



The Office for Legal Complaints

Annual report and accounts

For the year ending 31 March 2016

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

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PERFORMANCE OVERVIEW

Overview – Foreword by Chair of the Office for Legal Complaints



Without doubt, the 2015-16 business year has been the most important for the OLC Board since its original set up. The issues which led to the previous two Annual Reports and Accounts being qualified by the National Audit Office now belong firmly in the past. The Legal Ombudsman service has been placed under new leadership and the performance framework of the service has been significantly re-worked.

LEGACY ISSUES

At the beginning of the business year, the OLC was still wrestling with the challenge of resolving the payment of irregular allowances to staff and the historic payment of irregular allowances to the former Chief Ombudsman, whilst having due regard to the requirement to prudently manage public finances and act within the framework of current employment law. This required a great deal of patient and detailed work to ensure that the Board examined all feasible options and recommended the ones that were both legally defensible and compliant with the principles of public sector financial management.

The Board were extremely grateful to the executive for the skilful manner in which they carried out this task; and also to Legal Ombudsman employees for their patience and professionalism in working with us to resolve all of these issues.

In collaboration with the Ministry of Justice (MoJ), the OLC also jointly commissioned a comprehensive governance review, which formed the basis of a significant strengthening of the leadership and governance of the OLC and the Legal Ombudsman. The OLC are reassured by the energy and resolve that has been demonstrated by the leaders of the Legal Ombudsman, particularly the Chief Executive, Nick Hawkins, to implement the findings of this review with both precision and thoroughness.

REBUILDING LEADERSHIP

The business year began with an almost completely new Board. I have been grateful for the commitment and moral courage they have demonstrated to address the challenges that have faced them during the year. We also started the year with a largely interim leadership team in post. We are grateful for the work of all of our interims and would particularly single

out Ian Brack, the former Interim Chief Executive, and Kathryn King, the former Interim Chief Ombudsman, for their outstanding contributions. Over the course of the year we have transitioned to a new permanent team and are delighted with the appointments we have made. The OLC feels a high level of confidence in the new, permanent leadership team and has high expectations of what they will go on to achieve.

TRANSFORMING PERFORMANCE

The OLC is committed to ensuring that the Legal Ombudsman operates as a high performing ombudsman service. We started the year with a degree of unease about the existing framework of key performance indicators and targets within which the service operated, and agreed with the eventual findings of our governance review that they bore more resemblance to a call centre than an ombudsman service. We welcomed the Legal Ombudsman's proposals for a new 'balanced scorecard' approach to performance and the important improvements which were made, during the course of the year, to the efficient and effective investigation of all cases.

We have also welcomed the fundamental research, which was commissioned by the Legal Ombudsman, into the experiences of the users of our service. This has now formed the foundation of our new Service Principles.

We have respected the right of the Legal Services Board (LSB) to set us performance targets and to report on these to them. We strove throughout the year to meet their requirements whilst progressively moving to our new performance regime.

We have, finally, been greatly encouraged by the work of the new Chief Ombudsman, Kathryn Stone, who has taken significant steps to strengthen our engagement with the legal profession and, internally, to create the kind of culture within which the Legal Ombudsman can deliver a service of which we can all be proud.

INFLUENCING THE MARKET PLACE

The OLC recognise that, ultimately, a successful ombudsman scheme will be judged not only by the quality of its casework but also by the influence it brings to bear in the sectors in which it operates. As such, we have welcomed the work done in the relatively new claims management jurisdiction, where the demand from some elements of the sector to receive and digest our learning has been extremely heartening.

In addition, the OLC took extremely seriously the possibility of becoming an accredited Alternative Dispute Resolution (ADR) provider under the EU regulations. We saw the attractions of offering legal and claims management businesses the opportunity to consolidate all of their ADR obligations with one single provider. Ultimately, however, we had to accept that the

PERFORMANCE OVERVIEW

requirements of our Competent Authority would have entailed the OLC taking on unacceptable risks and passing some of those risks on to those very businesses and concluded that this aspiration could not be pursued at this time.

Finally, at the end of the business year, the OLC Board was pleased to update the Legal Ombudsman Decision Publications Policy. We see the use of Section 150 of the Legal Services Act as an important source of market information which can both empower consumers and also allow legal and claims management businesses to judge their own performance against their peers.

IN CONCLUSION

Probably the greatest challenge of the year has not been the oversight of any of the changes described above but, rather, maintaining an acceptable level of service, provided by the Legal Ombudsman, in the face of our many challenges. Without doubt, this could not have been achieved without the hard work and dedication of all of the Legal Ombudsman's employees. The OLC and I want to express our gratitude for all that they have done.



Steve Green,
Chair of the Office for Legal Complaints
[31 October 2016]

How the OLC Board has discharged its

functions

The Office for Legal Complaints has discharged its functions as follows:

- The OLC has approved the strategy and business plan of the Legal Ombudsman and adopted and proposed its budget for the approval of the Legal Services Board.
- It has approved a scheme of delegation of key functions and decisions to the Chief Executive, Chief Ombudsman and other members of Legal Ombudsman staff.
- It has maintained continuity of leadership in the organisation by appointing a Chief Executive and a Chief Ombudsman.

- It has approved the appointment of additional assistant ombudsmen.
- It has given oversight to the performance of the Legal Ombudsman service, in both the legal and claims management jurisdictions.
- It has delegated key governance functions to its Audit and Risk Committee (ARAC) and Remuneration Committee (Remco) and their annual reports are contained in this report.
- It has appointed a new Service Complaints adjudicator to handle any complaints against the service of the Legal Ombudsman, which cannot be resolved internally; and has received an annual report about her activities and views.
- It has received the annual report of the Chief Ombudsman, contained within this report.

The OLC, in line with the provisions of Section 150 of the Legal Services Act, approved an update to the Legal Ombudsman policy on publishing ombudsman decisions.

In discharging its functions it has had regard to what appears to be best practice in the administration of ombudsman schemes. This obligation has been met by receiving advice, from time to time, from the Chief Ombudsman and by taking account of the views of a member of the OLC Board, who is a former Chief Ombudsman and former Chair of the Ombudsman Association.

