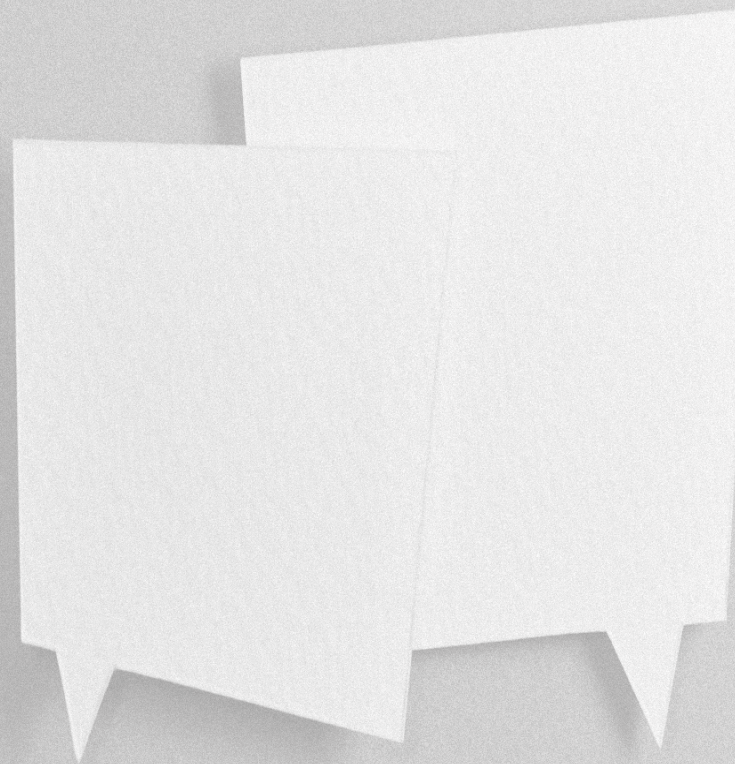


The Office for Legal Complaints

Annual Report and Accounts
for the year ending 31 March 2022



The Office for Legal Complaints

Annual Report and Accounts for the year ending 31 March 2022

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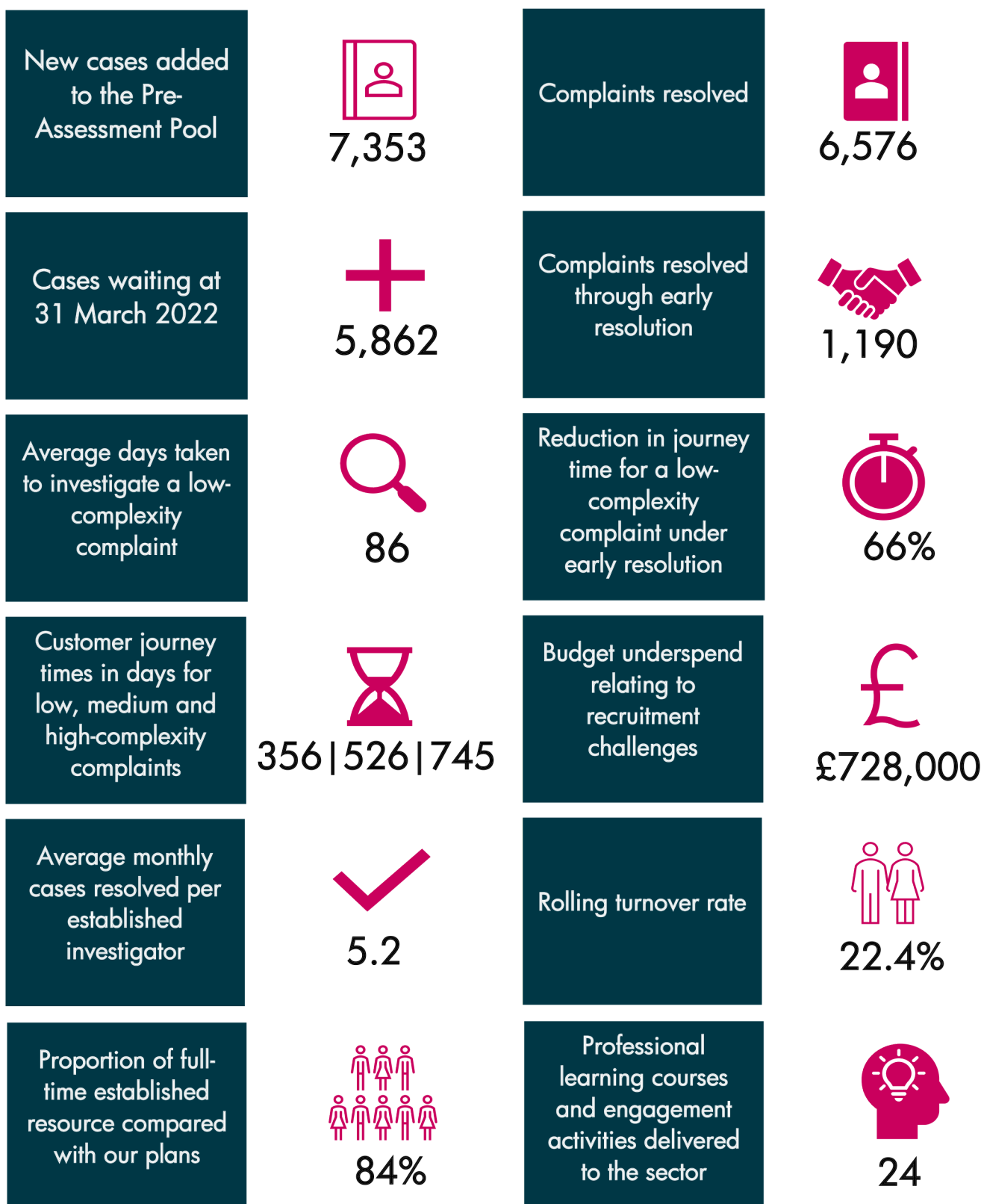
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1 Performance Report



This **Performance Report** sets out how far the Legal Ombudsman met its strategic objectives and Business Plan priorities in 2021/22, its performance against its key performance indicators and the risks it managed. It also details activities relating to LeO's people, highlights work around equality, diversity and inclusion, and provides updates on other areas of LeO's operations.

1.1 Performance at a glance



1.2 Foreword from the Chair of the Office for Legal Complaints

Elisabeth Davies | Chair, Office for Legal Complaints

A fundamental shift in LeO's outlook

When I became Chair of the Office for Legal Complaints (OLC) in April 2020, I set myself three priorities centred on building confidence in the Legal Ombudsman (LeO).

Just more than a year later, at the point we published our 2020/21 Annual Report and Accounts, I reported that there had been tentative progress. Ultimately, however, in terms of numbers, 2020/21 had been difficult and had not resulted in improvements for customers. This was affecting not only confidence in LeO, but credibility within the sector, the trust of complainants, and the OLC's ability to have conversations about LeO's accountability and fit within the wider regulatory framework.

While a new Chief Ombudsman and Chief Operating Officer, having only joined in the final quarter of the year, had already brought welcome fresh leadership and thinking, the impact of Covid-19 was still being felt by those seeking LeO's help in the form of a substantial backlog of cases waiting for LeO's intervention.

In light of the extremely challenging backdrop against which the 2021/22 year began, the progress highlighted in this Annual Report and Accounts is all the more significant. While the OLC Board are in no doubt about the scale of the challenges ahead, the outlook for LeO has now fundamentally shifted.

Going further – thinking differently

In response to our 2021/22 Business Plan and Budget consultation, we had heard loud and clear from stakeholders that we needed to go further: making better use of resources, committing to doing things differently, and focusing as an absolute priority on bringing down waiting times.

Recognising this, the theme of my introduction to the Business Plan was "listening and adapting". LeO's final plan put greater emphasis on supporting existing staff to increase performance and productivity, through simplifying ways of working and doing things differently – with a clear pathway to reducing the backlog.

It committed to establishing better and more regular forums of accountability. This lay at the heart of the new working relationship that needed to be established between the OLC and LeO and the legal sector.

Twelve months on, as the Chief Ombudsman sets out in his introduction, LeO has taken significant steps forward. This progress isn't only in terms of performance delivery but extends to the wider management and leadership of LeO and the corporate functions that are critical enablers of everything it does. Indeed, performance improvements have only been possible because of this progress, and the greater stability and oversight it has brought.

It is disappointing to end the year with high numbers of cases still waiting for LeO's intervention. Neither the OLC nor LeO are the slightest bit complacent about the task ahead of us in the months ahead. However, the front-line initiatives that have been developed and put into practice, together with the many innovations and improvements generated by LeO's people, are having a tangible impact on the experience of those using the scheme.

By taking a different approach to resourcing – in particular, realising the benefits of national recruitment and flexible working – LeO has finally unlocked the resourcing challenge that had for so long limited its ability to make headway toward providing an acceptable level of service to LeO customers.

“Given that LeO's people are key to its success, it is essential that there has been a substantial improvement in how staff rate LeO's leadership and the way change is managed”

LeO has also answered the sector's call to think radically, doing everything within its control. Significant effort was invested from the outset in developing new ways of working, making LeO's service more proportionate and flexible. These will be supported by proposed changes put in train to the Scheme Rules, which would mean those relying on LeO's intervention can get that input when it really matters. A new regional hub is being piloted in Cardiff: an approach that, should it be developed, will mean LeO has greater access to the people and skills it needs in the longer term.

Given that LeO's people are key to its success, it is essential that there has been a substantial improvement in how staff rate LeO's leadership and the way change is managed.

Ambition, credibility and confidence

Throughout LeO's recovery journey, I've talked about the need to avoid overpromising and underdelivering – striking the difficult balance between being ambitious about what LeO can achieve, and setting plans that are credible and realistic.

Throughout 2021/22, the OLC has rigorously tested the assumptions and forecasts on which LeO's decisions have been based, and has expected to see a proactive approach to managing the risks inherent in delivering this type of transformation. I am grateful both for the constructive challenge the Board has provided throughout the year, and for the positive way LeO's leadership has engaged with this.

It is a good sign that this Annual Report and Accounts contains very little that will come as news to LeO's stakeholders. The substantive update provided mid-way through the year, taken together with the ongoing dialogue with LeO's newly formed Challenge and Advisory Group, speak to the radical approach LeO has taken not only to transforming how it works, but to the transparency with which it does so.

Looking ahead: A sustainable and effective Legal Ombudsman

As OLC Chair, I have seen a marked difference in tone between the conversations we were having a year ago with stakeholders about their confidence in the Legal Ombudsman.

“It should be taken for granted that the Legal Ombudsman is ready and able to resolve individual complaints fairly and as quickly as possible. And more broadly, that it is a trusted voice in the sector”

Taken together, LeO's willingness to change, the progress it has made, and the openness with which it has worked, have made a profound difference. As we look to this second recovery year, there are no doubt challenges ahead – not least ensuring we deliver on our commitments to customers in the face of significant inflationary pressures. However, there are clear and consistent signs that LeO is on the path to a sustainable level of good performance and quality service – one which meets the needs and expectations of both users and providers of legal services.

This really matters. Legal services occupy a uniquely important part in our lives: accessed at the point of significant transitions or transactions with potentially life-changing consequences. It should be taken for granted that the Legal Ombudsman is

ready and able to resolve individual complaints fairly and as quickly as possible. And more broadly, that it is a trusted voice in the sector, playing a full and active part in improving legal services for all.

2021/22 marks a turning point, and everyone at LeO should be proud of the part they have played – thank you. While there is still a long way to go, I look forward to sharing what more has been and will be achieved.

1.3 Performance overview

1.3.1 Report from the Chief Ombudsman

Paul McFadden | Chief Ombudsman

When I introduced our 2021/22 Business Plan and Budget at the beginning of the year, I was in no doubt about the scale of the challenges the Legal Ombudsman was facing. I was also in no doubt that only sustained, improved performance would provide confidence in our ability to transform LeO and build support for our future plans.

In that Business Plan we made four commitments that would cut across all LeO's work in the year ahead. A year on, it's helpful to reflect on how far we have delivered on these.

A commitment to change

It was abundantly clear that LeO needed to change. We said our plan and budget would move LeO toward being a high-performing organisation: able to keep pace with demand, deliver improved customer experience, and provide effective learning and insight to the legal sector.

I am very pleased so say that 2021/22 has been the year LeO got back on a stable footing. We have addressed challenges head-on, taking radical action where it was the right thing to do. While our journey is far from over, those relying on LeO have begun to feel the benefit of our investment in people, proportionality and early resolution and innovation.

It wasn't always clear this would be the case. LeO began the year facing the substantial challenge of a recruitment market in which we were not successfully competing, coupled with high levels of attrition. This significantly challenged our ability to deliver the required increase in operational staff we had set out to achieve to deliver our business plan forecasts. This led to us operating across the year with only 84% of the FTE established resource required.

However, as this Annual Report sets out in more depth, our shift to national recruitment changed the outlook – with a strategy for national hubs now in train. We've started 2022/23 with a full complement of investigators, and a stronger and reinvigorated workforce throughout LeO.

Getting the people we needed in place was just one key aspect of change. We've also delivered on our promise to do everything else in our power to improve LeO's performance. Central to this has been the contribution of LeO's people, who have made creative suggestions for service improvements, tested them robustly, and implemented those with most potential.

Taken together, these front-line initiatives and innovations have already delivered substantial improvements. Many things that were tentative ideas a few months ago are now simply how we do things at LeO.

"While our journey is far from over, those relying on LeO have begun to feel the benefit of our investment in people, proportionality and early resolution and innovation"

We have also progressed, with pace and urgency, wider changes to how LeO works – most notably by reviewing and consulting on changes to our Scheme Rules. The proposed changes, to be presented to the LSB Board in July, are significant and radical and will make LeO's handling of complaints more timely, efficient and proportionate. They will enable us to further improve customers' overall experience, simplifying their journey and reducing the size of the backlog.

Overall, we have made substantial progress toward rebalancing our approach to resolving complaints – giving people the right answer at the right time – with the foundation laid for more in the months ahead.

A commitment to reduce the backlog

As a critical early priority, we committed to implementing an immediate recovery and improvement plan, to identify a clear path to reducing the backlog. We approached this task with energy from the outset, with an organisation-wide effort to generate new ways of working and efficiencies that would come together to deliver for those waiting for LeO's help.

I'm proud of what our people delivered despite the significant resourcing and recruitment challenges we encountered. To be clear, LeO did not achieve the targets we set. We have been open about the reason why: despite our ambition to resolve more complaints, we simply could not make the full headway we aimed to without the

resource we needed. This resourcing challenge also resulted in the underspend highlighted in this report.

However, we've made huge strides and a step-change in performance. We achieved a 40% increase in output on 2020/21 levels, resolving 93% of the cases we forecast with an average of 84% of the established investigator resource on which our forecasts were based.

What's more, we saw a profound difference between before and after we unlocked our recruitment challenge. For the whole of the second half of the year, we started to make the substantial improvement we needed to see, consistently meeting or going beyond our targets for resolving complaints.

In March 2022 we reached the highest performance levels LeO has achieved, certainly since its modernisation a number of years ago, resolving 852 cases in one month alone. When you compare this to the monthly average performance of 392 across 2020/21, you begin to get a sense of the stabilisation and momentum that has been achieved.

"The volume of cases in our front-end queue is reducing: we are on course to halve the number of cases waiting by March 2023"

Across the year we resolved 1,200 complaints through new early resolution approaches: 36% more than originally expected, and against a very low baseline historically for LeO. There has also been a substantial reduction in customer journey times for customers whose cases are resolved through these approaches – 66% shorter for low complexity cases which account for the majority of LeO's work.

The action we've taken has already made a profound difference to individual users and providers of legal services. This Annual Report shares some examples of what our commitment has made possible. There is more work to be done but we have provided an excellent basis for further significant progress.

This means we end 2021/22 looking forward with confidence and a sense of real momentum. The volume of cases in our front-end queue is reducing: we are on course to halve the number of cases waiting by March 2023, and to reach an average 90-day turnaround for most of LeO's cases in 2024/25.

A commitment to being transparent and accountable for delivery

A key ongoing challenge for LeO has been setting plans that are ambitious enough to convey the scale of improvement required, while also credible enough to give stakeholders the confidence that we can achieve them.

We committed to being accountable for performance and progress against our 2021/22 Business Plan. We said maintaining open dialogue with all stakeholders about progress would be central to this.

We have delivered on our commitment to sharing updates on our recovery, through regular open and transparent stakeholder engagement throughout the year and establishing a Challenge and Advisory Group, which has been an invaluable forum for honest two-way feedback. As promised, we provided a substantive update on our performance mid-way through the year, openly taking stock of our performance and allowing stakeholders to factor this into our discussions and consultation on our forward plans.

We have also been accountable for how we use the funding we receive. In our focus on making improvements across LeO, and in every financial decision we've made, we've shown our commitment to generating savings and efficiencies in light of significant inflationary pressures. The underspend we experienced in 2021/22, relating to our difficulties recruiting, was far from ideal. We have, however, shown the importance we place on ensuring this won't be repeated – and importantly, it represented a saving for legal service providers who pay for LeO.

“We have achieved stability and have provided the base for further progress towards sustainable improvement. There has been a turning point”

Being transparent is also about sharing insight from the complaints we resolve, ensuring lessons from past complaints help prevent future complaints and consumer detriment. While turning round LeO's operational performance, we continued to deliver this essential part of an Ombudsman's work. This ranged from thematic reports, complaints data and analysis of themes, publishing new guidance on our website, to discussing complaint trends with legal sector representatives face-to-face.

