publishing articles, reports, and case studies to pass on lessons learnt from complaints.  Regularly attending and speaking at relevant stakeholder events.
g)	Increasing public understanding of the citizen's legal rights and duties	Providing information/signposting through social media channels.  Publishing a discussion paper on transparency of decision data with a view to increasing the availability of quality information for consumers.
h)	Promoting and maintaining adherence to the professional principles	Making referrals to the relevant regulatory bodies where we feel there may be evidence of professional misconduct.

## APPENDIX 2: SERVICE COMPLAINT ADJUDICATOR'S REPORT

### ROLE OF THE SERVICE COMPLAINT ADJUDICATOR

I represent the third and final stage in the Legal Ombudsman's service complaint procedure. This report provides a summary of the complaints I have considered during this business year.

### WORKLOAD

Service Complaints received in 2020/2021

	Stage 1	Stage 2	Stage 3
Number of complaints	191	39	23

At Stage 1 a complaint is considered by a customer experience specialist, at Stage 2 a complaint will be considered by a senior manager. Stage 3 complaints are handled by the Service Complaint Adjudicator.

Of the 23 complaints I considered this business year, there were 245 individual issues of complaint that were within my remit. I supported 31 individual issues of complaint in 18 of the cases I looked at, which represents an uphold rate of 12.5% - this was the lowest uphold rate during my tenure as Service Complaints Adjudicator.

### AREAS FOR IMPROVEMENT

Delays, and the way the Legal Ombudsman manages them, has continued to be the significant issue that is raised in service complaints. I am aware that work has been done already to provide the Legal Ombudsman's customers with regular and informative updates about wait times which will help improve customer experience.

### CONCLUSION

This year I received 23 new complaints, compared to 36 in the previous year, which represents a significant reduction in the number of service complaints going through the process. I have been pleased to note the efforts made by the Legal Ombudsman's Team Leaders to resolve complaints informally and that the decisions and outcomes offered during the first two stages of the complaints process have, on the whole, been appropriate.

I am pleased to be able to report once again that where I have had concerns about the service the Legal Ombudsman has provided they have apologised for those issue and have agreed to the remedies I have recommended and my recommendations for overall service improvement.

**Claire Evans**

**Service Complaint Adjudicator**

*The above is a summary of the Service Complaint Adjudicator's Annual Report which is also published on the Legal Ombudsman website: [Reports and plans | Legal Ombudsman](#)*



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