In discharging its functions, the Board has also had regard to the regulatory objectives and the extent to which the OLC considers that these objectives have been met has been included in this report (Appendix 1).

Finally, the Chief Executive is accountable to the OLC for ensuring that the OLC manages its affairs in accordance with all relevant principles of good corporate governance. This obligation has been met in 2015-16 by the commissioning and completion of a major governance review, which has been implemented with energy and resolve.

The governance of the OLC has involved the added complexity of the unique context within which it has operated since November 2014, whereby the Accounting Officer has been a senior official at the Ministry of Justice. The Accounting Officer has been present or, occasionally, represented at all Board meetings. The OLC is grateful for the endeavour of the Accounting Officer to provide assistance and advice on a range of, often challenging, issues. The Chief Executive has operated as the main conduit between the OLC and the Accounting Officer. The transfer of Accounting Officer status, to the Chief Executive, was formalised in June 2016.

PERFORMANCE OVERVIEW

Overview – Chief Ombudsman’s report

INTRODUCTION

As Chief Ombudsman I am responsible for overseeing the Legal Ombudsman’s operational work – from our assessment centre all the way through to our ombudsmen – while ensuring we use this work to gain insight and inform engagement.



Since taking up the role of Chief Ombudsman I have looked to employ a greater focus on the needs of all our stakeholders. Consumers, claims management companies, and legal service professionals alike. I have also promoted greater transparency of our work, placed more emphasis on addressing the causes of complaints, and recognised the influence the Legal Ombudsman can have over the quality of first tier complaint handling.

During my time with the scheme I have been impressed with the professionalism of my colleagues, and recognise how important the work we do here really is to consumers and service providers. All staff at the Legal Ombudsman work hard to deliver thorough and fair outcomes. They want to make a difference.

Our purpose statement says: “We exist to improve today’s services and tomorrow’s industry reputation by resolving disputes impartially, promoting service excellence and being a champion of best practice for the benefit of consumers, providers and in the interests of business and society.”

The Legal Ombudsman plays a key role, then, in ensuring that people have access to justice, and that there’s a safety net in place should things go wrong. These are requirements which are ultimately set by our Board, the Office for Legal Complaints.

In the last financial year, we have met these responsibilities in a number of ways. For example, we accepted 7,033 legal complaints for investigation and resolved 6,416. Residential conveyancing, family, personal injury, wills and probate, and litigation were the most complained about areas of law. From buying a home to getting divorced, or honouring the last wishes of a deceased relative, these are key moments in people’s lives. This underlines the importance of what we do.

In the first full year of handling complaints about claims management companies (CMCs) we accepted 2,438 cases for investigation and resolved 1,740. The majority of these were about claims relating to financial products

and services, such as mis-sold payment protection insurance. We all know how stressful financial worries can be. By putting people back into the situation they would have been had they not experienced poor service, our scheme is helping to remediate this worry. This in turn helps to restore confidence in the country's financial and legal systems.

Our work goes beyond simply resolving complaints however. We use the insights we gain from handling complaints to feedback lessons to the sectors we oversee.

In the past year we have delivered a number of professional learning courses to both legal service providers and CMCs. We have published numerous webinars, thematic reports, and guidance documents on our website; including the first of what will be a series of comprehensive case study publications.

We have also aimed to ensure that service users are better informed about choosing providers, and how to complain when things go wrong: take our guide for first time buyers, which was widely praised by both consumer groups and service providers, for example.

OUR PERFORMANCE

Each year we agree a series of Key Performance Indicators (KPIs) with our oversight regulator the LSB.

On cost we can be proud that our overall legal budget for legal services, excluding our claims management jurisdiction, has reduced for the fifth year running, down from £12.2m to £11.6m. So we are consistently driving efficiencies across the business. This lowers the cost of regulation and any subsequent burden on the people ultimately using legal services. Our unit cost has increased slightly, mainly as a result of the reduction in complaint volumes and bringing the employee flexible benefits scheme to a close. However, I expect that unit cost will again be on a downward trajectory in the next financial year.

In the past our scheme has over-emphasised rapid resolutions, leading to a sacrifice in quality. Timeliness targets were a legacy of the scheme's original performance philosophy. Our challenge has been to set out a more suitable framework and migrate from the old to the new. When benchmarked against other ombudsman schemes, our performance is very close to some of the best performing schemes; particularly for resolving cases within 180 days. However, this year has been a challenging one, particularly as we have dealt with ongoing technical issues impairing our Case Management System. As a result, we have fallen short of our targets and recognise that we must do better. Improving our performance on this KPI requires us to reach an optimal balance between timely decisions and the quality of our investigations.

PERFORMANCE OVERVIEW

Our quality KPI shows that 60% of complainants and lawyers were satisfied with the service they received, irrespective of case outcome, over the course of last year. This is well above the 40% target we agreed with the Legal Services Board. Our customer feedback tells us that complainants value thorough investigations, with plenty of updates throughout, over getting a quick resolution. Since arriving at the Legal Ombudsman I have been working with colleagues to strengthen the quality of our investigations by making significant changes to our core process. These changes include the involvement of an ombudsman at the outset of an investigation, and improvements to our internal quality measurement process.

Our reputation has inevitably been challenged as a result of previous governance issues. We know that we need to improve stakeholder confidence in our ability to deliver against our mission. Nevertheless, the percentage of stakeholders satisfied with our overall level of engagement is still high, with 79% of stakeholders surveyed agreeing.

We actively promote our scheme. The data shows that word of mouth and our media profile are the main ways in which people hear about us. However, a lack of signposting has arguably contributed to an overall reduction in awareness of our scheme. Our reputation KPI shows that just 56% of people who have used a legal service in the past year had heard of our scheme compared to 78% two years ago. Likewise, in the claims management sector awareness of the Legal Ombudsman has gone down among users of CMCs. We are working closely with both industries to reverse this trend.

LOOKING TO THE FUTURE

I'm optimistic about the future of the Legal Ombudsman, and in our ability to achieve our strategic and regulatory objectives (see Appendix 1).

Following a period of consultation with consumers, legal service providers, claims management companies, and employees we now have an evidence based understanding of what our service users expect of us. This work led to the roll-out of our new Service Principles. These enshrine our approach to customer service and how we resolve complaints, giving meat to the bones of our values, which are: independent, open, effective, and fair. We will continue to promote these principles within the organisation and to embed them in all aspects of our work.