As the Chair has reflected in her own foreword, at the beginning of 2021/22 confidence in LeO was far from where it needed to be. As we begin 2022/23, I am cautiously optimistic about where those confidence levels are now. While not at all complacent about the work required to maintain and build on this, it's clear we have

achieved stability and have provided the base for further progress towards sustainable improvement. There has been a turning point.

A commitment to our people

Finally, though by no means least importantly, we made a commitment to LeO's people. We said that meaningful staff engagement and a cultural shift in ways of working would be at the heart of LeO's recovery and sustained improvement. Developing an inclusive and diverse workforce would move LeO toward being a great place to work.

Since joining LeO in January 2021, I have made it a priority for LeO to be open to listening, learning and changing – laying the foundations to be an excellent employer.

As I've outlined, by listening to LeO's people, their ideas have been front and centre of the progress we've made in resolving more complaints at an early stage. But our commitment goes beyond this, to how we want people to feel about working for LeO.

As this Annual Report highlights, in 2021/22 we've learnt from the attrition we've experienced, taking action to ensure people are supported to stay with us and perform at their best. We've learned from what we've been through during the Covid-19 pandemic, including the impact on wellbeing and the need for flexibility.

We understand that our approach to setting standards and managing performance has been a contributory factor to attrition. We won't shy away from what's needed to reach the levels of performance we need to see. But we'll always do this in a way which is fair and in the interests of LeO, our customers and our people as a whole.

While I'm pleased that our staff survey rating of leadership and managing change has risen from pre-pandemic levels, this is another area where there's no room for complacency. As with our stakeholders' confidence, I'm committed to maintaining this progress and going further.

During the year our staff-led networks, representing the different backgrounds and communities of our people across LeO, have continued to promote understanding and celebrate both difference and shared experience. And we've made a further significant investment in equality, diversity and inclusion, appointing a dedicated EDI manager and developing a strategy for improvement.

Outlook

A lot of progress has still to be made, and I do not underestimate the challenges that remain to get LeO to an acceptable level of performance. I fully accept the difficulties for many of our customers who continue to experience significant wait times. But it was always clear that the performance and resourcing challenges that LeO faced and brought into 2021/22 were on a significant scale.

I welcome the progress reflected in this Annual Report and Accounts, and the commitment and sheer hard work of our people that has made it happen. The foundations we have laid in 2021/22 have put LeO in a far stronger position to achieve our future aims for our customers – including the second recovery year we've recently begun.

Although we are realistic about the challenges ahead, we are on the path, and committed, to becoming a trusted, sustainable Legal Ombudsman providing a high level of quality service. One that plays a vital role in helping the legal sector itself thrive, so consumers have confidence they can rely on it when it really matters.

1.3.2 About the OLC and Legal Ombudsman

The Legal Services Act 2007 (the Act) established the Legal Ombudsman scheme (LeO) and the Office for Legal Complaints (OLC) to administer it. The Act also established the Legal Services Board (LSB) to oversee the regulation of the legal profession in England and Wales. Both the OLC and the LSB are Arm's Length Bodies of the Ministry of Justice (MoJ). There is more information about the governance and management of LeO in the Accountability Report.

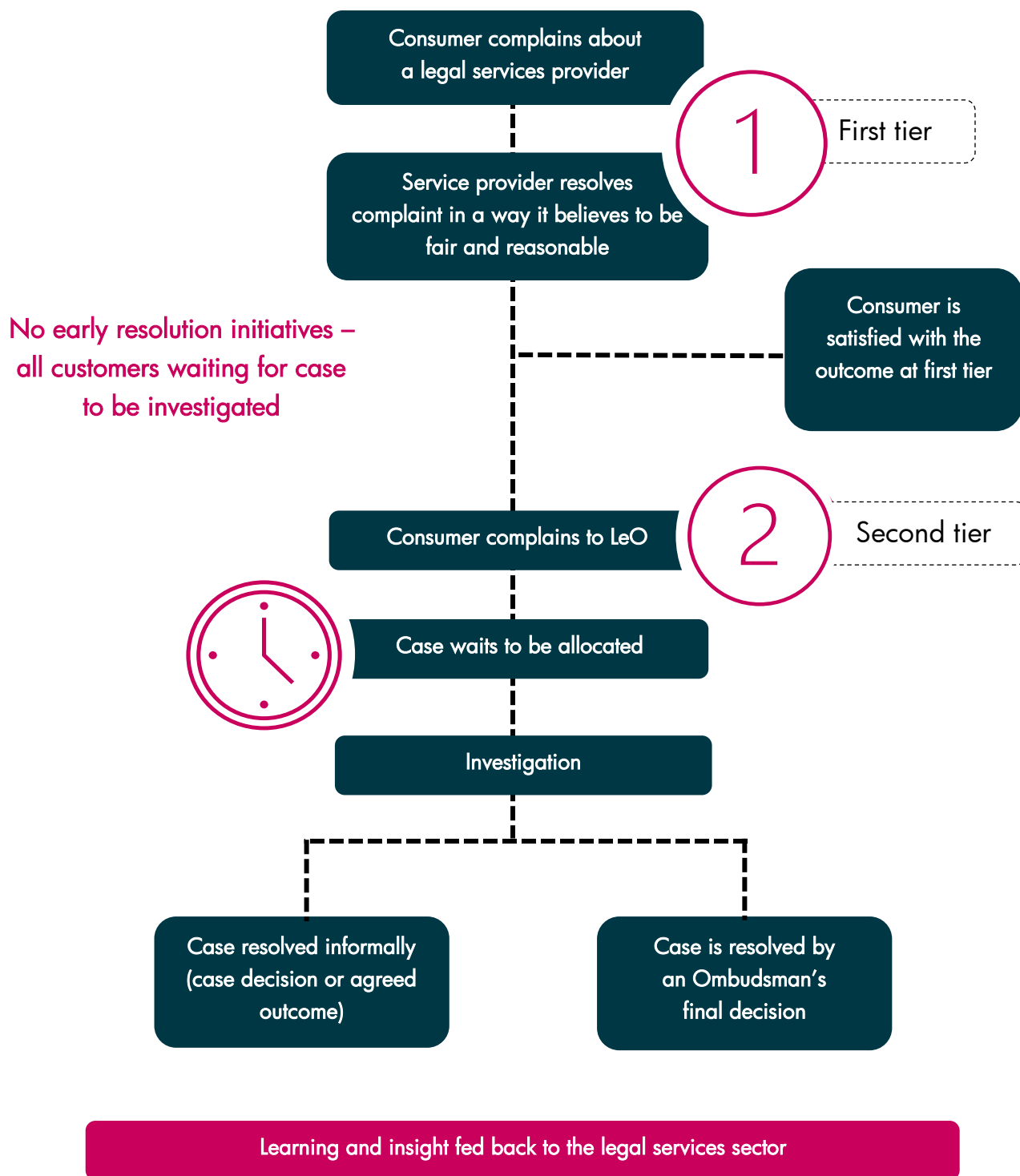
The Legal Ombudsman's primary role is to resolve complaints about providers of legal services that haven't been resolved to customers' satisfaction. This includes complaints about the majority of legal services provided in England and Wales. There are certain rules and limits that might mean LeO can't or isn't the right organisation to help. These are set out on [LeO's website](#).

The OLC's Business Plan and Budget for 2021/22 was delivered within the second year of the 2020-23 corporate strategy period. The strategic objectives and Business Plan priorities for 2021/22 are set out on page 15, and full plan [is published](#) on the Legal Ombudsman's website. In 2022/23 a new strategy for LeO will need to be developed, providing a clear framework focused on the key aims of sustainability, continuous improvement, and providing a high standard of quality service to all LeO customers.

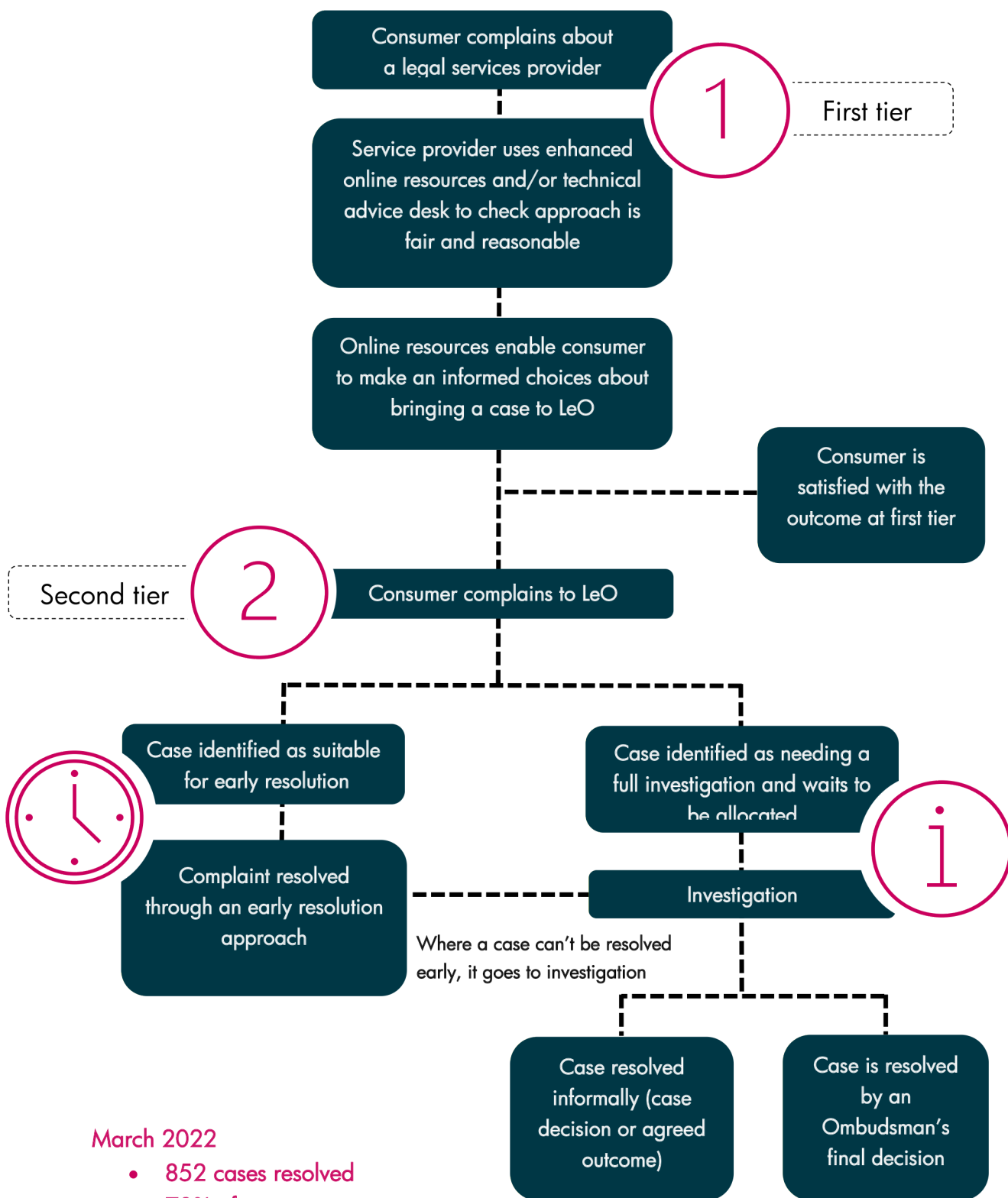
During 2021/22 significant progress was made in making LeO a more proportionate service, rebalancing LeO's approach towards earlier resolution – to help reduce waiting times and ensure customers received outcomes at an earlier point where that was appropriate. The following pages show the operating model in place at the beginning of the year, and the process that had been moved toward by the end of March 2022.

Vision		
Our work builds genuine confidence in legal services in England and Wales		
Mission		
To be an independent and impartial Ombudsman service providing reassurance and redress while constructively challenging the legal sector		
Strategic objectives for 2020-23		
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	
2	Developing our service to ensure it is appropriate for the evolving legal sector	
3	Increasing the transparency and impact of our casework to support greater access to justice.	
Business Plan priorities for 2021/22		
1	Support existing staff to increase performance and productivity	
2	Identify innovation opportunities that speed up the complaints process	
3	Focus learning and insight work on providers who require support to prevent and resolve complaints	

Operating model at the beginning of 2021/22



Operating model by March 2022 - greater proportionality and early resolution



Learning and insight fed back to the legal services sector

1.3.3 Key performance indicators

In 2021/22 the Legal Ombudsman maintained its existing key performance indicators, which provide a snapshot of its operations. For a full picture of LeO's performance, they should be read alongside the performance analysis.

Reasonable outcome

Internal quality measure asking whether the outcome of a communication, investigation, or decision was fair and reasonable

General Enquiries Team (GET): 91%
Investigator: 97%
Ombudsman: 97%

95%

GET: **88%**
Investigator: **93%**
Ombudsman: **97%**

Customer journey

The end-to-end customer journey time experienced by customers who have had a file closed or resolved each month

Average time in days at March 2021:
Low complexity complaints: 285
Medium complexity complaints: 372
High complexity complaints: 616

80% of low complexity complaints resolved in 325 days

65% of low complexity complaints resolved in 325 days

80% of medium complexity complaints resolved in 500 days

63% of medium complexity complaints resolved in 500 days

80% of high complexity complaints resolved in 500 days

16% of high complexity complaints resolved in 500 days

<p>Customer satisfaction The level of satisfaction with our service at the end of the process, depending on whether or not the customer was satisfied with the outcome of the investigation.</p>	<p>Satisfied with outcome of investigation – satisfied with service: Consumer 92%; provider 86% (target: 85%)</p> <p>Dissatisfied with outcome of investigation – satisfied with service: Consumer 11%; provider 16% (target: 15%)</p>	<p>85% satisfied with service for those satisfied with the outcome of the investigation</p> <p>12% satisfied with service for those dissatisfied with the outcome of the investigation.</p>	<p>Satisfied with outcome of investigation- satisfied with service: Consumer 92%; provider 83%</p> <p>Dissatisfied with outcome of investigation- satisfied with service: Consumer 11%; provider 11%</p>
<p>Volume of cases awaiting assessment Cases in the PAP at 1 April each year</p>	4,829	4,696	5,862

Raising professional standards			
Description	Actual 2020/21	Target 2021/22	Actual 2021/22
<p>Rating of our training and resources Annual measure of the views of service providers who have had a complaint investigated about whether LeO provides useful and relevant resources</p>	<p>Guidance – relevant 75%, useful 77%</p> <p>Training – relevant 60%, useful 65%</p>	80%	<p>Guidance – relevant 82%, useful 80%</p> <p>Training – relevant 87%, useful 86%</p>

<p>Satisfaction with our learning and insight sharing Annual measure of the views of approved regulators and professional bodies as to whether LeO has effectively shared learning and insights over the last 12 months</p>	<p>Agree with have effectively shared learning/insights with: Them – 73% Service providers generally – 73%</p>	<p>80%</p>	<p>Agree with have effectively shared learning/insights with: Them – 90% Service providers generally – 90%</p>
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Efficiency and resilience			
Description	Actual 2020/21	Target 2021/22	Actual 2021/22
<p>Unit cost Monthly average cost, looking at the number of cases resolved by quarter against our costs for the quarter.</p>	<p>£2,798</p>	<p>Monitored only</p>	<p>£2,092</p>

People and Culture			
Description	Actual 2020/21	Target 2021/22	Actual 2021/22
<p>Quarterly and rolling turnover rate Total voluntary leavers for the past 12 months, as a percentage of the average total permanent headcount for the period.</p>	<p>9.9%</p>	<p>18%</p>	<p>22.4%</p>

1.3.4 Summary of strategic risks and issues

Recognising the risks inherent in delivering a wide-scale performance improvement plan, the Legal Ombudsman actively identified managed risks and issues that could impact its delivery. There is more information about these from page 41.