In addition, we are implementing specific measures to improve quality and timeliness, and working to improve the overall consistency of our decisions. We can get a better view of whether we are succeeding in this area having changed the way we measure customer satisfaction. We now seek the views

of customers at different stages of our complaints process to get a well-rounded view on each customer's experience. This means the feedback is no longer shaped by the outcome of a customer's complaint.

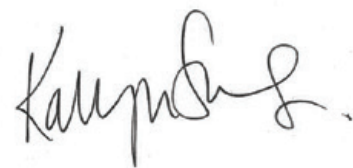
And, as our reduced budget illustrates, we offer real value for money. We will promote efficiency and effectiveness to continue driving the cost of operating our service down.

At a time when the legal regulation landscape looks set to change, we remain a constant presence, holding a unique position – independent and impartial. We promote best practice in complaints handling and in supporting providers to improve their services. We drive up quality across the profession.

I am looking forward to fully embedding the CMC jurisdiction within the wider organisation and reporting formally against KPIs for this jurisdiction next year.

Since my appointment I have met with many professionals who share our vision; who want to deliver the very best services. I look forward to working with them to show consumers that when things do go wrong, there is a clear commitment to putting things right.

I would like to extend my thanks to Kathryn King for her contribution as interim Chief Ombudsman during the first half of the 2015-16 financial year. I would also like to thank our Chair, Steve Green, and all members of the OLC Board for their careful governance during a challenging time. I look forward to delivering the Legal Ombudsman scheme with them and with colleagues in the coming year.



**Kathryn Stone OBE,
Chief Ombudsman
[31 October 2016]**

PERFORMANCE OVERVIEW

Key issues and risks

Having moved office, opened a new jurisdiction, made changes to our executive team, and introduced a new Case Management System at the latter end of the previous performance year, 2015-16 required a period of consolidation. This requirement was reinforced by the need to complete the regularisation of previously unauthorised expenditure and address the root causes of these problems. The OLC needed to actively manage the risks presented from above in a period of transition.

Going concern

The OLC is a statutory body established by the Legal Services Act 2007, which specifies funding via a levy upon the legal profession. As at 31 March 2016, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2017. The MoJ also provides Grant in Aid where required to meet the net cash needs of the OLC and to fund the OLC's Claims Management Company complaint related activities. The OLC has assurances from the MoJ that, in the unlikely event that this is necessary, Grant in Aid will continue to be provided to meet the other cash needs of the organisation.

PERFORMANCE ANALYSIS

Review of the business

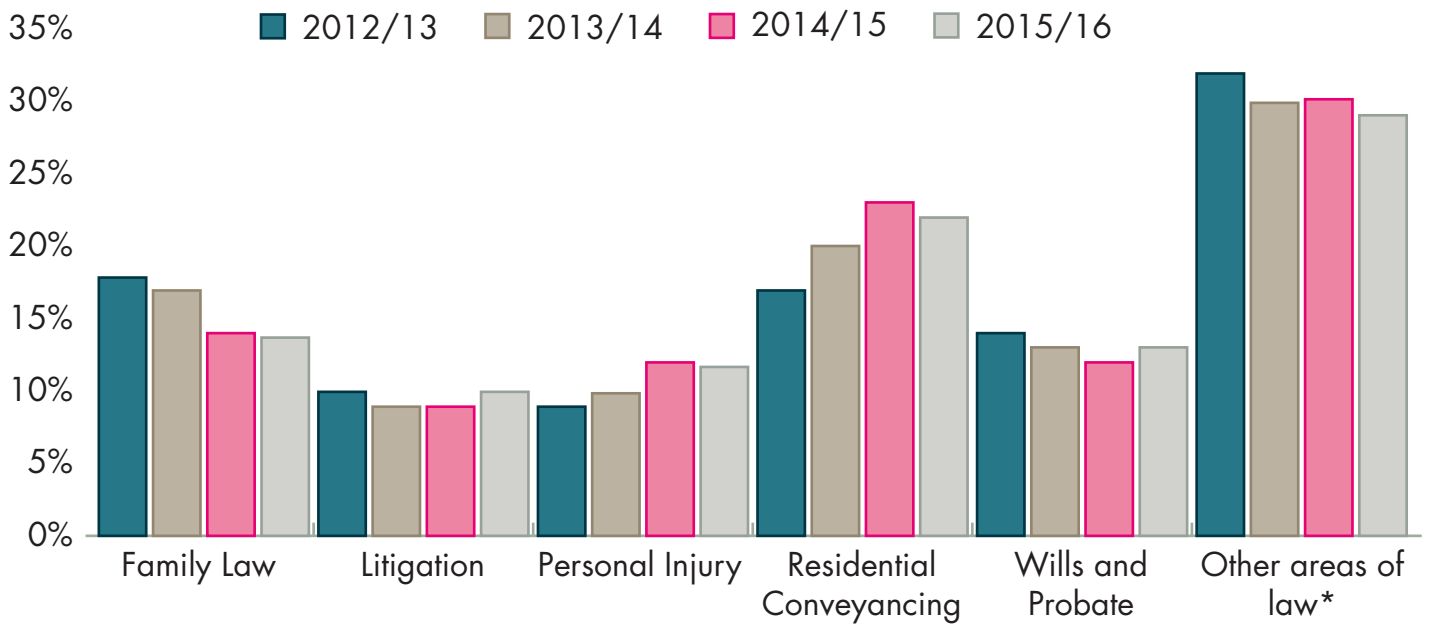
Our primary focus for 2015-16 was to: consolidate the work we do after going through a period of business transformation; get back to business as usual after the upheaval caused by relocating to a new office; stabilise our new Case Management System and IT infrastructure; and continue to deliver our new jurisdiction over claims management companies.

Within our legal jurisdiction we received 59,082 contacts (calls, letters and e-mails) (2014-15: 59,000). The number of complaints that were within our jurisdiction was 18,088 (18,185 in 2014-15). We accepted 7,033 complaints for investigation (2014-15: 7,635) and resolved 6,416 cases (2014-15: 7,440 cases). 31.5% of these were informally resolved, 40% were resolved by way of ombudsman's final decision, and a further 28.5% were resolved by way of other means.