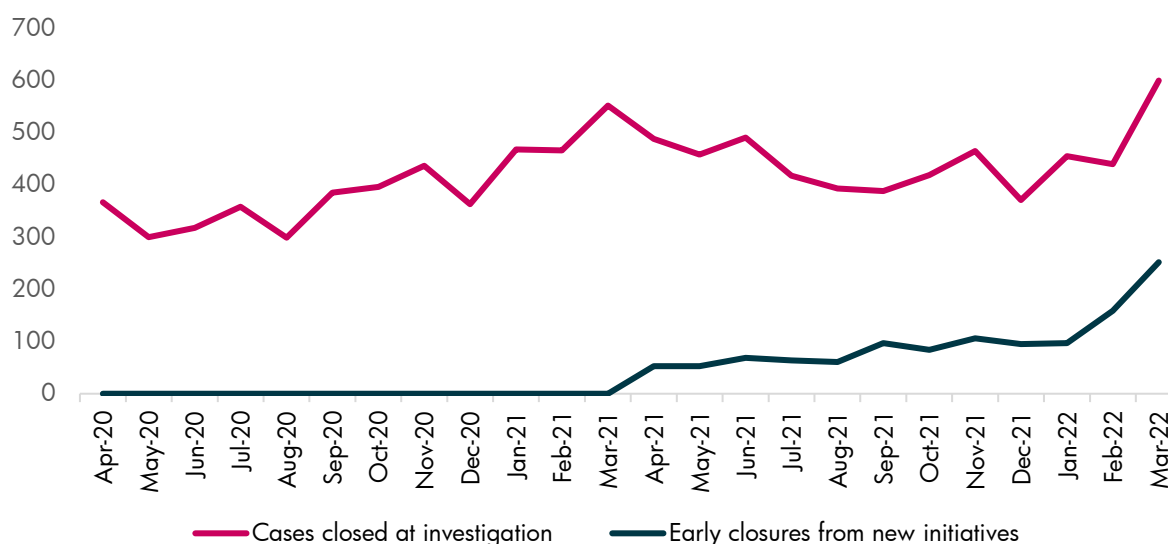
Strategic risk or issue	Strategic objective	Rating Q1 2021/22	Rating Q4 2021/22	Movement
SI01: There is currently a substantial backlog of cases waiting to be worked (pre-assessment pool) causing significant delays to decision times	① ②	20	16	↓
SI02: We are currently outside of a tolerable position with regards to budget spend (financial underspend) <i>New issue added in Q3 – to be monitored as a risk in 2022/23</i>	①	N/a	15	↑
SI03: Inability to attract, engage, mobilise and retain the right talent, skills at all levels and embed the desired culture <i>Changed from risk to issue in Q3</i>	① ③	16	20	↑
SR01: Failure to deliver against required performance trajectory and consequent loss of credibility and confidence in LeO's ability to deliver the scheme effectively in the long term.	① ② ③	20	16	↓
SR02: Failure to effectively manage and implement transformational change	① ③	16	12	↓
SR03: Covid-19 evolution – lack of resilience, agility to deliver our service	①	9	6	↓
SR04: The framework of governance, risk management and control is not sufficiently robust to support the delivery of objectives <i>Changed from issue to risk in Q3</i>	① ② ③	15	10	↓

1.4 Performance analysis

1.4.1 Delivery against the Business Plan

The Legal Ombudsman's primary focus during 2021/22 was taking action to improve the unacceptable length of time people were waiting for their case to be investigated. Through a sustained focus on LeO becoming a more proportionate, flexible service, in 2021/22 the outlook shifted considerably, even while there remained a substantial number of people waiting. Improvement increased across the year, with particularly strong progress in the final quarter. Across the year as a whole LeO resolved 6,576 cases against 4,702 in 2020/21.

Cases resolved since April 2020



The rest of this section outlines how LeO has delivered against each Business Plan priority for 2021/22.



Support existing staff to increase performance and productivity

What was planned	Status summary
<i>Maximise operational performance</i>	
Plan activities to build on and progress the learning from the Staff Survey 2020/21	Complete Review of results and current progress shared in Q4. See page 47 for more information.
Support and mentor all operational leaders to proactively manage the performance of their teams	Complete Delivered as part of coaching, development and leadership in operational teams.
Develop leaders at every level and progress activity to reduce performance variation; optimise performance through ongoing remote working	Complete There have been more than 30 opportunities for operational promotion during the year, with many relating to new initiatives.
Managing by behaviours (<i>how we lead</i>)	Partly complete Performance management framework completed in 2021/22 and to be launched in Q1 2022/23.
Improve performance outcomes (<i>what we achieve</i>)	
Helping all people to see how they impact on customers (<i>why we do this</i>)	
Target focused resource to the Pre-Assessment Pool backlog, to review, progress and conclude cases within a robust recovery plan	Complete A range of interventions have been established or instigated to support performance recovery. See pages 32-33 for more information.
Work with, and learn from other Ombudsman schemes and consider how they organise their resources and deliver outcomes.	Complete LeO is an active member of Ombudsman Association and has continued to build relationships with other schemes.
Undertake Ombudsman and case decision review project	Complete This review looked at the format and content of case decisions and Ombudsman decisions to ensure that they are consistent and accessible to customers.

Implementation of outcomes from above	Partly complete Currently planning implementation of outcomes.
<i>Recruit operational resources in order to increase case closures to 7,057 by year end and a support a long-term reduction in wait times</i>	
Review and refresh recruitment and induction strategy	Partly complete Operational induction strategy has been reviewed and refreshed, and the new "Grad Bay" induction process is in place.
Investigator recruitment and induction to ongoing replace attrition	Complete The shift to national recruitment means LeO has been able to recruit to meet demand and also to anticipate attrition.
Recruit and induct two investigator teams (24 investigators, two team leaders, and one Ombudsman)	Complete
<i>Reduce disproportionate wait time for high complexity cases</i>	
Implementation of appropriate deployment model for L1 Ombudsman team	Complete Organisational redesign undertaken to support progression of high-complexity cases.
Continued focus and support to promote early resolution where possible	Complete
<i>Monitor and maintain the quality of work through the Quality Framework</i>	
Implement outcomes from Quality Feedback review	Partly complete An interim review of the quality framework has been carried out, but resourcing issues have limited our ability to progress this work.
Feed outcomes from customer satisfaction surveys into appropriate business areas	Complete/ongoing

Addressing resourcing and performance challenges

For much of 2021/22, LeO's inability to attract and retain the required number of people had a significant impact on how far it was able to meet its anticipated recovery trajectory during 2021/22. In spite of this, the hard work and commitment of existing staff meant LeO still resolved 40% more complaints than 2020/21. This represented 93% of the complaints it expected to with 84% of established FTE. Excluding early resolution cases (see page 32), there was a 16.7% increase in investigator productivity between the start and end of 2021/22.

Despite recruiting 33.5 FTE during the first half of the year – who have performed above expectations under the new “grad bay” induction (see below) – a competitive and saturated local recruitment market meant LeO needed to take further action to ensure enough people were recruited to reach its aims for resolving complaints.

For the first time, LeO worked with recruitment partner to roll out a national campaign. This had an overwhelming response and resulted in offers being made to 39 people. As well as meaning LeO began 2022/23 with a full complement of investigators, LeO also maximised the success of this campaign to recruit early to replace assumed attrition up to the first half of 2022/23.

In 2021/22 LeO took a number of steps to improve support for new investigators, aimed at reducing attrition:

- **Improving the induction experience.** Using feedback from previous new recruits, LeO developed an induction programme called “Grad Bay”, from which the first cohort graduated into investigation teams on 1 April 2022. LeO's new investigators are better supported into the organisation, with greater opportunity to productively resolve complaints during their induction while ensuring quality isn't compromised.
- **Improving initial learning to improve confidence and performance.** LeO has improved the learning and support provided in the induction process, and increased the number of mentors. While there is a trade-off involved in using experienced staff in this way, it is an investment in recruitment and future productivity; inductees' feedback is that mentoring is the most important support for them.
- **Bolstering operational leadership.** LeO has recruited to ensure there is capacity to support the reduction of performance variation, leadership of efforts to reduce waiting times, process change and coaching and development work.
- **Combining level one Ombudsman and quality roles.** From December 2021 LeO has had a more flexible Ombudsman resource, meaning it can respond to changes in demand from the three core areas level one Ombudsmen deliver:

resolving high complexity complaints, providing quality checks and feedback to investigators and making final decisions.

Looking ahead, LeO's continued focus on reducing operational performance variation will also have resulted in some employees leaving us, impacting attrition rates, but importantly, increasing individual productivity. In addition, the general shift to homeworking has given people more choice of employment, with location no longer a factor in many cases. LeO also recognises it doesn't currently have a competitive reward offer, and a benchmarking exercise is currently underway to form a full picture of comparability for all roles.

In 2022/23 LeO will maintain its focus on attracting and retaining highly skilled and motivated people. Priority 1 of the new Business Plan sets out ways this will be done within the context of the wider People Strategy, alongside work to promote EDI and wellbeing. The findings of the recent Government Internal Audit Agency will also help to inform improvements to the current recruitment and onboarding process.

Ensuring the quality of LeO's service

In 2021/22 the Legal Ombudsman has continued to assess the quality of the service it provides to legal service users and providers, the reasonableness of the outcomes that are reached and the overall levels of customer satisfaction. Although the results provide assurance that the outcomes delivered to customers are fair and reasonable, the level of service was below that which LeO has aimed for – primarily as a result of high waiting times.

An interim review of LeO's quality framework was carried out in May 2021. This review identified a number of recommendations relating either to the day-to-day operation of the existing framework, or to potential areas for change. While resourcing constraints have limited the further scoping and development of work around the framework, during the year LeO enhanced the value of the existing framework by:

- Ensuring that all quality reviews are carried out by an independent person so that any scope for real or perceived bias is removed.
- Carrying out moderation exercises with the Ombudsman cohort.
- Integrating feedback from the legal team around the themes and trends they are seeing from their casework into the Quality Committee.
- Carrying out regular reviews of the level, standard and frequency of feedback provided by Ombudsmen to investigators on all completed decision work to help improve standards of investigatory work.

The recent introduction of a front-end initiatives (see page 32) will mean that many customers receive an Ombudsman's input at a much earlier stage. LeO's existing suite

of quality checks will enable us to provide assurance that the level of service provided to all customers remain high and that the outcomes reached in those cases remain fair, reasonable and proportionate. Additional quality assurance metrics will be developed to help ensure people receive the same standard of service whatever journey they take through LeO.

Customer satisfaction

LeO monitors customer satisfaction levels at three stages of the complaints process. Feedback is collated and used as the basis of improvements. The findings from customer satisfaction reviews, together with the verbatim feedback, are shared with staff to show the impact that the level of service has on customers.

LeO customer	After using LeO's complaint checker tool	One month into the investigation	After receiving the outcome
Consumer	84% (no target; 2020/21: 79%)	54% (target: 65%; 2020/21: 58%)	Satisfied with the outcome: 92% (target: 85%; 2020/21: 92%) Not satisfied with the outcome: 11% (target: 15%; 2020/21: 12%)
Service provider	N/a (consumer tool)	51% (target: 65%; 2020/21: 49%)	Satisfied with the outcome: 83% (target: 85%; 2020/21: 86%) Not satisfied with the outcome: 11% (target: 15%; 2020/21: 16%)

Reflecting LeO's ongoing challenge of reducing waiting times, surveys highlight clear dissatisfaction from consumers and providers of legal services alike around how long they have been waiting for an investigation to begin. To help address this feedback, LeO now provides all customers waiting with a quarterly update.

Relatedly, satisfaction levels are lower during the investigation process. This reflects the fact that, while average investigation times have fallen, most people had already been waiting a significant amount of time at the point the investigation began.

At the end of our process, satisfaction with the outcome of the investigation is the primary determinant of people's overall satisfaction with LeO's service. The results for those who aren't happy with the outcome can be volatile due to the small sample size: the number of responses among this group is very low.

"I did have to wait quite some time before my complaint was picked up but when [my investigator] introduced herself – I found her to be sympathetic and professional and above all she listened to me. She contacted the firm and kept me informed every step of the way"
Legal Ombudsman consumer

Internal quality assessments

LeO's internal quality assessments involve a senior member of staff reviewing whether we have provided a reasonable level of service and whether the outcome was reasonable.

Quality review	Target	General enquiries team	Investigation	Ombudsman
Did we provide a reasonable outcome? (KPI)	95%	88.5%	91.4%	97.1%
Did we provide a reasonable service?	95%	88.1%	70.2%	97.1%

The key area of poor service reflected in these results relates to the time taken to get an outcome from LeO and previous lack of updates. This is reflected in customer satisfaction scores and is an area for continued review and focus.

LeO monitors the outcomes reached on a sample of cases each quarter to ensure that not only was the outcome reasonable in terms of the assessment of the consumer's treatment by the service provider, but also in relation to any remedy that LeO recommended or directed. This review provides us with a high level of assurance that outcomes reached at all stages of our process are fair and reasonable.

The Service Complaints Adjudicator

The Service Complaints Adjudicator investigates complaints about the standard of service the Legal Ombudsman itself has provided, which LeO hasn't been able to

resolve directly with the customer involved. There is more information about the complaint process in [LeO's factsheet](#).

The Service Complaint Adjudicator's summary annual report is published as Appendix 2 to this annual report. The Adjudicator received 12 complaints (23 in 2020/21), involving 76 separate issues of complaint, of which they upheld 13.

"...there has been a notable reduction in the proportion of complaints escalated to stage 3. This is in my view a reflection of the very good standard of complaint responses at earlier stages, which provide answers to customers, and assurances that matters they raise are addressed and lessons learnt"

The Service Complaints Adjudicator

Value for money

Historically the Legal Ombudsman has used a unit cost financial measure, calculated by dividing the cost of delivering the Scheme by the number of cases concluded in the relevant period. In very simple terms this reflects the cost of running the Scheme, and LeO continue to report on it (see pages 20 and 58). However, it is one-dimensional metric that doesn't adequately reflect the value and breadth of work LeO carries out. This is explained in more detail in our 2022/23 Business Plan.

Given these limitations, in 2021/22 LeO has used the National Audit Office's (NAO) 4Es model – Economy, Efficiency, Effectiveness and Equity – supplemented by additional metrics and reported as part of the Agreed Data Set. It enables LeO's executive and the OLC Board to identify where interventions are required in the effort to reach a sustainable balance between operational delivery and quality/customer satisfaction. For stakeholders, it provides a suite of key metrics which show how efficiently and effectively LeO is performing and where there is room for improvement. In addition, LeO can use insights from performance monitoring internally, to continually improve the service it provides.



Identify innovation opportunities that speed up the complaints process

What was planned

Status summary

<i>Develop Stakeholder Advisory Forum</i>	
Set up forum to advise on potential innovation projects and on alternatives to existing business process	Complete The Challenge and Advisory Group was established in April 2021 and met four times during the year.
<i>Scope and test pilot projects to test possible changes to business process</i>	
Scope innovation projects including Standardised Information Request (information being provided earlier in the process) and Adjudication Model (reaching an appropriate outcome with reduced support and contact)	Partly complete Having assessed the adjudication model, it was decided not to proceed due to issues at the development stage of supplier software. The standard information request was piloted and is now business as usual.
<i>Implement pilot projects</i>	
Implement pilot projects	Complete See the rest of this section for more information.
Review impact on business process and forecasting	Complete Results were tested with the Performance and Quality Task and Finish Group and included both in forward trajectories and explanations of how investment will be spent.
Wider implementation of projects into business	Complete
<i>Investigate options for general enquiries team (GET) supporting "investigation ready" files</i>	
Plan and implement project looking at how GET can support investigation, ego early resolution, standardising case files	Complete
Review impact on business process and forecasting	Complete Review took place in Q4 and a decision was made to include the GET investigator role in the new front-end team.
<i>Explore and implement technology projects</i>	
Complete implementation of automation technology project	Complete Updates to Robotic Process Automation (RPA) will go live and be developed further in 2022/23. See page 35 for more information.
Implement document summarisation tool project	Not complete Initial testing of the tool showed insufficient benefit. The project was stopped so

	resource can be focused on work that will have a bigger impact on LeO and its customers.
Consider options for automating file complexity ratings by using outputs of natural language technology and revisiting case age prediction tools	Not complete Based on other innovation work, this will now be delivered under the 2022/23 Business Plan using simpler, known technology.
Develop an implementation strategy for 2022/23 proof of value projects, including portal project	Complete LeO has explored and evaluated options for greater use of technology and decided on the next steps. See page 35 for more information.
<i>Development of dynamic forecasting model to enable better understanding of efficiencies and processing times</i>	
Design and build forecasting model	Complete
Implementation of model	Complete

Transforming LeO – becoming more proportionate and flexible

In 2021/22 the Legal Ombudsman’s general enquiries team dealt with 107,040 contacts from users of legal services – an increase on the 101,499 handled in 2020/21. Where an enquiry doesn’t relate to a case already with LeO, the team identifies the right course of action for the problem in hand. This can involve signposting people to their legal services provider to make a complaint in the first instance, to sources of legal or consumer advice, or to other Ombudsman schemes where the issue clearly isn’t within LeO’s remit.

However, a substantial volume of cases waiting for further input has built up in LeO’s “pre-assessment pool” (PAP). This is primarily due to the recruitment and attrition issues LeO has faced, and exacerbated by the impact of the Covid-19 pandemic. Many people have been waiting months, and as much as 24 months, for an investigation to begin. In some cases, the answer is that their complaint isn’t one that LeO can or should take forward.

In early 2021/22 LeO established a Challenge and Advisory Group, aimed at providing a forum for open feedback and constructive challenge. Conversations with stakeholders, together with formal consultation points during the year, indicated support for taking radical action to address waiting times and rebalance our process toward minimum formality.

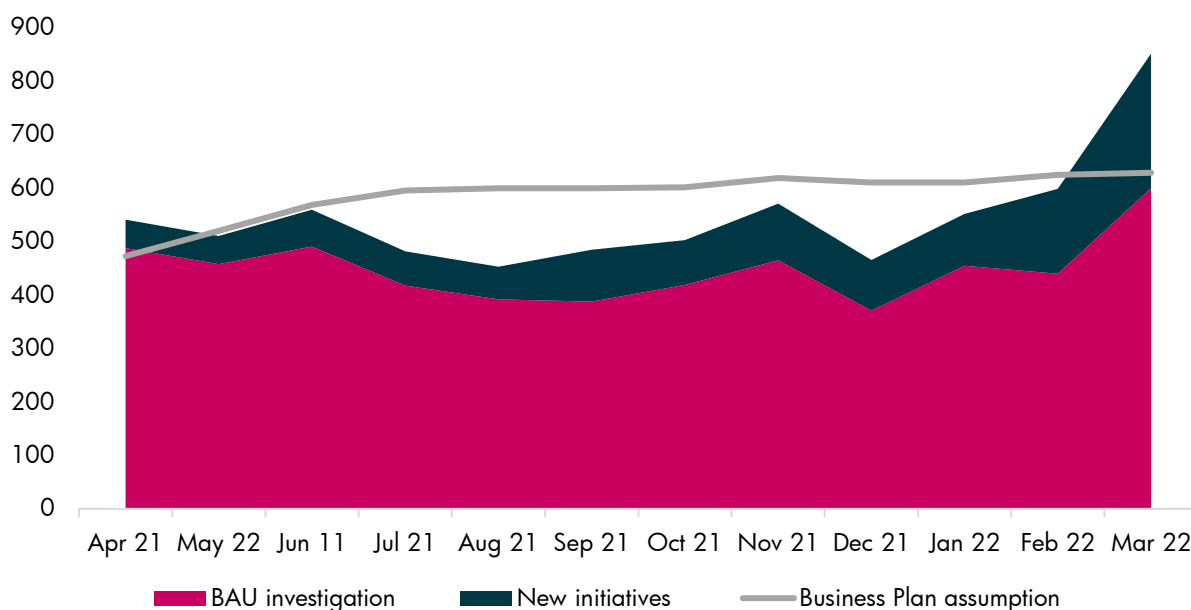
In response, LeO piloted a number of initiatives aimed at identifying complaints that could be resolved without a full investigation. Central to the pilots was the creation of a new general enquiries team investigator (GETI) role and team to focus on cases that had potential for early resolution. This role bridged a gap between LeO’s general enquiries team and investigator roles, which under LeO’s existing process represent distinct (see page 16). The piloted processes became business as usual in October 2021, and from December 2021 resources were shifted to support a greater focus on reaching a proportionate outcome at the earliest opportunity, creating a new front-end team.

LeO expects early resolution initiatives to account for nearly a third (32%) of all case closures in 2022/23, against 18% in 2021/22. The interventions being made by the new team are contributing to substantially reduced customer journey times. These resolutions are not reflected in the average customer journey time KPI reported on in this Annual Report. LeO will be addressing this in 2022/23.

Early resolution initiatives

Early proportionality	Incoming cases to LeO are reviewed within 24 hours to identify whether they might be suitable resolving without a full investigation.
Pre-Assessment Pool proportionality	Cases already waiting in LeO’s queue are reviewed to identify whether they are suitable to be resolved without a full investigation.
Reasonable offer made	In some cases LeO identifies that a reasonable offer has been made to the consumer. LeO can dismiss the case under its scheme rules for that reason.
Guided negotiation	In some cases LeO supports negotiation between the service provider and their customer, resulting in a reasonable offer being made which is accepted.
Nudge	For consumers, this means helping them engage with LeO at the right time and with the right information – for example, finding the information they need on our website. For service providers, it means helping them understand what a reasonable offer looks like, so they can then resolve the complaint themselves.

Cases resolved in 2021/22



Case study: an early intervention to conveyancing complaint

Ms F contacted the Legal Ombudsman about the trouble she was having with a conveyancer. She told us she jointly owned a garage with her neighbour, which the neighbour was trying to sell. Despite repeatedly contacting the conveyancer, Ms F hadn't been able to get the paperwork that would prove her ownership.

LeO's front-end team believed this problem could be resolved at an early stage. This was particularly important given that the sale was progressing toward completion, with Ms F at risk of losing several thousand pounds.

Within a month, LeO had worked with the conveyancer to ensure they found and submitted the necessary documents to Land Registry in time – and ensured that Ms F was compensated to reflect the unreasonable service she had received.

The conveyancer didn't have to pay a case fee. And because they hadn't had to focus resources on the case over a long time period, they were instead able to invest time and effort in improving their processes to ensure the same problem didn't happen again for other clients.

Case study: an early intervention to complaint about missing will

Mrs G, who had power of attorney over her father, Mr B's, affairs, contacted the Legal Ombudsman on his behalf. Mr B, who was in his nineties and in poor health, was very concerned about what had happened to his will. Despite her best efforts, Mrs G hadn't been able to locate or contact the solicitor that had drawn it up.

LeO's front-end team recognised that Mr B's case was urgent, and it was assigned to an investigator. Within four weeks, the investigator had worked with the relevant regulator to get contact details for the individual involved, who it turned out had moved on from two firms in the meantime. It was then possible to arrange for the will to be transferred to Mr B's new solicitor, and the investigator also ensured he was compensated for the worry and upset he'd experienced due to the poor service.

Making improvements and efficiencies

Smaller-scale changes have also shown their potential to improve efficiency and ultimately result in a better service for those using LeO.

LeO's people's ideas and experience have been central to success so far. On the front line of complaints, they have a vital insight into how process can get in the way of customer service, and what can be done to remove these barriers. Through an "ideas station", launched in April 2021, LeO has considered hundreds of suggestions, taking forward those that show most potential.

A number of efficiencies developed during 2021/22 are now reflected in LeO's standard processes. These include establishing specialist law teams focusing on probate and personal injury cases; routinely using a 'scoping' phone call; giving experienced investigators greater autonomy over how to progress complaints; streamlining the first steps of the investigation process; strengthening our approach where parties have disengaged; and LeO has strengthened guidance for investigators around how to proceed where the parties have disengaged; and streamlining how additional complaints are handled.

Making use of technology

While some people will always need fuller input and intervention from LeO, many others may be able to resolve their issue themselves using our guidance and signposting. Work in this area includes a specific focus on reshaping how people first engage with LeO, including via the website, and on using technology to automate processes where possible.

This includes using Robotic Process Automation (RPA), which was used in just under half of complaints submitted via the customer assessment tool in 2021/22 and all complaint forms from April 2022, saving one year of work for a team member.

While also exploring and implementing RPA in September 2021, LeO looked at a range of other technologies – including online dispute resolution (ODR) platforms, machine learning and natural language processing. LeO has decided not to explore these other technologies for the foreseeable future; there are no guarantees they would support delivery of LeO's business priorities in the next two years.

Wider changes to how LeO works

Reviewing the Scheme Rules

The 2021/22 Business Plan committed to a review of the Scheme Rules in Q4, aimed at considering whether they remained suitable going forward. However, the scale of LeO's performance recovery meant the review was refocused on identifying opportunities to improve the customer experience by removing historic obstacles to resolving cases quickly and with minimum formality.

LeO consulted in February 2022 on a series of changes, and proposed changes were presented to the OLC Board in May 2022 and LSB Board in July 2022. If approved, a period of implementation will follow across 2022/23. Stage 2 of the review, which will be progressed further in 2022/23 and 2023/24, will focus on assessing a number of longer-term strategic changes.

Exploring a regional hub approach

An important mitigation for future resourcing challenges is developing LeO as national employer, following success in 2021/22. As part of this, during the year LeO explored the potential for regional 'hubs' where we can share MoJ estate and widen our recruitment reach. LeO is now recruiting for both corporate and operational roles at a pilot hub in Cardiff and assessing other potential locations in the North of England. The pilot is being closely managed, with reviews planned to inform future decisions about the use of hubs. LeO will be assessing its options more broadly as the expiry of the least in Edward House approaches (Autumn 2024).

Outsourcing

In 2021/22 LeO assessed the potential scope for outsourcing elements of casework or using agency resource, to accelerate improvements to customer waiting times and afford greater flexibility in future resourcing. Discussions were initiated with the LSB and MoJ to assess potential barriers within the legal framework. As LeO has now achieved stability in its investigation resource, efforts will be focused primarily on other initiatives to support resilience in resourcing.

Discussion with MoJ will also continue on the scope to amend the Legal Services Act to allow further delegation of Chief Ombudsman powers and greater flexibility in our resourcing of earlier, more proportionate decisions about complaints.



Focus learning and insight on providers who require support to prevent and resolve complaints

What was planned	Status summary
<i>Develop organisational learning and knowledge framework</i>	
Establish working group and programme of activities for the year, including:	Complete
Impact case studies	Complete Ten case studies were published in March 2022 as part of LeO's overview of annual complaints.
Internal thematic reviews on misconduct referrals	Complete To be taken forward with relevant regulators.
Research - providers generating significant case volumes and what drives early contact	Complete Research used to support engagement with the sector.
Create business intelligence tools which support feedback to the sector and transparency of data	Partly complete Requirements for this work have been gathered, but resource constraints prevented completion in 2021/22.
<i>Develop opportunities for tailored feedback to the profession</i>	
Set up and implement service provider advice line	Complete
Engagement with regulators to identify opportunities to work with firms	Complete Work with relevant regulators ongoing and more planned for 2022/23.
<i>Increase opportunities for profession to learn from us, including visibility of resources</i>	
Tailored feedback courses as required	Complete See page 38 for more information.
Thematic report and tailored learning campaign	Complete Report on personal injury claims published in May 2022.
<i>Deliver business case for publishing decisions</i>	
	Complete

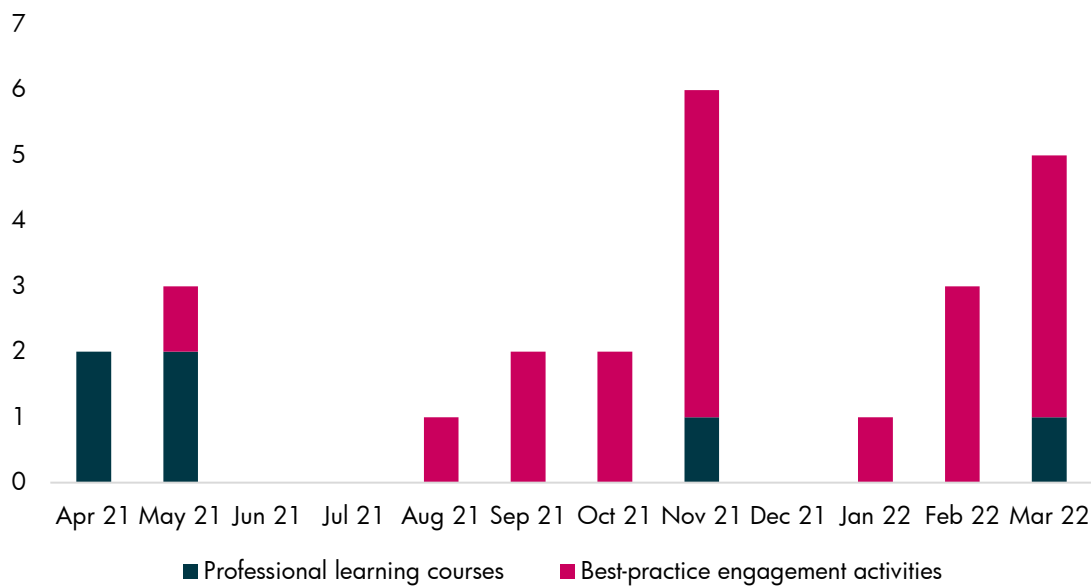
Scope and develop business case for publishing decisions (including need for further consultation)	Business case in December 2021 recommended the publication of decisions should be delayed until LeO reaches operational stability.
<i>Scheme Rules review and timetable for possible consultation</i>	
Undertake interval review of rules including impact of pilot project and need for changes	Complete

Targeted engagement to help raise standards

Sharing insight about the causes of complaints helps legal services providers and their customers avoid the substantial time, cost and frustration inherent to the complaint process. It is also an important factor in managing demand for LeO's service preventing cases being added to the front-end queue unnecessarily. LeO has already begun to identify how it can better engage with service providers, to provide learning and insight at all stages of the process.

During the first year of the Covid-19 pandemic, LeO carried out its learning and insight-sharing activities, as well as attending stakeholder events and forums, exclusively online. Recognising the benefits of this approach in terms of cost and reach, LeO continued to deliver and attend online events in 2021/22, as well as some in-person events as these resumed. LeO has also continued to share data with regulators on a quarterly basis, to help them understand patterns of complaints among firms they regulate and take their own action to address these.

Sharing insight and best practice



Launch of new technical advice service

In November 2021 LeO launched its technical advice service, aimed at providing informal advice to legal service providers handling first tier complaints – with the aim that these can be resolved by the service provider themselves without needing to be escalated to LeO to get a fair outcome. The enquiries the service handles help to identify where guidance could be improved and learning shared and targeted.

The launch was supported by stakeholder engagement to raise awareness of the service. While the number of enquiries has so far been modest at around 20, the advice service has been able both to add value in individual situations and support providers to make improvements with a potential impact on far higher numbers of customers. For example:

- Following enquiries, the service reviewed two firms' complaint procedures, making suggestions about how they could be improved – for example, extending timeframes to a more reasonable length, and simplifying the number of stages in the internal complaints process.
- Contact through the advice service led to the development bespoke training for with a firm struggling with an increase in complaints, which has led to changes to their staff training and their complaint handling procedures.

Developing our online resources

During the year LeO refreshed its online complaint-handling video content, creating new bitesize videos covering the good complaint handling and complaint prevention, as well as the LeO process and approach to resolving complaints.

LeO also continued to share its newsletter LeO News, with each edition including a round-up of updates, upcoming events, any live consultations and newly published guidance.

Case study: engaging with service providers around personal injury claims

LeO held a workshop for representatives of firms supporting clients through personal injury claims, to discuss in depth the issues facing service providers. LeO shared complaints data and common complaint themes seen in investigations, and received feedback from attendees on the issues they identify.

The discussion highlighted a challenge for service providers in meeting regulatory requirements by providing all relevant information, while not overwhelming the consumer. Following the workshop, LeO created some consumer factsheets focused on PI complaints and what consumers should expect.

So that the discussion at the workshop could benefit more service providers, LeO also created a thematic report sharing insights into the main complaint trends in PI and how to make improvements in these areas.

Publishing full Ombudsman decisions

The Legal Ombudsman [publishes details of final decisions](#) made by Ombudsmen. Having consulted with stakeholders in October 2019 about the transparency of LeO's work, in December 2021 LeO reached a rationale for publishing full Ombudsman decisions.

Publishing decisions is a resource-intensive activity, involving significant considerations around drafting, quality assurance, technical solutions, training, and stakeholder engagement - taking significant time from operational resource. While this annual report highlights the progress LeO has made, there is still a substantial amount of work to do to reach a sustainable, acceptable level of performance. LeO is also in the process of reviewing its quality framework, which will underpin further work around decision publication. For this reason, LeO will pause this work and review the position

at the end of 2022/23, taking into account factors including resourcing and future budgets, and ensuring all options are considered for delivering transparency and greater insight and learning.

In the meantime, LeO will continue working with the legal sector around quality indicators, and explore how better use can be made of Category One decisions (see page 70), wider sharing and reporting of targeted key decisions and learning and greater use of existing data and insight to support improved consumer outcomes and choice.

1.4.2 Strategic risks and issues

In 2021/22 the Legal Ombudsman undertook a fundamental review of its risk and assurance framework and implemented a comprehensive new risk framework. For the year as a whole LeO identified, managed and took steps to mitigate a range of strategic risks (SR) and issues (SI) relating to the delivery of its strategic objectives.

SI01: There is currently a substantial backlog of cases waiting to be worked (pre-assessment pool) causing significant delays to decision times							
① ②				Theme: Operations			
Q1 2021/22		Q2 2021/22		Q3 2021/22		Q4 2021/22	
Issue rating	Trend	Issue rating	Trend	Issue rating	Trend	Issue rating	Trend
20	↔	20	↔	20	↔	16	↓
Mitigating actions							
<ul style="list-style-type: none"> As outlined from page 32, during the year a range of initiatives were developed and implemented to reduce customer waiting times. In addition, successful national recruitment (see page 25) means LeO has enough investigators to deliver on expected trajectories. This issue has reduced in the latter months of Q4, with early resolution initiatives having a positive impact; March 2022 saw the PAP figure exceeding revised forecasting trajectories. LeO will monitor this issue going into 2022/23 and will review at the end of Q1. 							

SI02 – We are currently outside of a tolerable position with regards to budget spend (financial underspend)

①				Theme: Financial			
Q1 2021/22		Q2 2021/22		Q3 2021/22		Q4 2021/22	
Issue rating	Trend	Issue rating	Trend	Issue rating	Trend	Issue rating	Trend
N/a		N/a		15	↑	15	↔
Mitigating actions							
<ul style="list-style-type: none"> Monthly finance review meetings with all budget holders were put in place to review and update forecasts based on the recruitment profile. LeO began to use other recruitment channels and platforms, and widened its candidate pool by recruiting nationally. A LeO-wide workforce plan was implemented to support proactive resource and budget management. 							

SI03: Inability to attract, engage, mobilise and retain the right talent and skills at all levels and embed the desired culture

① ③						Theme: People, operations, reputational			
Q1 2021/22			Q2 2021/22			Q3 2021/22		Q4 2021/22	
Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Issue rating	Trend	Issue rating	Trend
16	9	↑	16	9	↔	20	↑	20	↔
Mitigating actions									
<ul style="list-style-type: none"> The risk around people was escalated to an issue given the number of recruitment and retention challenges. While the picture has improved for operational roles, corporate roles remain a challenge given the current market and LeO's current offer. The proposed hub strategy will widen LeO's reach in future. A new 'celebrating success' platform was launched in Q3, rewarding and recognising staff's achievements each month. A comprehensive People Strategy (see page 45) was developed and is being implemented. 									

SR01: Failure to deliver against required performance trajectory and consequent loss of credibility and confidence in LeO's ability to deliver the scheme effectively in the long term.

① ② ③						Theme: Operations					
Q1 2021/22			Q2 2021/22			Q3 2021/22			Q4 2021/22		
Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend
20	12	↑	20	12	↔	20	12	↔	16	12	↓

Mitigating actions

- A model has been created showing LeO's business performance trajectory, taking into account business plan assumptions to ensure an accurate position. Revised assumptions were agreed in Q2 as part of the Performance and Quality Task and Finish Group.
- LeO has continued to have open and transparent conversations with stakeholders on performance, including establishing a Challenge and Advisory Group.
- Early PAP initiatives have been implemented throughout the year, as a result of which the risk rating reduced in Q4.