¹ Where results do not sum to 100%, this may be due to computer rounding.

Complaints accepted in the legal jurisdiction during the 2015-16 financial year consisted of the areas of law shown below. We have included our previous year's data to show the difference per year and area of law.¹

Complaint volumes by area of law (%)



***Other areas of law have been grouped for analysis purposes: commercial conveyancing, commercial law, consumer law, crime, employment law, finances, immigration and asylum, other, property and social welfare.**

Resolving complaints

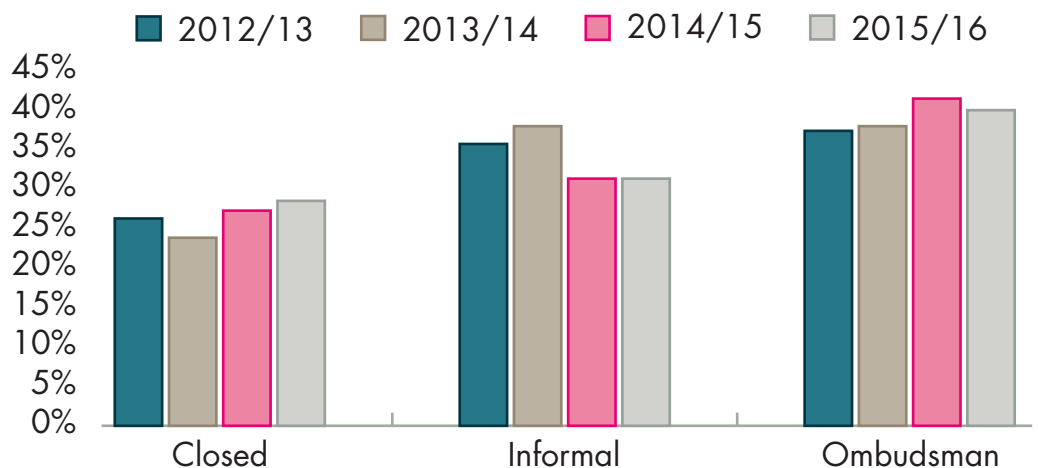
LEGAL

How we closed complaints

There are two ways in which a case can be resolved by the Legal Ombudsman. An informal resolution means that our investigator has been able to negotiate a resolution which both parties are agreeable to. However, if agreement cannot be reached, the case will be forwarded to an ombudsman who will make a final decision.

A case may also be closed if the complaint is abandoned or withdrawn, or if it has been dismissed as outside of our jurisdiction.

How cases are closed each year



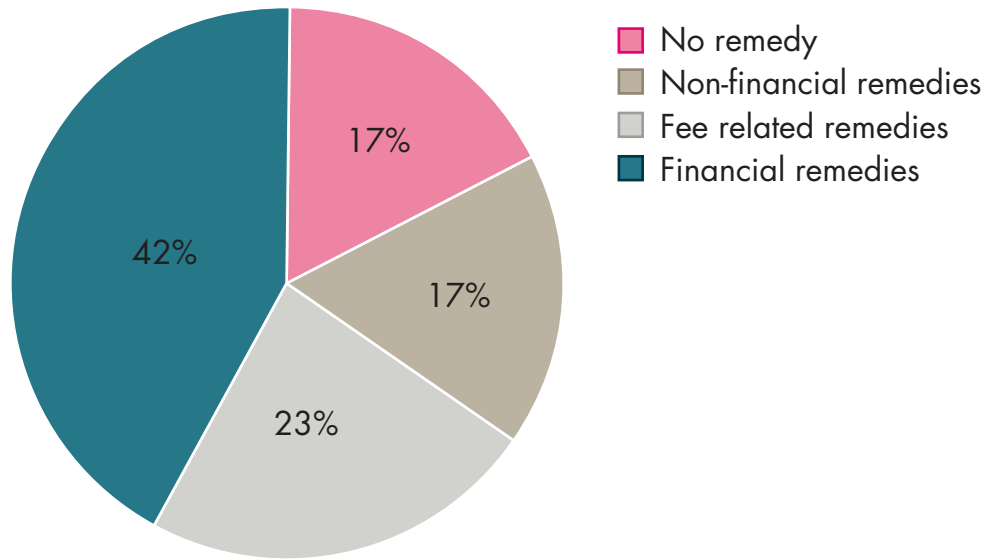
In the last two years the percentage of cases that have been resolved informally or by ombudsman decision have broadly stayed the same.

PERFORMANCE ANALYSIS

Remedies awarded 2015-16

The Legal Ombudsman has the power to award a wide range of remedies. We can direct practical remedies such as completing or re-doing the work, apologising or award compensation up to a maximum of £50,000. This covers both compensation for financial loss and emotional impact. We can also recommend other financial remedies such as a refund of fees or a reduction of costs and these are not limited to £50,000.²

Informal resolutions and remedy type



² For analysis purposes the remedy types for the charts below have been grouped as the following:

Non-financial remedies

= to apologise, to complete work for the complainant, other, to improve procedures to prevent the problem happening again and to return papers.