SR02: Failure to effectively manage and implement transformational change											
① ③						Theme: Programme and project management					
Q1 2021/22			Q2 2021/22			Q3 2021/22			Q4 2021/22		
Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend
16	6	↑	12	6	↓	12	6	↔	12	6	↔
Mitigating actions											
<ul style="list-style-type: none"> • A project and programme communications plan has been created and will ensure staff are involved and engaged throughout the year. • Key project documentation was refined and developed to support project delivery and managing change through the organisation. • A project prioritisation framework was developed and implemented to support executive decision-making and overarching programme communications. 											

SR03: Covid-19 evolution – lack of resilience, agility to deliver our service											
①						Theme: People, operations, strategy					
Q1 2021/22			Q2 2021/22			Q3 2021/22			Q4 2021/22		
Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend
9	6	↓	9	6	↔	9	6	↔	6	6	↓
Mitigating actions											
<ul style="list-style-type: none"> • Command team have met regularly over the year to review the impact of Covid-19 on LeO's service. Remaining Covid-19 measures were lifted in Q4 in view of updated Government guidance. • Following a hybrid working trial in Q3, (40%/60% split), this was implemented at the end of February 2022. • Covid sickness absence has been built into our forecasting modelling and will remain on the strategic risk register for 2022/23, albeit at a low risk. 											

SR04: The framework of governance, risk management and control is not sufficiently robust to support the delivery of objectives

① ② ③				Theme: governance					
Q1 2021/22		Q2 2021/22		Q3 2021/22			Q4 2021/22		
Issue rating	Trend	Issue rating	Trend	Residual risk score	Target risk score	Trend	Residual risk score	Target risk score	Trend
15	↑	15	↔	12	4	↓	10	4	↓
Mitigating actions									
<ul style="list-style-type: none"> The Chief Ombudsman reviewed and updated leadership and management structures to ensure they are proportionate and provide suitable oversight and resilience. A new governance and contracts project led to several LeO policies being updated and rewritten. A full review of decision-making processes and routes of escalation took place, with terms of reference reviewed and updated in Q3. A new risk-management policy and guidance note was launched in Q2, and has helped support leaders in managing risks and issues in their areas. A new OLC Governance Framework was put in place in Q4, and all terms of reference for Board, committees and internal meetings were reviewed and updated. 									

1.4.2 People and organisation

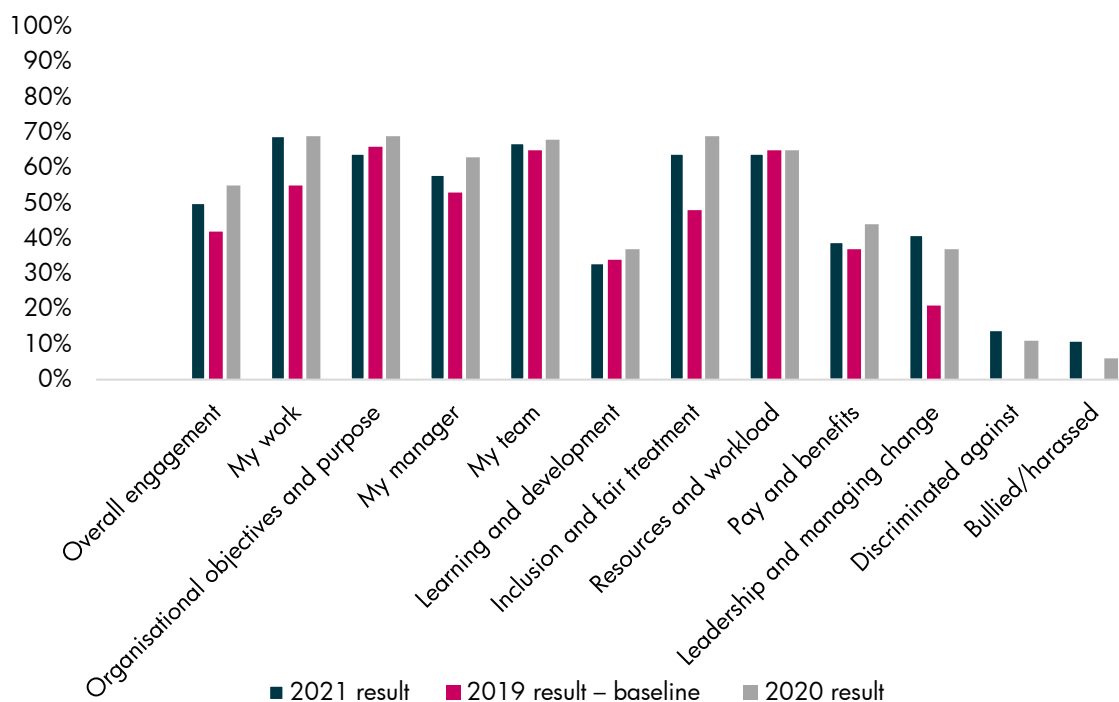
People Plan and Strategy

Over the course of 2021/22 LeO built on work carried out in 2020/21 under its People Plan, laying the foundations for the new People Strategy from 2022/23. The table below summarises how each element of the plans set out in the 2021/22 Business Plan developed during the year.

People Plan activities in 2021/22 Business Plan	Progress in 2021/22
Talent and career development	Job roles and descriptions, were updated, prioritising level one Ombudsmen; the establishment of the GETI role will support both customer service and succession planning; and the experience of a number of previous employees has been retained in LeO's Ombudsman pool.
Recruitment and induction	Operational recruitment, selection and induction were completely refreshed to form a new supportive, team-based "Grad Bay".
Employee relations	New and existing HR policies were reviewed with an EDI focus; a new performance management framework and critical HR policies were agreed, with a competency framework to follow later in 2022/23.
Performance and training	A learning and development programme was delivered to operational team leaders and managers, supported by inclusive leadership training and HR clinics.
Reward and recognition	Benchmarking has been commissioned to feed into a pay and reward strategy in 2022/23; a refreshed "celebrating success" scheme was launched to reward exceptional customer service.
Communications and engagement	The executive and Board relationship with LeO's staff council has been strengthened; staff networks now meet regularly with the management team.
Organisational culture	Better engagement has been a focus at every level of LeO, with channels including blogs, "meet the CEO/COO" events, sessions on specific areas such as hybrid working, and regular all-staff briefings and newsletters; the "ideas station" has been a fundamental part of improving LeO's performance.

Civil Service People Survey

LeO's People Survey results



During the year new Civil Service People Survey results showed a 20 percentage-point improvement in how LeO's people feel about its leadership and how change is managed, compared with a 2019 baseline (which organisations participating in survey are using as the latest comparable year, reflecting the extraordinary impact of the Covid-19 pandemic on their operations in 2020).

While this improvement is welcome, it is clear there is much more work to do in improving staff feedback further in this and other areas. Work already delivered and planned under the People Strategy will support the improvement that is needed.

Wellbeing

While the pandemic did not impact LeO's operations on the same scale as in 2020/21, LeO remained a predominantly remote-working organisation for most of the year. This meant engagement activities were important in helping keep people connected with their colleagues and with LeO's leadership team.

In November 2021 LeO ran a series of wellbeing check-in sessions to help support people back to working in the office, as it began to transition toward a hybrid model. A survey relating to returning to the office as completed by staff in December 2021, and the results were fed into a clear action plan in response to key concerns. During the year LeO continued to actively promote health and wellbeing through a range of initiatives, including support from Wellbeing Champions, an Employee Assistance Programme, workshops and 'Buddy Circles', as part of an ongoing wellbeing programme that will be developed further in 2022/23. Reviews of the induction programme to ensure a supportive experience for new investigators, and a review of HR policies by our EDI manager, have helped ensure that people are supported to perform at their best and feel included at LeO.

"The buddy circles have helped me reconnect on my return to the office. It's a great way to catch up with people I know and to make new acquaintances."
LeO staff member

See page 25 for more detail about how people's performance was supported in 2021/22. There is more information about sickness absence on page 83.

Equality, diversity and inclusion

In 2021/22 the Legal Ombudsman took significant steps forward in its strategic approach to equality, diversity and inclusion (EDI) as a public service and an employer. Since beginning their role in the first quarter of the year, LeO's new EDI manager focused on the development and implementation of an EDI framework that lays the groundwork for tangible and specific actions and change in 2022/23. A new strategy and action plan will deliver LeO's Equality Priority Objectives, aligning with the People Strategy and wider strategic objectives.

Equality Priority Objective	Summary of progress in 2021/22
<p>Representative workforce</p> <p>By 2023, we will be working towards increasing the diversity of our workforce at all levels to reflect the community where our office is based and the customers we serve</p>	<ul style="list-style-type: none"> • Analysed workforce demographic data • Extracted recruitment data for last financial year for analysis • Held focus groups to understand how our people feel about EDI issues • Published gender pay gap report
<p>Inclusive place to work</p> <p>By 2023 we will provide an accessible and inclusive working environment and culture where all staff are treated fairly, are able to perform to the best of their ability and get support in developing and growing their careers</p>	<ul style="list-style-type: none"> • Assigned executive sponsors to staff networks • Delivered inclusive leadership training to our Board and executive team • Established a Steering Group • Consulted on inclusion and belonging as part of focus groups • Analysed results of People Survey in relation to inclusion, bullying and harassment • Carried out an Equality Impact Assessment of all new and reviewed HR policies • Created an EDI Calendar and delivered and promoted diverse and inclusive events through multiple communication channels • Monitored EDI in respect of reward and recognition
<p>Customer service and accessibility</p> <p>By 2023, The needs and rights of people who shared protected characteristics are at the forefront of the design and delivery of our service</p>	<ul style="list-style-type: none"> • Analysed vulnerable customers and reasonable adjustments data • Reviewed reasonable adjustment process across the customer journey • Analysed customer satisfaction scores, customer outcomes and service complaints by demographics

LeO's action in 2021/22 and future EDI plans have four key areas of focus:

1. Strategy and policy

- A new EDI Steering Group met for the first time in March 2022, and will provide governance and support for the delivery of the strategy.
- An Equality Impact Assessment (EIA) policy and procedure has been put in place to ensure LeO meets the requirements of the Equality Duty and is promoting equality in policy development and service delivery.
- LeO carried out six employee focus groups in December 2021. The themes identified have been shared with the executive team and will have a direct impact on the EDI action plan.

2. Building our community

- LeO's executive team and EDI manager have continued to build relationships and increase the visibility of LeO's staff networks, who will be key partners in delivering the strategy
- The EDI manager has built up an external network, identifying opportunities for collaborating and sharing knowledge and best practice. They helped establish the Ombudsman Association EDI steering group and co-chaired the group's first meeting in May 2022.
- LeO will continue to look at opportunities to engage with regulators and legal service providers to improve feedback to the profession, particularly service providers with protected characteristics.

3. Diversity and inclusion training

- The Board and executive team received inclusive leadership training during 2021/22, helping to increase their ability and confidence in embedding EDI across LeO. Managers, team leaders and level two Ombudsmen received training focused on increasing awareness of bias in recruitment, performance management and progression; the importance of an inclusive culture in LeO; and practical actions managers can take to promote this.
- LeO has reviewed and updated its current induction and learning and development programme to include focus on EDI issues.
- In response to key feedback from staff consultation sessions, LeO is planning further training around supporting neurodiverse staff and customers.

4. EDI reporting

- The EDI manager developed an agreed dataset and a baseline diversity data which will now be shared regularly with the OLC Board, which has a newly-appointed EDI sponsor, Dale Simon.
- LeO will use data, including feedback from staff, to provide assurance that it is consistently working towards being a diverse and inclusive organisation, including how far it is attracting, selecting retaining applicants from a diverse range of backgrounds.
- Going forward, baseline data gathered about the diversity of LeO customers will be used to identify potential accessibility issues or differences in outcome. LeO will monitor changes in working practices or business processes which could raise EDI issues.

Supporting LeO customers

People access legal services at significant times in their lives, and needing to make a complaint can exacerbate an already-stressful event. This means it is likely many people using LeO's service each year are, or are at risk of, experiencing vulnerability of some kind. This extends beyond consumers of legal services to service providers, who may also be experiencing challenges that require empathy and support from LeO.

LeO's EDI manager has had oversight of the whole customer journey through this lens. They have carried out a review, spanning online enquiries to service complaints, focused on ensuring LeO is not only meeting its legal duty to make reasonable adjustments, but that, more broadly, it is doing all it can to provide the support people need. Customer satisfaction measures (see page 27) are regularly reviewed with a specific focus on EDI issues, with feedback provided regularly to relevant staff.

In 2022/23 LeO will be refreshing internal guidance, creating additional vulnerable customer champions and a support network for staff, providing additional training and creating a multidisciplinary team to deal with the most complex cases. The EDI manager will continue to work with other similar schemes to share experience and best practice, including in their capacity as co-chair of the Ombudsman Association EDI network, and continue to engage with regulators, following their participation in 2021/22 in an SRA roundtable focused on vulnerable consumers' experience.

1.4.4 Sustainability report

The OLC and LeO are committed to working with suppliers and employees to ensure we take proper account of the impact of our activities on the environment and the communities we work within.

Because the OLC hasn't historically reported on a wide range of sustainability measures, some information required this year has not been recorded, either completely or partially. Over the coming year work will be done to ensure the data needed to assess sustainability performance is collected and monitored, drawing on requirements and good practice.

Office footprint

By the end of 2021/22 a hybrid working model was in place, and in future staff will work 40% of their time in the office (including at one of our hubs if this proposal goes ahead) and 60% at home. However, during the year LeO continued to follow Government guidance around working from home, pausing employees' return to the office where necessary. This means the environmental impact in 2021/22 may not be a suitable baseline against which to judge that of future years.

Reducing the impact of IT

There are a number of IT initiatives which contribute to reducing environmental impact. Staff have been provided with equipment, such as secondary screens, to enable effective home working and minimise the amount of travel to the office. LeO has moved to cloud-based servers, which minimises requirements for air-conditioned server rooms, and creates environmental efficiencies from economies of scale. Printers require users to select to print, which minimises printing because some documents sent to print may not ultimately be required. The IT team reused existing IT equipment packaging when sending equipment to staff.

Energy usage

Energy type	kWh
Electricity	171,785

Travel for LeO staff

Mode	Total expenses claimed (£0.45/mile)	Total miles travelled
Road	157	348
Train	537	1,184

Paper usage

Pages printed (office printers)
42,198

Waste, waste minimisation and water consumption

The Legal Ombudsman's landlord does not currently hold data relating to individual organisations that share the building.

Sustainable procurement

The OLC will be reviewing its approach to procurement with this focus in the coming year.

1.4.5 Other reporting

Capital expenditure

In 2021/22 the OLC had a capital expenditure budget of £250k allocated by MoJ. Our estimated requirements at the start of the year were £190k. Total expenditure was £147k. The capital investment included IT infrastructure and equipment, office equipment, and case management system (CMS) enhancements.

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. 67% of invoices were paid within agreed terms in (2020/21: 34%) and the average number of days taken to pay creditors was 31 days (2020/21: 39 days).

The challenges of remote working had a significant impact on the timeliness of paying purchase invoices in 2020/21. Improvements in internal processes around authorising of invoices and following up in a timely manner has contributed to this significant improvement.

In Q4 weekly payment runs were introduced to reduce the likelihood of invoices missing their due date by a few days, and these are expected to deliver further improvements in 2022/23.

Counter-fraud, corruption and bribery

Fraud is a significant risk to the UK public sector with far-reaching financial and reputational consequences. 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 has 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 remain fit for purpose. As part of the measures to prevent fraud the GovS Annual Assurance Checklist is used to assure financial processes and checked by the MoJ Counter Fraud Centre of Excellence.

In 2022/23 a Counter Fraud strategy will be developed to set the direction and desired outcomes relating to counter fraud, bribery and corruption.

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). An advanced email spam filter protects our organisation from malicious emails. This has proven to be key part of our security mechanism as most cyber-attacks are initiated through this channel.

During 2021/22 LeO implemented an automated cloud protection tool (SAAS) which monitors the Office 365 environment for suspicious behaviours such as password attacks, data exfiltration and deletion and access to restricted files and data. This tool has played a vital role in the prevention of malicious attacks and monitoring of resources in the cloud.

Impact of Covid-19 and EU exit

In 2020/21 the OLC incurred certain costs relating to the Covid-19 pandemic, reporting on these in its Annual Report and Accounts. In 2021/22 only the cost of air conditioning cleansing was identified as relating to Covid-19, with costs relating to home working (e.g. additional IT equipment) instead relating to the Legal Ombudsman's new hybrid working approach.

There was no expenditure arising from the UK's exit from the EU.

1.4.6 Looking ahead

2022/23 Business Plan priorities	
①	Support our people to perform at their best
②	Deliver improvements to streamline handling of complaints and deliver a more proportionate service focused on early resolution
③	Develop learning and insight mechanisms to increase impact of work and support improvements in the sector for providers and consumers

Continuing LeO's performance recovery

2022/23 is the second year of LeO's performance recovery journey. The improvements and innovations developed in 2021/22 not only had an impact in that year, but have also shown their potential for further success in improving the level of service provided to LeO customers. In summary, based on LeO's current assumptions and forecasts:

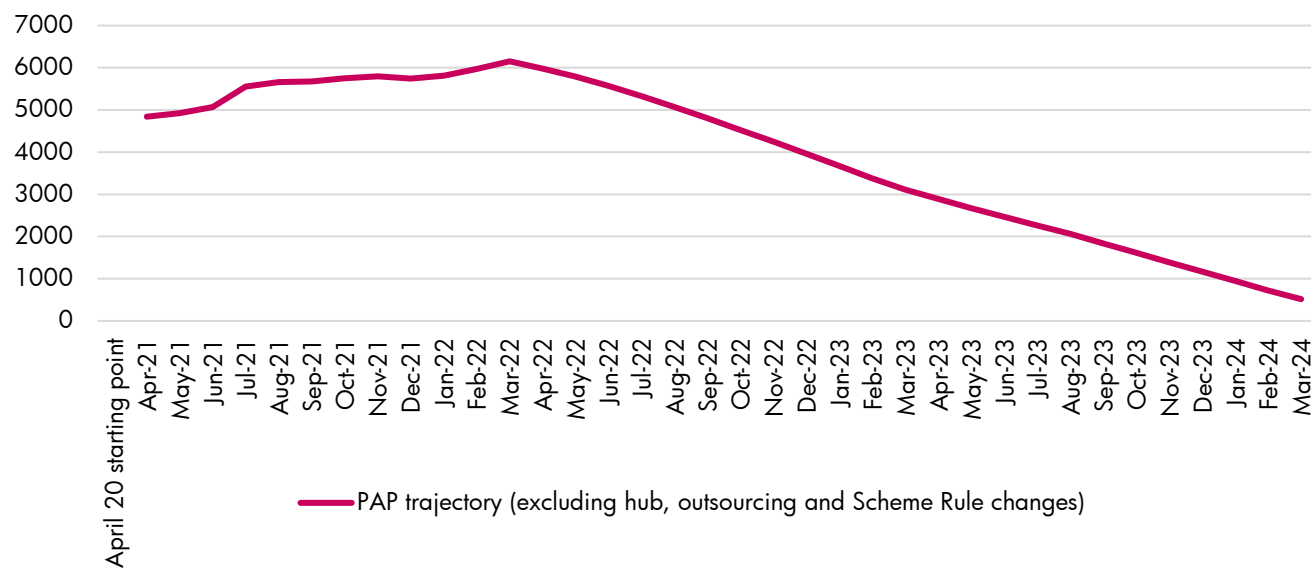
- 2022/23 will see an increase in total case closures to more than 10,000 – a 40% increase on 2021/22, and well over double the rate achieved in 2020/21. This is the key turning point in reducing the PAP and starting to reduce customer journey times.
- By the end of 2023/24, LeO's overall output will remain at similar levels (approximately 9,700 case closures).
- By March 2024, the PAP will be between 500 and 1,000 cases; cases will only be waiting 4 to 6 weeks for cases to be accepted for investigation; and over 60% of cases will be dealt with in an average of around 120 days (90 days plus 30 days or one month in the PAP).
- The PAP will be reduced to a working level in 2024/25. LeO's ambition is that this will result in an average 90-day turnaround for most cases.
- With higher levels of early resolution and proportionality, average overall customer journey times will continue to reduce at significant rates, and in time there will be a reduction in unit cost (cost per case).

Fundamental to delivering these aims is ongoing investment in LeO’s people. Plans include continuing to invest in onboarding, training and retention); supporting managers to help their people reach their best performance; reviewing our offer as an employer; investing in engagement, wellbeing and EDI; and exploring the potential to be a national employer, using a hub model.

LeO will also develop the learning and insight it offers, helping more complaints either to be resolved without LeO’s involvement or prevented altogether.

As LeO’s performance continues to recover, the OLC and LeO will consider how we can meaningfully report on progress against objectives and priorities going forward, engaging with stakeholders about this.

Cases in the Pre-Assessment Pool: forecast trajectory



2022/23 budget

The 2021/22 Business Plan set out a multi-year approach to improving the Legal Ombudsman's performance, and to its budget, reflecting investment in investigation teams over two years.

The final budget reached for 2022/23 involves broadly the same level of investment we originally anticipated over the two-year recovery journey. Due to the underspend in 2021/22 – which LeO and the OLC have confidence will not arise in future years – this investment is split differently across years one and two. Overall, over the two years, LeO will deliver more at a lower cost than originally anticipated.

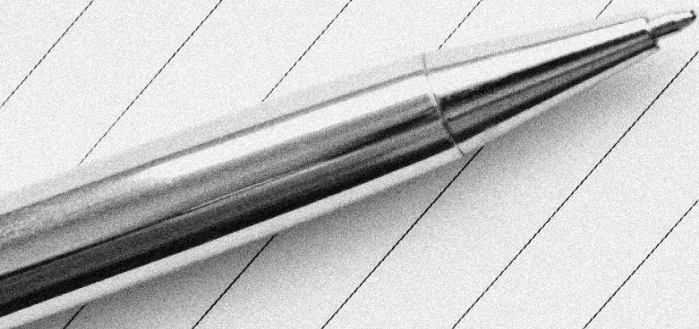
The investment made will generate efficiencies in the coming year and beyond. It will result in a quantifiable impact on LeO's performance, enabling it to deliver the gear-change required to reach a sustainable level of performance that meets customers' expectations within an acceptable timeframe.

	Original two-year plan	Updated two-year plan	Variance
2021/22 (actual)	£14,471,000	£13,757,000	-5%
Budget 2022/23	£15,024,000	£15,317,000	2%
Total budget	£29,495,000	£28,904,000	-1%
Cases resolved 2021/22	7,057	6,576	-7%
Cases resolved 2022/23	7,962	10,244	29%
Total cases resolved	15,019	16,820	12%
Unit cost 2021/22	£2,051	£2,092	2%
Unit cost 2022/23	£1,887	£1,495	-21%
Average unit cost	£1,964	£1,729	-12%



Paul McFadden
Chief Ombudsman and Accounting Officer
1 July 2022

2 Accountability Report



This **Accountability Report** explains the governance structures supporting the work of the OLC and Legal Ombudsman and the codes and good practice they reflect. It includes the directors' report, the statement of Accounting Officer's responsibilities and the governance statement. It also sets out how risks and issues are managed and the 2021/22 internal audit opinion.

2. 1 Corporate governance report

2.1.1 Directors' report

The Office for Legal Complaints is an Arm's-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 and have been the Accounting Officer throughout the reporting period. 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

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.

Board members' biographies can be found on the [Legal Ombudsman's website](#).



Elisabeth Davies
Non-Executive Director &
OLC Chair

1 April 2020 -
31 March 2023

Elisabeth Bellamy
Non-Executive Director &
Member of RemCo

1 March 2018 -
28 February 2022
Reappointed 1 March 2022 -
28 February 2023



Dale Simon
Non-Executive Director &
Board EDI sponsor

1 August 2021 -
31 July 2024

Annette Lovell
Non-Executive Director &
Member of ARAC

1 March 2018 -
28 February 2021
Reappointed 1 March 2021 -
28 February 2023



Jane Martin
Non-Executive Director &
Chair of RemCo

1 May 2018 -
30 April 2021
Reappointed 1 May 2021-
30 April 2024

Harindra Punchihewa
Non-Executive Director &
Chair of ARAC

1 October 2020 -
30 September 2024



Martin Spencer
Non-Executive Director &
Member of ARAC

1 August 2021 -
31 July 2025

Alison Sansome
Non-Executive Director &
Member of RemCo &
ARAC

1 August 2021-
31 July 2024



Rod Bulmer
Non-Executive Director &
Member of RemCo

1 April 2019 -
31 March 2022
(Resigned 31 July 2021)

Registration of interests

The OLC Board members' register of disclosable interests can be found at <https://www.legalombudsman.org.uk/information-centre/corporate-publications/governance/registers-of-interests-and-expenses/>.

Auditors

The MoJ provides internal audit services, through the Government Internal Audit Agency (GIAA) to the OLC. During 2021/22 the cost of audit work was £44,000 +VAT (2020/21: £43,000). 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 2022 the C&AG has estimated the costs at £40,000 (2020/21: £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 2022, the OLC has enough cash resources to meet anticipated expenditure for financial year ending 31 March 2023 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.

2.1.2 Statement of Accounting Officer's responsibility

Under the Legal Services Act 2007, the Lord Chancellor has directed the OLC to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the OLC and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Lord Chancellor has appointed the Chief Ombudsman as Accounting Officer of the OLC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the OLC's assets, are set out in *Managing Public Money* published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the OLC's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



Paul McFadden
Accounting Officer
1 July 2022

2.1.3 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.

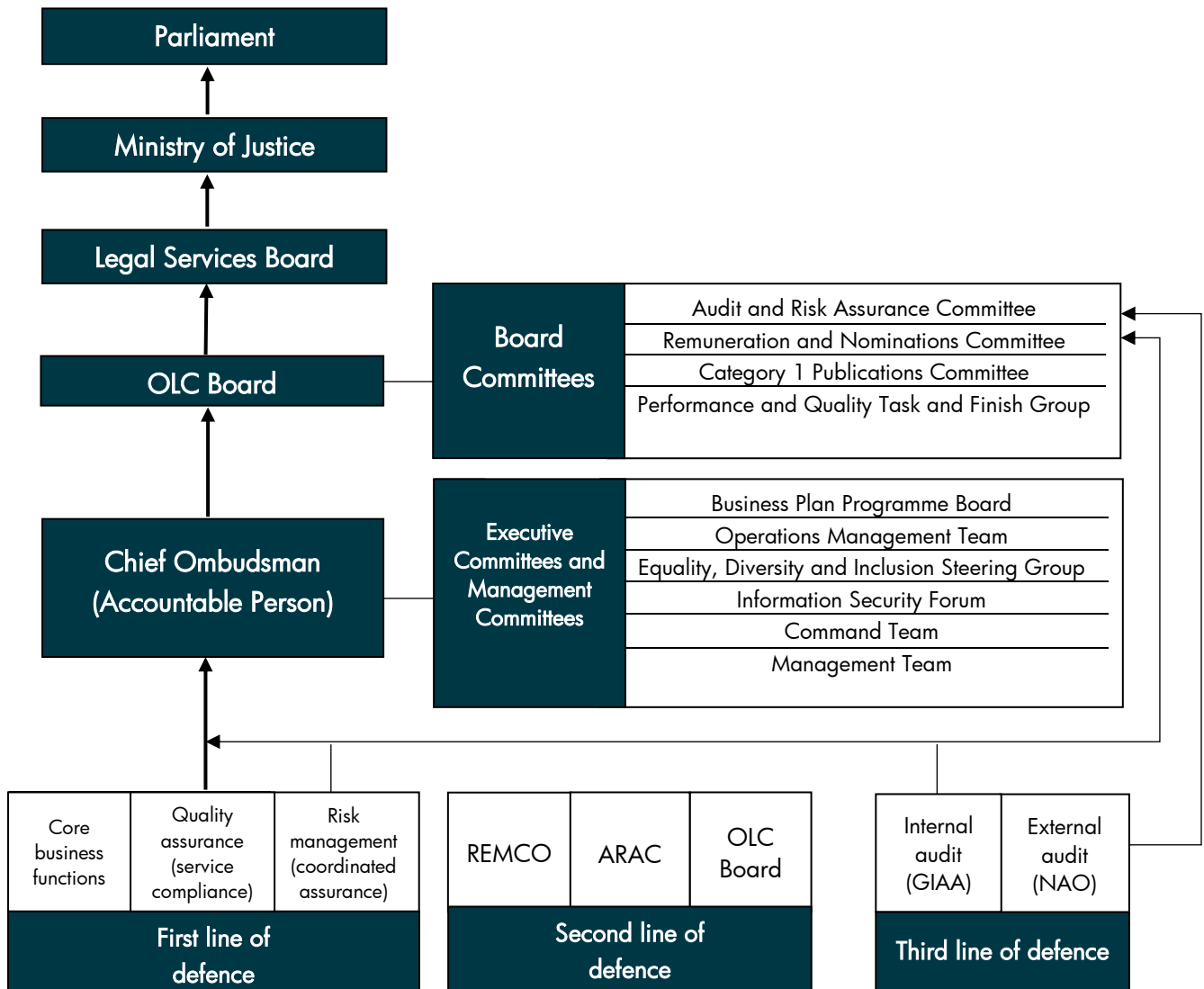
In all its work, the OLC has had regard to good practice and standards for both the Ombudsman and legal sectors. The Legal Ombudsman has continued to be a member of the Ombudsman Association, and the OLC takes account of the views of Board members who have experience from other Ombudsman schemes. The OLC Board has regard to the regulatory objectives laid out in the Legal Services Act 2007, and Appendix One of this report sets out the primary ways it meets these objectives.

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. To provide resilience, a finance manager was appointed in 2021/22. A key focus of their role has been to strengthen the monthly financial review process, and collaborate with budget holders on monthly forecasting.

Regular reporting to the OLC Board has continued to take place in 2021/22, and the Chair of ARAC has sought, and received, further information as required to provide them with assurance of appropriate financial management.

As outlined on page 73, internal audit opinion for 2021/22 was that the OLC has “continued to establish a stable leadership structure that has injected motivation and confidence across the organisation”.

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.

The OLC Board is accountable to the LSB for its administration of the Legal Ombudsman scheme, and the LSB is in turn accountable to the Lord Chancellor (MoJ) for the performance of its statutory duties, including those which it has in relation to OLC. In their capacity as Accounting Officer, the Chief Ombudsman is separately accountable to the MoJ Principal Accounting Officer for the OLC’s performance in relation to Managing Public Money.

The protocol respects the independence of the LSB and OLC in discharging their statutory duties. This means the MoJ has established both organisations as executive Non-Departmental Public Bodies, rather than Crown servants or agents.

The Legal Ombudsman, which is overseen by the OLC, is independent, and its decisions can't be influenced or overturned except by judicial review. The general principles that underpin the agreement reflect those set out in 'Partnerships between Departments and Arm's-Length Bodies: Code of Good Practice'.

As the chart on page 65 shows, the OLC's Governance Framework follows the "three lines of defence" model. This framework is published in full on [LeO's website](#).

To ensure it effectively discharges its statutory duties and makes high-quality decisions, the OLC Board has established three Committees which make recommendations to the Board. It has also established a Performance and Quality Task and Finish Group.

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 representatives of legal services consumers. 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 on LeO's website](#). LeO shares regular data and insight with regulators to help them understand complaint trends in the areas of law and providers under their remit.

In 2021/22 the OLC has continued to focus on ensuring a high level of transparency in its relationships, with a particular focus on the Legal Ombudsman's ongoing performance recovery and confidence levels in its forecast trajectory.

Effectiveness of the Board and its Committees

The OLC must comply with HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice (2011). As a statutory body, the OLC complies with the Code where it is 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.

The 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. The next full external effectiveness review will take place in the summer of 2022.

During 2021/22 the Board continued to prioritise its own effectiveness. In particular, a workshop was held in early September 2021 to bring together longer standing and newly appointed Board members, and explore preferred ways of working for the refreshed Board membership. The workshop was led by an external facilitator.

In addition, the Board continued to progress actions arising from a Board effectiveness update considered in September 2020, and which took account of two external pieces of work: the main conclusions and draft action plan relating to a Board effectiveness review which had been externally facilitated by Ed Nally in March 2019; and the seven relevant recommendations relating to board effectiveness from an Independent Review completed in October 2019 by Ron Barclay Smith.

Board effectiveness actions also included wider reflections and recommendations for action from the OLC Chair, including a revised focus and frequency of Board meetings in 2021/22; plans for a strategy away day; plans in relation to Board development including a dedicated board seminar; and the future of board leads.

Since this time the Board has continued to recognise the importance of its own development alongside demonstrating a commitment to improving its effectiveness. These have included:

- Holding two externally facilitated half day board seminars dedicated to board development.
- With the support of the LSB, appointing three new board members and holding meaningful and well-received induction sessions.
- Revisiting and closing the relevant actions from the independent review.
- Reviewing and updating the membership of all board committees, including carrying out a review of its Remuneration and Nominations Committee, resulting in revised terms of reference.
- Appointing a new Board Sponsor for EDI.
- Re-establishing its Performance and Quality Task and Finish Group.

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. In advance of every Board meeting the Chair identifies a Board member to feed back at the end of the meeting on its effectiveness, asking: 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. In 2021/22 changes/improvements have been made to:

- The quality of written papers and better use of executive summaries.
- Agendas that are better-structured with a clearer focus on the experience of staff and LeO's customers.
- Better use of pre-Board sessions and open lunches with staff to ensure greater visibility of the Board among LeO colleagues.

OLC Board	
Rules of procedure	<ul style="list-style-type: none"> • Published in full at www.legalombudsman.org.uk/media/owld0cbf/olc-rules-of-procedure_october-2021.pdf
Focus areas and activities in 2021/22	<ul style="list-style-type: none"> • Providing scrutiny and challenge around progress against the 2021/22 Business Plan and budget, including case resolutions, PAP-reduction activities, recruitment and attrition and budget underspend. • LeO's evolving approach to forecasting and performance reporting, including assurance around accuracy and robustness. • The development and approval of the 2022/23 Business Plan and budget, including the budget acceptance criteria submission to the LSB. • The development of a new EDI strategy, action plan and steering group. • Review of the quality assurance framework and developments in actions arising. • Proposals for changes to the OLC's scheme rules, the impact of these on LeO's performance and customer service and associated stakeholder engagement. • Results of the 2021 Civil Service People Survey. • The return of staff to the office and LeO's developing hybrid working approach in view of changing pandemic-related guidance. • Lessons learned from the 2020/21 Annual Report and Accounts process. • The review and update of the OLC Board and Committees' operating framework and terms of reference.