Financial remedies

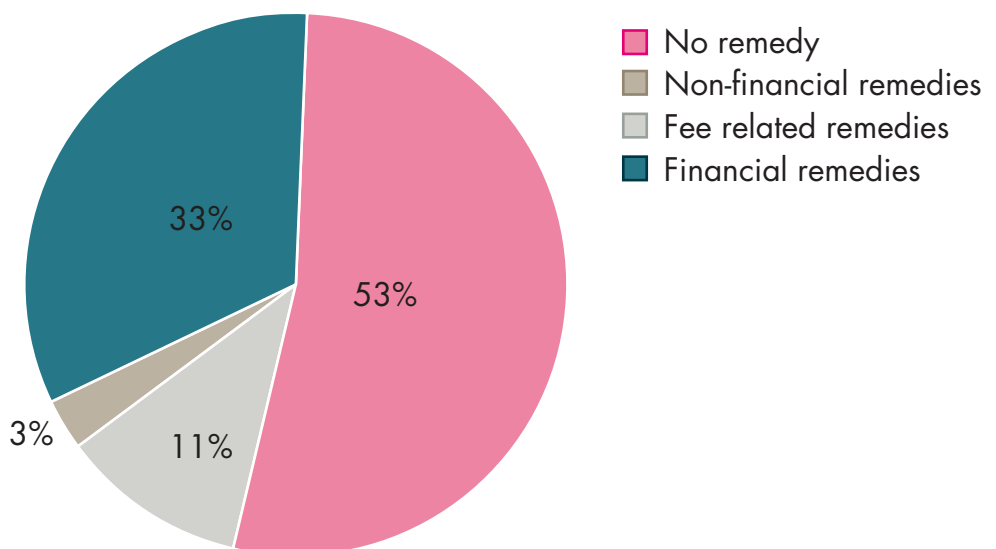
= to pay a specified amount for expenses the complainant incurred in pursuing the complaint, to pay compensation for emotional impact and/or disruption caused, to pay compensation of a specified amount for loss suffered, to pay for someone else to complete the work, to pay interest on compensation, to pay interest on monies held and to take (and pay for) any specified action in the interests of the complainant.

Fee related remedies

= waive fees, limit fees and refund fees.

The figures are shown as a percentage of all remedy types recorded, as complaints can have numerous remedies such as to apologise and award compensation.

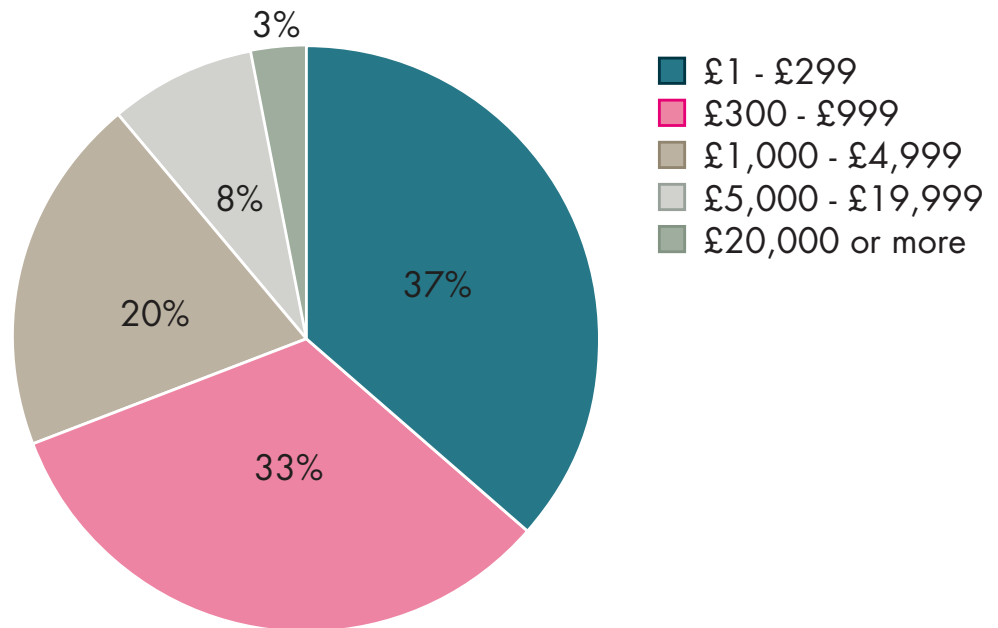
Ombudsman's decisions and remedy type



As is to be expected, financial remedies are more frequent in informal resolutions as the investigator works with both parties to reach a mutual agreement.

Financial remedies have been given in a third of ombudsman's decisions. In 2015-16, a remedy of under £1000 was given in around 70% of decisions. Only 3% received a remedy of over £20,000 and the majority of these related to residential conveyancing.

Ombudsman's decisions financial remedies 2015/16

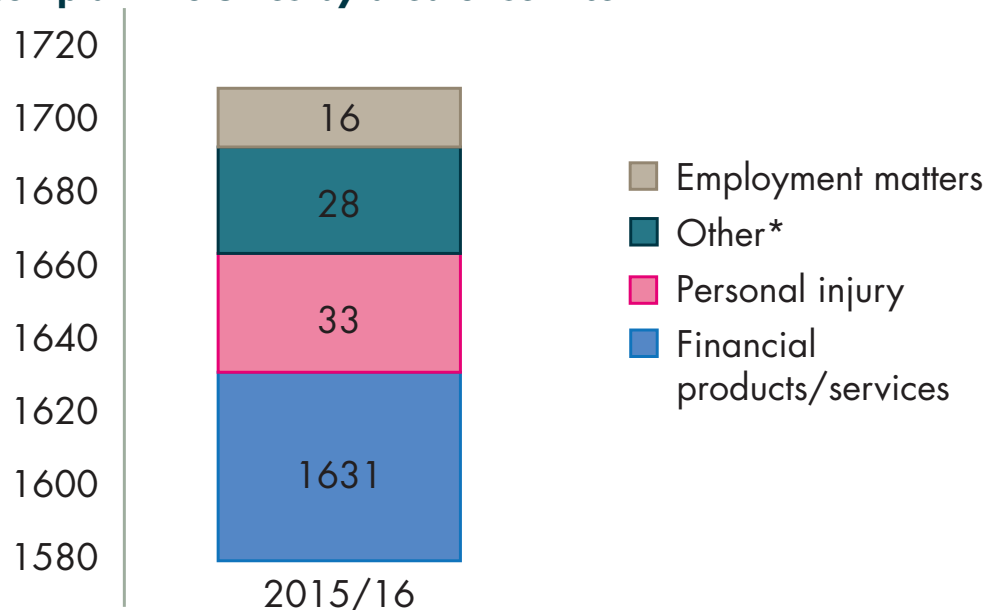


CMCS

How we closed complaints

The Legal Ombudsman began dealing with complaints about claims management companies on the 28 January 2015. The largest area of regulated service so far in terms of cases accepted has been financial products and services, with 95% of the total. Within this regulated service area, payment protection insurance mis-selling complaints make up by far the largest proportion of cases (again, almost 95% of the area).

Complaint volumes by area of service



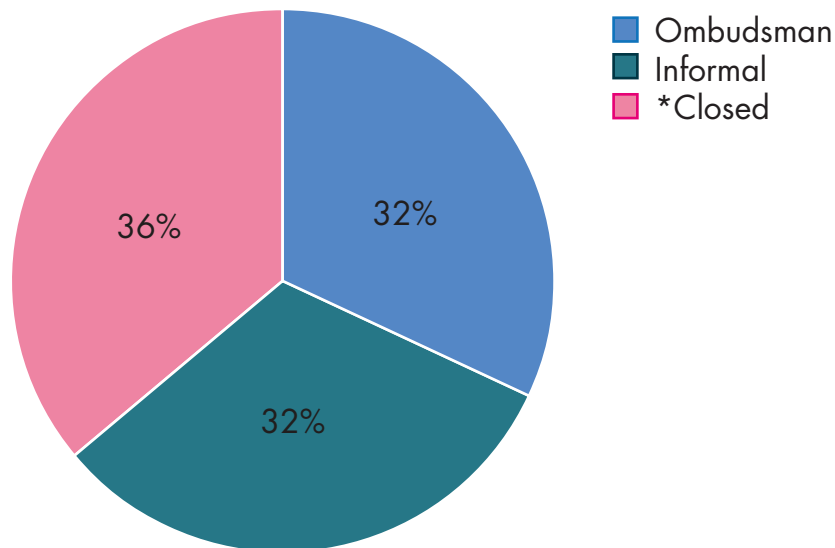
***Other areas of service have been combined for analysis purposes. It includes: accidental management, criminal injuries and industrial injuries.**

PERFORMANCE ANALYSIS

During the 2015-16 financial year we received 19,508 contacts (calls, letters, emails and web chat contacts). We accepted 2,438 cases for investigation and resolved 1,740 complaints. 32% of these were informally resolved. 32% were resolved by way of ombudsman's final decision. A further 36% were closed by way of other means, which included a large proportion through a Section 75 claim (this is where the complainant had been able to make a claim on their credit card under Section 75 of the Consumer Credit Act and the lender has subsequently refunded the payment. The majority of these claims were able to be made as a result of advice we had given to our complainants).

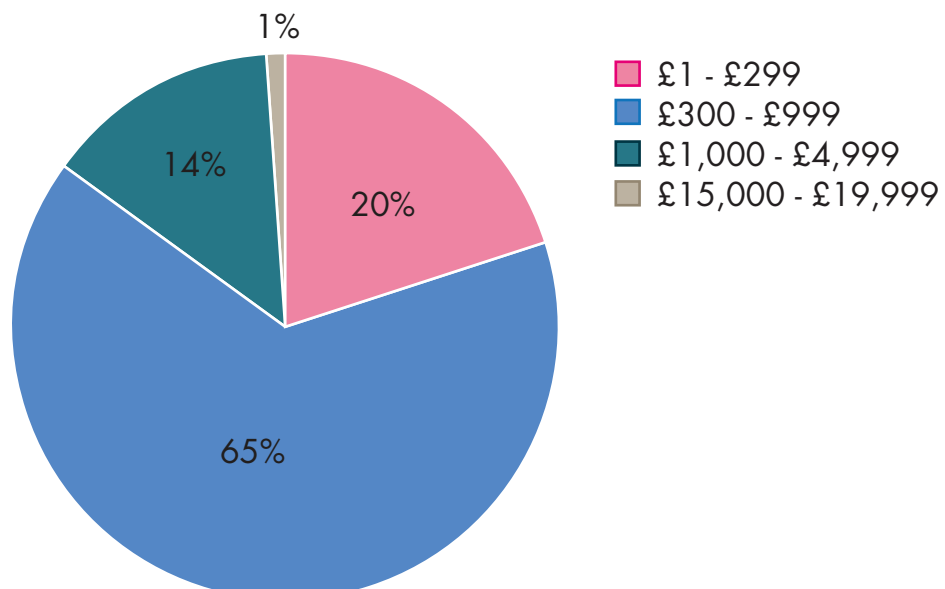
The following charts illustrate (as with the legal jurisdiction above) the breakdown of how cases in the CMC jurisdiction were resolved during 2015-16.

How cases were closed 2015/16



***Cases may also be closed if the complaint is abandoned or withdrawn, or if it has been dismissed as outside of our jurisdiction. Section 75 complaints are included in closed cases.**

Ombudsman's decisions financial remedies 2015/16



Key Performance Indicators

(KPIs)

The LSB agreed our budget on the basis of our scheme being measured against the following Key Performance Indicators (KPIs) for 2015-16.

These KPIs are:

- **Timeliness:** The proportion of cases resolved within 56 days, 90 days and 180 days from the date the case is accepted for investigation.
- **Quality:** We track against a mix of quality indicators that focus on the accuracy of our work and the quality of customer service provided.
- **Unit cost:** We track the unit cost of our work by reporting the annual cost of the organisation averaged according to the number of cases resolved.
- **Reputation:** We commission external, independent measurement of satisfaction levels among customers (consumers and lawyers) and stakeholders on an annual basis.
- **Impact:** We undertake annual surveys of stakeholder groups to assess their confidence that we are delivering our objectives and annual surveys of consumers of legal services to determine how many are aware of the Legal Ombudsman.

For the CMC jurisdiction, we did not report formally against any KPIs during the first full year of operation, as agreed with stakeholders. However, performance against KPIs has been monitored internally. This will inform our KPI targets for 2016-17 business year. We have included an overview of timeliness performance for the CMC jurisdiction against the legal targets for 2015-16.

TIMELINESS

We want to resolve complaints as quickly and fairly as possible. We measure how long it takes from the point at which the complainant agrees what it is that they want us to investigate and we have confirmed that they have complained first to their service provider until the point at which the complaint is resolved. The only exception to this rule is where the complainant requests, and we agree, to suspend an investigation. In these cases, the period for which the case is suspended is not counted. The time it takes to resolve a complaint is determined to a large extent by the parties to the dispute themselves. If a case can be resolved informally, it takes less time than if a lengthier investigation or an ombudsman's decision is needed.

The table on the next page shows the targets set by Management Team and approved by the OLC, and how we have performed against them in the legal jurisdiction.