OLC Committees

Audit and Risk Assurance Committee

Terms of reference	Published in full at www.legalombudsman.org.uk/media/ndblwd5w/arac-terms-of-reference.pdf
Key activities and focus areas in 2021/22	<ul style="list-style-type: none"> • The identification, movement and management of strategic risks and issues relating to the delivery of LeO's objectives and commitments to customers in 2021/22. • Approach to financial forecasting and mitigating the risk of future underspend. • The budget-setting process for 2022/23, including the robustness of underpinning assumptions and trajectories and how these would be monitored. • Developing LeO's risk appetite and tolerances. • Approving the Internal Audit plan. • Internal Audit reports as per the approved plan. • Review of the External Audit proposal and the plan • Review of the progress made in delivering the internal and external audit plans. • Lessons learned from the 2020/21 Annual Report and Accounts process. • Annual reviews, incidents and frameworks relating to information rights and security, data protection, cybersecurity and health and safety compliance. • The revised expenses policy. • Review of Business Continuity plan. • Private meetings with both sets of auditors.

Remuneration committee	
Terms of reference	Published in full at www.legalombudsman.org.uk/media/s3ylthg4/remco-terms-of-reference.pdf
Key activities and focus areas in 2021/22	<ul style="list-style-type: none"> • Development and implementation of the People Plan and Strategy. • Annual meeting with LeO's Staff Council. • Civil Service Survey results. • Approach to recruitment, retention and attrition and impact on 2021/22 Business Plan delivery. • Reward and recognition approach, including review of the bonus scheme. • Executive pay for 2021/22. • New performance management framework and supporting policies, including probation, appraisal,





	<p>performance improvement, sickness absence, disciplinary and grievance.</p> <ul style="list-style-type: none"> • Structural changes in the HR function. • Gender pay gap report. • Annual health and safety compliance report, and revised health and safety policy.
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Performance and Quality Task and Finish Group	
Summary of role	Rather than being a standing committee with ongoing delegated responsibilities, the committee focuses on specific aspects of performance and quality as required and in relation to the budget and business planning cycle.
Focus areas and activities in 2021/22	<ul style="list-style-type: none"> • Conducting a deep dive into LeO's forecasting model in respect of the 2021/22 and 2022/23 Business Plan and Budget, providing assurance/advice on necessary improvements and determining the need for external validation/audit/input. • The timescales and impact of activities contributing to performance improvement. • How complaint resolution figures are counted and the impact of this – specifically, the inclusion of early resolution closures. • Considering and agreeing the performance reporting to be shared with external oversight bodies • Considering and agreeing the process for setting KPIs.

Category One Publications Committee

The OLC established a Category One Publications Committee to guide the OLC in the exercise of its discretion under Section 150 of the Legal Services Act 2007. This means it oversees the approval process to publish details where we have identified a serious risk to the public from a particular legal service provider. The Committee did not meet in 2021/22. However, as part of the ongoing focus on the transparency of LeO's work, further consideration will be given to how better use can be made of this discretion, as well as doing more to share the insight LeO has into the causes of legal complaints and the impact of LeO.

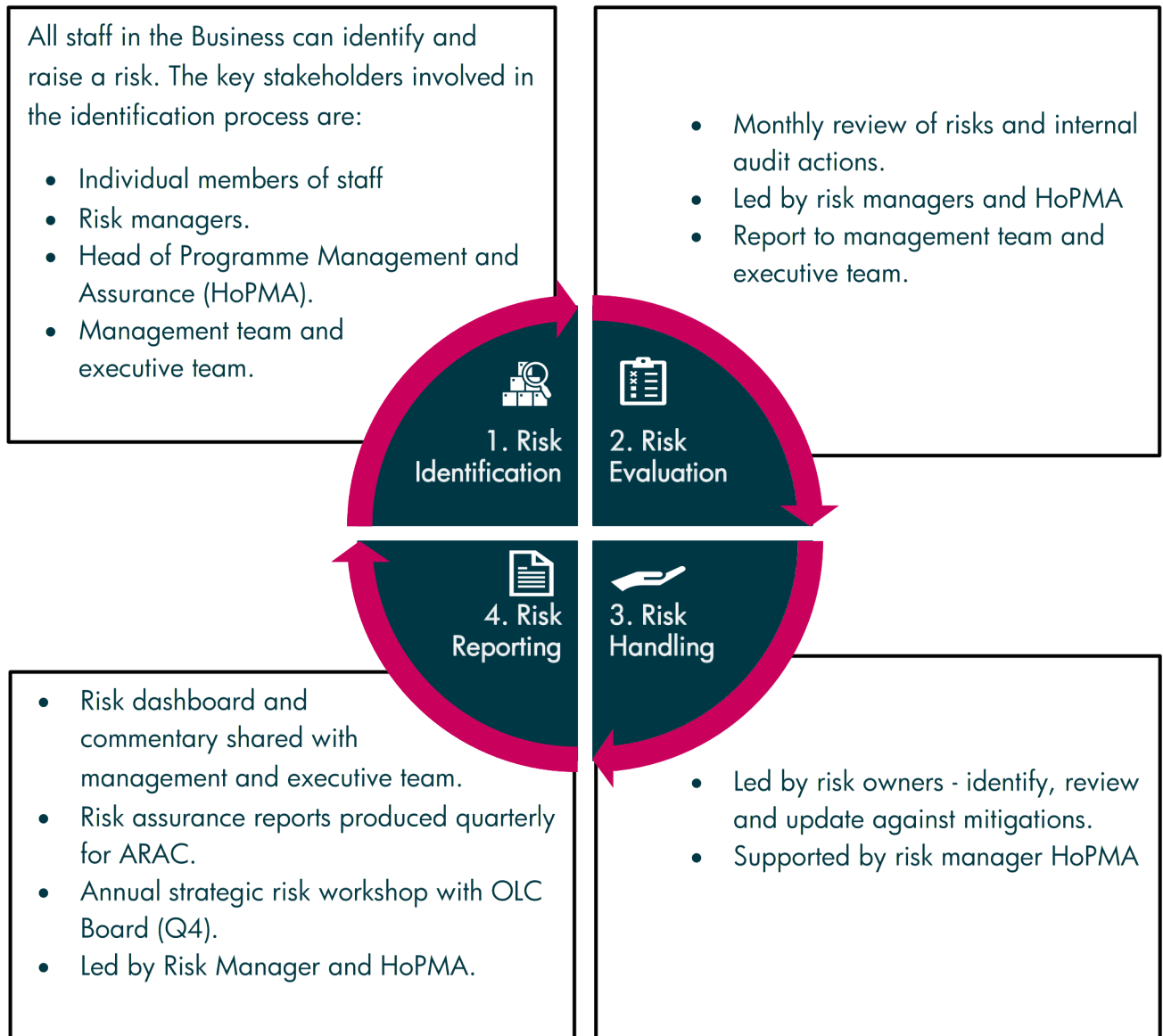
Attendance at OLC Board and Committees

Member	Committee Membership	Attendance at OLC Board meetings, seminars and workshops	Attendance at ARAC meetings	Attendance at RemCo meetings
Elisabeth Davies 	Observer at: ARAC RemCo			
Elisabeth Bellamy 	RemCo		N/A	
Rod Bulmer 	RemCo ARAC*			
Annette Lovell 	ARAC			N/A
Jane Martin 	RemCo (Chair)		N/A	
Harindra PUNCHIHEWA 	ARAC (Chair)			N/A
Martin Spencer 	ARAC			N/A
Alison Sansome 	ARAC RemCo			
Dale Simon 	N/A		N/A	N/A

*Co-opted to ARAC to ensure the quoracy of the May and July 2021 meetings

Risk management and risk assurance

The chart below shows how the Legal Ombudsman manages risk, from identifying risks to reporting on them. At the risk-reporting part of the process, a bespoke risk dashboard is shared internally, and is used as the management and executive teams' reporting tool. As an ALB LeO's arrangements are in line with relevant guidance, including the Orange Book.



Risk management processes are open to scrutiny and challenge at quarterly ARAC meetings. All actions from the 2020/21 risk management audit have been concluded and the risk management policy is next due for review in July 2022.

The executive team began work in Q4 2021/22 to develop risk tolerances and appetites to further enhance risk reporting. The risk manager will lead this work and reporting to ARAC and board going forward.

The Performance Report from page 4 details the specific strategic issues and risks that were managed during the year.

Internal audit: GIAA annual report and opinion

GIAA provided their internal audit annual opinion and report for 2021/22, providing a moderate opinion on the framework of governance, risk management and control. This is a marked improvement on the limited opinion provided in 2020/21 and an overall rating in line with some 85% of organisations audited. The opinion noted strong controls found across the areas of their work, reflected in majority moderate and substantial rated opinions. GIAA stated: "During 2021/22, the Office for Legal Complaints (OLC) has continued to establish a stable leadership structure that has injected motivation and confidence across the organisation. Our audit work has identified numerous improvements, implemented by the executive team and management, during the year in key areas of operational performance, corporate governance and strategic change."

Recommendations across audits identified a need to strengthen controls, governance and assurance structures in some specific areas, and identified weaknesses in the maintenance of up-to-date documentation of policies and guidance, along with providing adequate training and effective assurance reporting. These were common findings across the areas of audit, although mostly in areas already identified by the executive or where action was planned. As Accounting Officer, I welcome GIAA's assessment and improvements identified in its report, which will be addressed in the coming year.

Data incidents

The Legal Ombudsman handles a wide range of personal and sensitive information from those who use the service, with over 100,000 contacts in the year. During 2021/22 there were 63 data related incidents (2020/21: 57), none of which met the threshold for formal reporting to the Information Commissioner's Office (ICO) (2020/21: 1).

During 2021/22 LeO has continued to implement appropriate security measures to minimise cyber security risks, as well as other information risks. This includes additional cloud protection tools for the Office 365 environment, building on the intelligent filters introduced in 2020/21.

2.1.4 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
1 July 2022

2.2 Remuneration and staff report (audited)

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.

Results of the Civil Service People Survey are shared in the "People and Organisation" section of the Performance Report on page 47.

2.2.1 Appointment and terms of OLC Board members

Rod Bulmer left the OLC Board on 31 July 2021.

On 30 July 2021 the LSB confirmed the appointments of three new OLC board members all with effect from 1 August 2021:

- Alison Sansome (lay member)
- Dale Simon (non-lay member)
- Martin Spencer (lay member)

The prior year comparison includes two Board members who left in 2020/21. Shrinivas Honap left on 30 September 2020, and Rebecca Hilsenrath left on 31 March 2021.

2.2.2 Board remuneration

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 2022 £'000	Year to March 2021 £'000
Elisabeth Davies (Chair)	50-55	50-55	50-55
Elisabeth Bellamy	10-15	10-15	5-10
Rod Bulmer	10-15	0-5	5-10
Shrinivas Honap	0	0	0-5
Annette Lovell	10-15	10-15	5-10
Jane Martin	10-15	10-15	5-10
Harindra Punchihewa	10-15	10-15	0-5
Dale Simon	10-15	5-10	0
Alison Sansome	10-15	5-10	0
Martin Spencer	10-15	5-10	0

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

All expenses related to Board attendance in Birmingham are reviewed to ensure the correct contributions are paid to HMRC. These contributions have caused some variation in the salary band category between LSB Board members. In addition to the remuneration above, £6,211 of expenses was paid to Board members in 2021/22 (including accrued amounts) (£304 in 2020/21).

2.2.3 Executive remuneration

Year to 31 March 2022	Role	2021/22			Annual equivalent		
		Salary £'000	Pension benefits to nearest £1,000	Total £'000	Salary £'000	Pension benefits to nearest £1,000	Total £'000
P McFadden	Chief Ombudsman	110-115	7,000	115-120	110-115	7,000	115-120
S Strinati *	Chief Operating Officer	100-105	6,000	105-110	100-105	6,000	105-110

* S Strinati has resigned her position and will leave LeO on 13 July 2022.

Comparative figures for the previous financial year 2020/21 appear in the table on the next page.

Year to 31 March 2021	Role	2020/21			Annual equivalent		
		Salary £'000	Pension benefits to nearest £1,000	Total £'000	Salary £'000	Pension benefits to nearest £1,000	Total £'000
R Marsh	Chief Ombudsman and Chief Executive (until 04/10/20)	65-70	7,000	75-80	130-135	14,000	140-145
M Hughes*	Acting Chief Ombudsman (5/10/20 – 10/01/21)	65-70	7,000	75-80	80-85	10,000	90-95
P McFadden	Chief Ombudsman (from 11/01/21)	20-25	1,000	25-30	110-115	7,000	115-120
B Arnold	Director of Corporate Services (until 30/09/20)	45-50	3,000	50-55	90-95	6,000	95-100
S Strinati	Chief Operating Officer (from 04/01/21)	20-25	1,000	25-30	100-105	6,000	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

2.2.4 Staff number and related costs

	2021-22			2020/21		
	Permanent staff	Other staff	Total	Permanent staff	Other staff	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs						
Wages and salaries	8,622	461	9,083	8,436	236	8,672
Social security costs	847	-	847	813	-	813
Other pension costs	681	-	681	664	-	664
	10,150	461	10,611	9,913	236	10,149
Exit packages	19	-	19	44	-	44
Total net costs	10,169	461	10,630	9,957	236	10,193

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The annualised salary band of the highest-paid director in the OLC at the reporting period end date was £115,000 to £120,000, mid-point £117,500 (2020/21: £110,000 to £115,000, mid-point £112,500). The mid-point of the highest paid individual's banded remuneration was 3.89 times (2020/21: 3.43 times) the median remuneration of the workforce in March 2022, which was £30,205 (2020/21: £32,833).

The mid-point of the highest paid individual's banded remuneration was 4.54 times (2020/21: 4.55 times) the 25th percentile employee's remuneration (£25,883; 2020/21: 24,702).

The mid-point of the highest paid individual's banded remuneration was 3.38 times (2020/21: 2.98 times) the 75th percentile employee's remuneration (£34,776; 2020/21: £37,801).

There is a reduction in the median remuneration resulting from the number of new staff joining, and thus more staff being on the lower of the two increments of the median grade.

The highest paid director's salary in 2021/22 has increased by 8.7% from the previous financial year due to a salary increase effective 1 January 2022, taking their annual salary from £110,000 - £115,000 to £115,000 - £120,000.

	Percentage change in total salary and bonuses for the highest paid director and the staff average			
	2021/22		2020/21	
	Total salary and allowances	Bonus payments	Total salary and allowances	Bonus payments
Staff average	-2%	40%	3%	41%
Highest-paid director	2%	-	-12%	-

The movement in the highest paid director from 2019/20 to 2020/21 reflects the reduction in the salary of the highest paid individual in 2020/21 compared to 2019/20 as a result of a regraded salary for this role with the appointment of a new Chief Ombudsman. The movement in the highest paid director from 2020/21 to 2021/22 reflects the increase in the salary band of the Chief Ombudsman during the year.

In 2021/22, no employees received remuneration in excess of the highest paid director (2020/21 none). Remuneration ranged between £10,287 to £110,000 - 115,000 (2020/21: £10,287 to £110,000 - £115,000). These figures exclude our piece-rate workers (LeO's pool Ombudsmen who are paid per decision).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the 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 2020/21 to 2021/22.

2.2.5 Average number of persons employed

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

	Total	Permanent staff	Other staff	Total	Permanent staff	Other staff
Directly employed	250	246	4	239	235	4
Not directly employed	4	0	4	2	-	2
Total	254	246	8	241	235	6

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.

2.2.6 Gender balance and pay (unaudited)

As at 31 March 2022, 67% of colleagues employed were women, which amounts to 214 female staff and 105 male (and 1 “prefer not to say”). There is a difference in the median salary of 9% due to a number of part time female staff.

The difference in the mean average hourly salary is 9% in favour of men. This is driven by higher paid roles (team leaders, corporate managers, operations managers, Executive) having a 51% female bias rather than the 67% bias in the overall workforce.

Staff	Male	Female	Other/prefer not to say
All staff (excluding executive team)	102	211	1
Executive team	3	3	0
OLC Board	2	6	0

Salary band £'000	Number of senior civil service equivalent within band as at 31 March 2022	Number of senior civil service equivalent within band as at 31 March 2021
70-80	4	4
80-90	0	0
90-100	0	0
100-110	1	1
110-120	1	1

2.2.7 Staff policies applied during the year (unaudited)

This reporting requirement relates to disabled staff.

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

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

As outlined earlier in this Annual Report, in 2021/22 HR policies were reviewed with an EDI focus, and new critical HR policies were agreed.

2.2.8 Reporting of Civil Service and other compensation – exit packages

	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	-	-	-
Total number of exit packages	1	-	1
Total cost 2021/22 / £	18,699	-	18,699
Total cost 2020/21 / £	44,129	-	44,129

2.2.9 Staff sickness (unaudited)

	2021/22	2020/21
Average days per employee lost to sickness	16.0 (FTE)	12.0 (FTE)
Total number of working days lost due to sick absence	6.1%	5.1%

The increase in sickness absence in 2021/22 was primarily driven by the long-term absence of a small number of staff. LeO's absence management policy was reviewed in Q4 2021/22 and a new policy was launched in April 2022, supported by training for managers.

2.2.10 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 2021/22; it remains the same as in 2020/21.

2.2.11 Consultancy

There was no consultancy expenditure in 2021/22 (2020/21: none).

2.2.12 Off-payroll engagements (unaudited)

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 2021/22.

2.3 Parliamentary accountability and audit report (audited)

2.3.1 Regularity of expenditure

Losses and special payments

In 2021/22 a payment of £15,000 was made to a former employee to settle a dispute (2020/21: none).

Gifts

There were no gifts made by the organisation in 2021/22 (2020/21: none) that exceeded limits proscribed in *Managing Public Money* (HM Treasury).

Remote contingent liabilities

There are no remote contingent liabilities to report in 2021/22 (2020/21: 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. This means the OLC is not exposed to significant security risks. This applies to both 2021/22 and 2020/21.