PERFORMANCE ANALYSIS

KPI - Legal	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Resolve 40% of cases within 56 days	35%	36%	30%	29%	32%	33%	28%	33%	33%	24%	19%	22%
Resolve 70% of cases within 90 days	59%	57%	59%	51%	48%	49%	48%	49%	56%	48%	45%	41%
Resolve 95% of cases within 180 days	91%	94%	93%	91%	93%	91%	88%	89%	89%	89%	89%	92%
Resolve 100% of cases within 365 days	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	100%	99%

Timeliness performance for the 56 day measure is in line with what was achieved in the second half of the previous business year.

90 day performance continued to reduce, impacted by issues with the new Case Management System and other organisational changes that started in the second half of the previous business year.

Timeliness performance, particularly in the second half of the year, was further impacted by our inability to replace / recruit additional resource as a result of government spending controls. To ensure that quality is not compromised, and taking into account the variables that exist in the lifecycle of a case, the timeliness KPI has been reviewed.

The new measure effective from 2016-17 is:

60% of cases resolved within 90 days

90% of cases resolved within 180 days

Although we did not formally report against KPIs for the CMC jurisdiction, we did monitor this internally and the table below shows how we performed.

KPI - CMC	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Resolve 40% of cases within 56 days	63%	65%	70%	76%	71%	65%	60%	49%	52%	27%	16%	16%
Resolve 70% of cases within 90 days	80%	98%	97%	97%	95%	94%	95%	81%	84%	84%	62%	38%
Resolve 95% of cases within 180 days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	98%
Resolve 100% of cases within 365 days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

In November, the CMC jurisdiction received a large increase in contacts, being the start of its first multiple complaint, which would eventually result in around 900 new complaints for investigation. This level of demand affected timeliness detrimentally and so, when we received another multiple complaint in March 2016, this led us to form a bulk complaints team to allow us to deal with these complaints in a more effective way.

QUALITY

Delivering a high-quality service is of fundamental importance to us. It is what matters most to our customers and stakeholders. We are committed to improving the standard and consistency of our work. We have put in place a quality framework that specifies and reinforces the standards that we set ourselves. It helps us monitor and evaluate our performance; identifying areas where we can improve.

In 2015-16 we continued work, started in 2013-14, to develop and refine our quality systems, to assure ourselves and others that our decisions were robust and fair, using customer experience as well as internal processes to help us judge our performance. We have introduced a risk and thematic based framework to provide more detailed insight and a more responsive approach.

As part of our commitment to continuous improvement, we undertook research to get a more sophisticated understanding of our customers' experiences, needs and expectations. Our customers are both complainants and service providers. This research provided a focused and robust evidence base that enabled us to develop a set of customer-led service principles, which are linked to our values Effective, Fair, Independent and Open. They are underpinned by service standards and behaviours. Our principles are:

- *We will always be clear with you*
- *We will be understanding and approachable*
- *We will make good use of everyone's time*
- *We will be impartial, thorough and base our work on facts*
- *We will make a difference*

They also provide a framework for understanding how to better talk about ourselves, our services, and the experience our customers can and should expect when involved in our process. We have also ensured that our internal quality framework is linked to these principles by focussing on the customer experience. This also provides us with a meaningful benchmark by which to measure and improve our ongoing performance.

At present our main external quality measure is taken from our independent customer satisfaction survey, where we survey our customers at the end of the process. Currently satisfaction survey results provide us with important feedback from our customers – both people who complain about legal services and service providers in our jurisdiction – from which we are able to track and monitor our performance.

Our KPI in this area changed in 2015-16. We worked with the LSB to develop this KPI, which more accurately reflects satisfaction with our service.

KPI	QTR 1 (Apr-Jun)	QTR 2 (Jul-Sept)	QTR 3 (Oct-Dec)	QTR 4 (Jan-Mar)	Overall
% of complainants and lawyers satisfied with the service they received, irrespective of case outcome, must not fall below 40% in any quarter	58%	55%	62%	66%	60%

PERFORMANCE ANALYSIS

COST

Our unit cost for 2015-16 was £1,813 (2014-15: £1,716). Our unit cost is calculated by dividing the total cost of operating the Ombudsman scheme by the number of cases we resolve in each financial year.

A table outlining our costs over the previous four financial periods can be located under the Operational and Performance Activity section on page 25.

We remain committed to ensuring value for money in the way we run our service, and believe this demonstrates to our stakeholders that we remain committed to ensuring proper financial accountability.

REPUTATION

The objective of our reputation measure is to assess how users of our service feel about the Legal Ombudsman, and to what extent our stakeholders are satisfied that we engage with them enough. To gather this information we commission independent research to survey a sample of our service users on their views and satisfaction with our service, and to survey our main stakeholder groups.

The key measures that inform our Reputation KPIs are:

- **Advocacy:** The percentage of respondents who are satisfied with the outcome of **their** case and would speak highly of the Legal Ombudsman without being asked / if asked. 79% of complainants and 49% of service providers agreed.

Complainants	Satisfied with outcome	Dissatisfied with outcome
I would speak highly (4-5)	79%	10%
I would be neutral (3)	15%	14%
I would be critical (1-2)	5%	76%

Service Providers	Satisfied with outcome	Dissatisfied with outcome
I would speak highly (4-5)	49%	9%
I would be neutral (3)	42%	39%
I would be critical (1-2)	9%	50%

The survey includes an indicator for how many of those who have had contact with us would recommend us to others, which we consider to be a significant measure of reputation:

Q. Which of these statements comes closest to how you feel about the Legal Ombudsman?

- *I would speak highly of the Legal Ombudsman without being asked*
- *I would speak highly of the Legal Ombudsman if asked*
- *I would be neutral when speaking about the Legal Ombudsman*
- *I would be critical of the Legal Ombudsman if asked*
- *I would be critical of the Legal Ombudsman without being asked*

Detailed analysis of survey results has shown that, as is to be expected, satisfaction levels with elements of our service (including advocacy) are heavily influenced by complainants' satisfaction with the outcome of our investigations.