Long-term expenditure trends

The OLC's initial budget in the first full year of operation was £17.3m 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 LeO's modernisation programme. In 2021/22 an increased budget of £14.5m was improved to respond to performance challenges. This has increased to £15.3m for 2022/23 taking into account partial inflation and the full-year impact of recruitment in 2021/22.

Fees and charges

Analysis of fees and charges is disclosed on page 103.

2.4 Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

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 2022 under the Legal Services Act 2007.

The financial statements comprise the Office for Legal Complaints'

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

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 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Legal Services Act 2007 and directions issued by the Lord Chancellor thereunder.

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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity 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 and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. 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. My staff and I have fulfilled our 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

In auditing the financial statements, I have concluded that 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 Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office for Legal Complaints is adopted in consideration of the requirements set out in HM Treasury's Government Financial 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 financial statements nor my auditor's certificate and report. 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 certificate, 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Legal Services Act 2007 and the Lord Chancellor directions issued thereunder.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with the Legal Services Act 2007 and the Lord Chancellor directions issued thereunder; 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 and is in accordance with the applicable legal requirements.

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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office for Legal Complaints 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as 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; and
- 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 Accounting Officer anticipates that the services provided by the 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office for Legal Complaints' accounting policies.
- Inquiring of management, the Office for Legal Complaints' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to 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 Office for Legal Complaints' compliance with the Legal Services Act 2007 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office for Legal Complaints for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and accounting estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Office for Legal Complaints' framework of authority as well as other legal and regulatory frameworks in which the Office for Legal Complaints operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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 Legal Services Act 2007, Managing Public Money and employment law.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and 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 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. This description forms part of my certificate.

Other auditor's responsibilities

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
4 July 2022

National Audit Office
157-197 Buckingham Palace Road
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3 Financial Statements



This section contains the OLC's **Financial Statements** for the year ending 31 March 2022. The notes from page 96 to 111 are part of the statements.

Statement of comprehensive net expenditure

For the year ending 31 March 2022

		2021-22		2020-21	
		£'000	£'000	£'000	£'000
	Note				
Income					
Income from operating activities	3		<u>(13,757)</u>		<u>(13,162)</u>
Total income			(13,757)		(13,162)
Staff costs	2	10,630		10,193	
Depreciation, amortisation and impairment	4, 5,6	559		280	
Provision expense	11	-		11	
Other operating expenditure	2	2,573		2,680	
Total operating expenditure	2		<u>13,762</u>		<u>13,164</u>
Net operating expenditure			5		2
Interest and charges			(5)		(2)
Taxation			-		-
Net expenditure after interest and taxation			-		-

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

The notes from pages 96 to 111 are part of these financial statements

Statement of financial position

As at 31 March 2022

	Note	31 March 2022		31 March 2021
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	4	478		553
Right-of-use asset	5	526		-
Intangible assets	6	175		295
Total non-current assets			1,179	848
Current assets				
Trade and other receivables	8	263		274
Cash and cash equivalents	9	18,616		18,301
Total current assets			18,879	18,575
Total assets			20,058	19,423
Current liabilities				
Trade and other payables	10	(248)		(353)
Provisions	11	(77)		(37)
Other liabilities	10	(1,058)		(1,032)
Lease liability	12	(304)		-
Total current liabilities			(1,687)	(1,422)
Total assets less current liabilities			18,371	18,001
Non-current liabilities				
Provisions	11	(264)		(264)
Lease Liability	12	(370)		-
Total non-current liabilities			(634)	(264)
Total assets less liabilities			17,737	17,737

The notes from pages 96 to 111 are part of these financial statements

Statement of financial position (continued)

Taxpayer's Equity and other reserves

General Fund	17,737	17,737
Total Taxpayer's Equity and other reserves	17,737	17,737



Paul McFadden
Chief Ombudsman and Accounting Officer
1 July 2022

The notes from pages 96 to 111 are part of these financial statements

Statement of cash flows

For the year ending 31 March 2022

		2021-22		2020-21	
		£'000	£'000	£'000	£'000
	Note				
Cash flows from operating activities					
Net operating expenditure		(5)		(2)	
Adjustments for non-cash transactions	2	565		291	
Decrease in trade and other receivables	8	11		354	
(Decrease) in trade and other payables	10	(79)		(142)	
Non-cash reclassification of lease commitment liability to ROU Asset		230		-	
Movement in provisions	11	40		-	
Interest received		5		2	
Taxation		-		-	
Net cash inflows from operating activities			767		503
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(132)		(173)	
Purchase of intangible assets	6	(15)		(71)	
Net cash outflows from investing activities			(147)		(244)
Cash flows from financing activities					
Payments in respect of leases (IFRS 16)		(305)		-	
Net cash inflows (outflows) from financing activities			(305)		-
Net increase in cash and cash equivalents in the year			315		259
Cash and cash equivalents at the beginning of the year	9		18,301		18,042
Cash and cash equivalents at the end of the year	9		18,616		18,301

The notes from pages 96 to 111 are part of these financial statements

Statement of changes in taxpayers' equity

For the year ending 31 March 2022

	<u>Total Reserves</u> £'000
Balance at 31 March 2020	17,736
Grants from sponsoring department	-
Net expenditure for the year after interest and taxation	-
Notional transfer to Consolidated Funds	(13,162)
Notional receipts from Sponsor	13,163
Balance at 31 March 2021	17,737
Grants from sponsoring department	-
Net expenditure for the year after interest and taxation	-
Notional transfer to Consolidated Funds	13,757
Notional receipts from Sponsor	(13,757)
Balance at 31 March 2022	<u>17,737</u>

The notes from pages 96 to 111 are part of these financial statements

3.5 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 2022, the OLC has enough cash resources to meet anticipated expenditure for financial year ending 31 March 2023.

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. In accordance with IFRS 15 no case fees are recognised where there are no chances of recovery.

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 2022 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 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.

1.5 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.

1.6 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.

1.7 Leases

Scope and exclusions – OLC as Lessee

In accordance with IFRS 16 Leases, contracts, or parts of contracts, that convey the right to control the use of an asset for a period of time are accounted for as leases. Prior to the adoption of IFRS 16, operating lease payments were recognised as an expense and charged on a straight-line basis over the lease term.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, incorporating both the right to obtain substantially all the economic benefits from the asset and to direct its use. If so, the relevant part of the contract is treated as a lease.

Initial recognition

At the commencement of a lease (or on the date of transition to IFRS 16, if later), the OLC recognises a right-of-use asset and a lease liability. The lease liability is 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 department's incremental rate of borrowing. This rate is advised annually by HM Treasury.

The right-of-use asset is 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.

When making the assessment, the OLC excludes low value item leases. These are leases which OLC considers as those where the underlying asset would have a cost of less than £10,000 when new, provided those items are not highly dependent on or integrated with other items.

Subsequent measurement

The lease liability will be adjusted for the accrual of interest, repayments, reassessments and modifications.

After initial recognition, the right-of-use asset will be measured using the fair value model. The OLC considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value, in the case of non-property leases, and for property leases of less than five years or with regular rent reviews. For other leases, the asset will be carried at a revalued amount.

The value of the asset will be adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described above. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset, together with any impairment of the right-of-use asset and any change in variable lease payments, that was not included in the measurement of the lease payments during the period in which the

triggering event occurred. Rental payments in respect of leases of low value items, or with a term under twelve months, are also expensed.

Transitional arrangements

IFRS 16 Leases is due for adoption across government bodies reporting under the FReM from 1 April 2022, however the Ministry of Justice Group (MOJ Group) have taken the option to early adopt the standard from 1 April 2021, in these accounts. IFRS 16 introduces a single lease accounting model that requires a lessee to recognise assets and liabilities for all leases. This replaces the previous standard, IAS 17 Leases. Further details of the impact of the new standard are disclosed at Notes 5 and 12.

IFRS 16 has been adopted retrospectively using the 'cumulative catch-up' approach, without restatement of comparative balances. Consequently, the financial statements for 2020-21 have been prepared in accordance with the previous standard, IAS 17 Leases.

There has been no reassessment of existing contracts that the department had previously assessed as containing or not containing a lease. However, new contracts will be classified according to the criteria given in IFRS 16.

For leases previously treated as operating leases, the right-of-use assets have been measured at the present value of the remaining lease payments, adjusted for any prepayment or accrual balances in respect of the lease payments. The department has used hindsight in determining the remaining term of leases and no adjustment has been made for leases whose term ends within twelve months of the date of first adoption.

The only current lease to which IFRS 16 applies in the OLC's circumstances is the Edward House, Birmingham premises lease, which has an expiry date of 28th August 2024. For the material arrangements within the scope of IFRS 16, the impact of implementation is an increase in assets and liabilities of £744k and £744k respectively as at 1 April 2021.

1.8 Value Added Tax (VAT)

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.

1.9 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.

1.10 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.

1.11 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.

1.12 Financial instruments

The OLC does not hold any complex financial instruments. The only financial instruments included in the Accounts are receivables and payables (notes 8 and 10).

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 in the Remuneration and Staff Report on page 75.

	2021-22		2020-21	
	£'000	£'000	£'000	£'000
Expenditure				
Staff costs				
Wages and salaries	9,083		8,672	
Social security costs	847		813	
Other pension costs	681		664	
Exit packages	19		44	
Total Staff costs		10,630		10,193
IT & Telecoms		1,284		1,293
Uncollectible debts		67		49
Facilities services		219		203
External communications		136		122
Staff wellbeing		84		92
Legal and professional fees		148		100
Rentals under operating leases		33		254
Recruitment costs		160		94
Premises costs		257		287
Other running costs		40		30
Training		46		50
External audit fees		40		46
Internal audit fees		52		60
Travel and subsistence		1		0
*Total cash operating expenditure		2,567		2,680
Total cash items		13,197		12,873
Change in dilapidations provision		-		11
Depreciation - PPE		207		171
Depreciation – right-of-use asset		218		-
Amortisation		134		109
Depreciation, amortisation and impairment		559		291
Interest Charge – IFRS lease		6		-
Total non-cash items		565		291
Total		13,762		13,164

*Other operating expenditure consists of cash items of £2,567k (2020/21: £2,680k) and non-cash interest charge of IFRS 16 lease of £6k (2020/21: £nil)

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).

	<u>2021-22</u>	<u>2020-21</u>
	£'000	£'000
Income		
Levy income in respect of the Legal Ombudsman scheme	12,637	12,225
Case fee income	935	817
Other income	185	120
Total	<u>13,757</u>	<u>13,162</u>

4. Property, plant and equipment

	Information Technology	Leasehold improvements	Furniture and fittings	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 31 March 2020	630	709	508	1,847
Additions	115	32	26	173
At 31 March 2021	745	741	534	2,020
Additions	96	24	12	132
Disposals	(46)	-	(24)	(70)
At 31 March 2022	795	765	522	2,082
Depreciation				
As at 31 March 2020	528	338	430	1,296
Charged in year	78	73	20	171
At 31 March 2021	606	411	450	1,467
Charged in year	86	97	24	207
Disposals	(46)	-	(24)	(70)
At 31 March 2022	646	508	450	1,604
Carrying value				
At 31 March 2022	149	257	72	478
At 31 March 2021	139	330	84	553

5. Right-of-use asset

	<u>2021-22</u>
	<u>Right of Use</u>
	<u>Asset</u>
	£'000
Cost or valuation	
At 1 April 2021	744
Additions	-
At 31 March 2022	<u>744</u>
Depreciation	
At 1 April 2021	-
Charged in year	218
At 31 March 2022	<u>218</u>
Carrying value	
At 31 March 2022	<u>526</u>
At 1 April 2021	<u>744</u>

The right of use asset relates to the lease on the Birmingham office of OLC. The lease term is 10 years, and the lease will mature in August 2024. The maturity analysis for the lease can be found in Note 12, Lease Liability.

6. Intangible assets

	Information Technology	Software Licences	Total
	£'000	£'000	£'000
Cost or valuation			
As at 31 March 2020	1,370	584	1,954
Additions	62	9	71
Disposals	-	-	-
Reclassifications	-	-	-
Transfers	-	-	-
At 31 March 2021	1,432	593	2,025
Additions	15	-	15
Disposals	(356)	(21)	(377)
Reclassifications	(4)	4	-
Transfers	-	-	-
At 31 March 2022	1,087	576	1,663
Amortisation			
As at 31 March 2020	1,061	560	1,621
Charged in year	85	24	109
Disposals	-	-	-
Reclassifications	-	-	-
Transfers	-	-	-
At 31 March 2021	1,146	584	1,730
Charged in year	129	5	134
Disposals	(355)	(21)	(376)
Reclassifications	-	-	-
Transfers	-	-	-
At 31 March 2022	920	568	1,488
Carrying value			
At 31 March 2022	167	8	175
At 31 March 2021	286	9	295

7. Impairments

There were no Impairments in 2021/22 (2020/21: none).

8. Trade receivable and other current assets

	31 March 2022	31 March 2021
	£'000	£'000
Case fee receivables	36	104
Provision for case fee receivables	(20)	(12)
	18	92
Other receivables	-	5
Intra group balances - MoJ	-	-
-Prepayments	136	177
Accrued income *	111	-
Total	263	274

* In 2020-21 the net position on levy income was deferred income, presented in note 10

9. Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Opening balance	18,301	18,042
Net change in cash and cash equivalent balances	315	259
Closing balance	18,616	18,301
The following balances were held:		
Government Banking Services	18,616	18,301
Commercial bank accounts	-	-
Total	18,616	18,301

10. Trade payables and other current liabilities

	31 March 2022 £'000	31 March 2021 £'000
Trade payables	108	181
Other payables	140	172
Trade and other payables	248	353
<u>Intra-government balances</u>		
Taxation	110	84
Social security	139	113
VAT	10	-1
Intra group balances - MoJ	45	37
Accruals	754	474
Lease commitments	-	230
Deferred income *	-	95
Other Current Liabilities	1,058	1,032
Total	1,306	1,385

* In 2021-22 the net position on levy income is accrued income, presented in note 8.

11. Provision for liabilities and charges

	2021-22		
	Leasehold dilapidations	Other	Total provisions
	£'000	£'000	£'000
Balance at 1 April 2020	254	36	290
Provided in the year	11	27	38
Provisions not required written back	-	(27)	(27)
Provisions utilised in the year			
Correction between classification	(1)	1	1
Balance at 31 March 2021	264	37	301
Correction between classification			-
Provided in the year	-	40	40
Provisions not required written back	-	-	-
Provisions utilised in the year	-	-	-
Unwinding of discount	-	-	-
Balance at 31 March 2022	264	77	341
Expected timing of cash flows			
Not later than one year	-	77	77
Later than one year and not later than five years	264	-	264
Later than five years	-	-	-
Balance at 31 March 2022	264	77	341

12. Lease liability

Obligations under operating leases for the following periods comprise:

Lease liabilities

	2021-22
	£'000
Current	354
Non-Current	797
Operating commitments disclosed under IAS17 as at 31 March 2021	<u>1,151</u>
Impact of discounting	(15)
Non-recoverable VAT	(162)
Lease Liabilities recognised under IFRS16 as at 1 April 2021	<u>974</u>
Current	304
Non-Current	370
Lease Liabilities recognised under IFRS16 as at 31 March 2022	<u>674</u>
Maturity Analysis	
2022-23	304
2023-24	302
2024-25	68
	<u>674</u>

13. Contingent liabilities disclosed under IAS 37

Given the nature of the Legal Ombudsman scheme it is inevitable that some of our 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 £123k (2020-21: £119k). The payment for salaries of the OLC Board members for 2021-22 was £117k (2020-21: £119k).

The OLC charges the MOJ for the use of part of our office space and charged £185,000 in 2021-22 for rent and service charges (£120,000 in 2020-21).

There is an intra-group balance with MoJ of £45,000 (£36,000 in 2020-21) representing the cost of self-insurance to the Legal Ombudsman scheme. This is presented in note 10.

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.



4 Appendices

Appendix 1: Regulatory objectives

Section 1(1) of the Legal Services Act 2007 outlines eight regulatory objectives. The Office for Legal Complaints has contributed to these in 2021/22 as set out in the table below.

Regulatory objective	How the OLC met the objective
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 2021/2022

Number of complaints	Stage 1	Stage 2	Stage 3
2021/22	99	28	12
2020/21	91	39	23

This year has been my first year in post and it has seen a reduction in the number of complaints being escalated to Stage 3 for review when compared to previous years. Of the 12 cases that have been referred to me, I have considered a total of 76 separate issues of complaint and of those I have upheld only 13 issues.

Areas for improvement

The issues of delay and communication have continued to be common themes to the complaints I have reviewed over the course of this year. I have made recommendations around changes to the LeO's standard wording which will help enhance clarity of communication going forwards.

However, the majority of the complaints that have been escalated to me stem from dissatisfaction with the decision made in the lawyer complaint or disagreement with the compensation offered in respect of those service failings. I have made recommendations to ensure that the remit of the service complaints team is made clear in the lawyer complaint process.

Conclusion

In the last year there has been a notable reduction in the proportion of complaints escalated to stage 3. This is in my view a reflection of the very good standard of complaint responses at earlier stages, which provide answers to customers, and assurances that matters they raise are addressed and lessons learnt.

In the majority of cases escalated to Stage 3, I have not recommended a different outcome to that suggested at earlier stages.

I have been impressed by the open and transparent approach taken by the service complaints team, and the fact that the service complaints process is used as a vehicle to drive service improvement. I have found the standard of investigation, both in identifying and clarifying service complaints, and the depth of the investigations, to be high.

Susan Bradford
Service Complaint Adjudicator

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