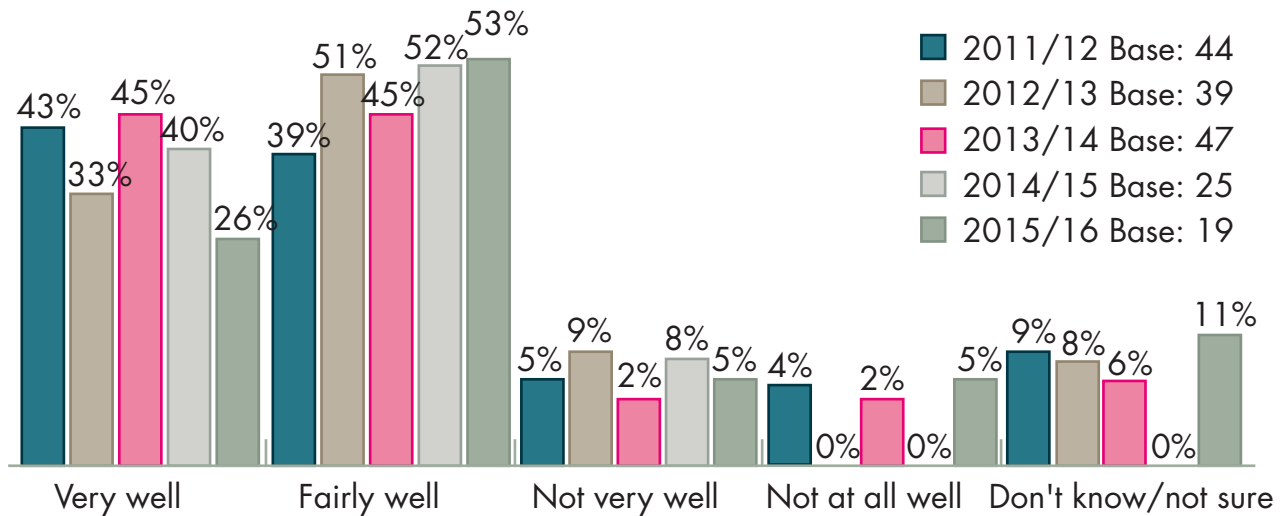
To ensure that it is both an accurate and meaningful reflection of our reputation and can be reliably tracked over time, this measure has been developed to account for this unavoidable bias by reflecting levels of advocacy amongst service users who were satisfied with the outcome of their complaint. We have also chosen to report on the level of advocacy by those who were dissatisfied with the outcome of their complaint, as the two factors together give a more meaningful picture of performance.

- **Stakeholder satisfaction:** The percentage of stakeholders satisfied with our overall level of engagement. 79% of stakeholders surveyed agreed.

Reputation Indicator	2011-12	2012-13	2013-14	2014-15	2015-16
Percentage of stakeholders satisfied with overall level of engagement.	82%	85%	90%	92%	79%

PERFORMANCE ANALYSIS

Overall, how well has the Legal Ombudsman engaged/worked with you and/or your team



Stakeholders are still positive about our overall levels of engagement with them. 79% of respondents said that we had engaged well with them and their team in 2015-16. This represents a decrease of 13% on the previous year, but is similar to results from the first survey three years ago. We also note that there has been a significant shift from those who said we did 'very well' from 40% down to 26%. However, those who were unsure increased by 11% from 2015 to 2016. In terms of respondent groups, 5 out of 7 regulators and 6 out of 7 consumer organisations felt the Legal Ombudsman had engaged with them very or fairly well.

With such a small sample size, the results should be looked at as illustrative rather than definitive.

IMPACT

We gather information for this impact measure through an annual survey of our stakeholder groups to assess their views about our service, and through an annual survey of the general public and users of legal services to assess their levels of awareness of the Legal Ombudsman.

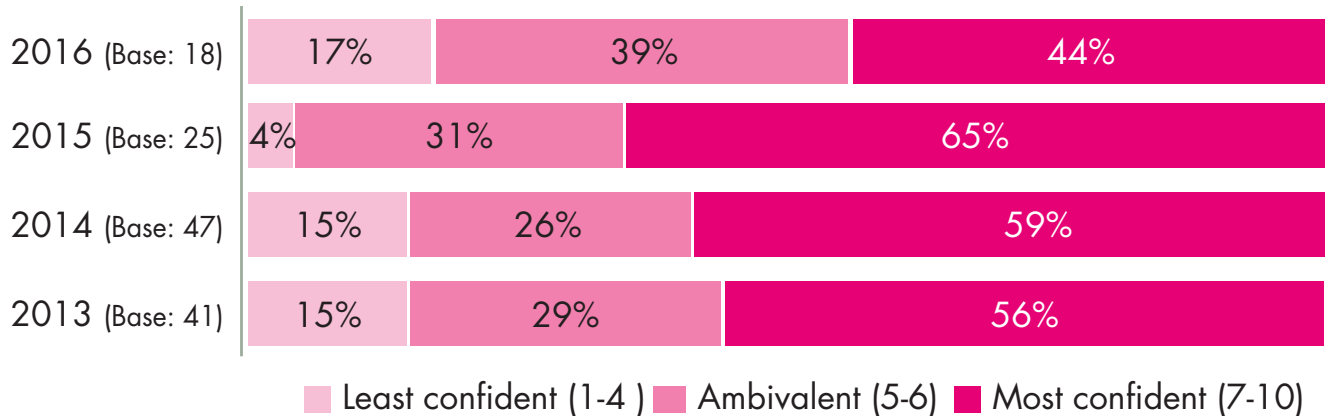
- **Stakeholder confidence:** 44% of our stakeholders are confident that we can deliver against our mission.

As part of our annual stakeholder survey we ask:

Q. How confident are you that the Legal Ombudsman is delivering against its mission:

"Our task is to run an independent ombudsman scheme that resolves complaints about lawyers in a fair and effective way, where we are decisive when tackling complex issues and open so we can give focused feedback to help drive improvements in legal services."

How confident are you that the Legal Ombudsman is delivering against its mission?



44% of our stakeholders are confident that we can deliver against our vision.

This is the lowest figure reported since we began to engage with stakeholders about how they feel we can deliver against our mission. Given the governance issues we have experienced prior to this financial year, this is to be expected. However, we have implemented a number of initiatives to improve governance, as highlighted elsewhere in the report. The sample size is also the lowest we have had since we started to conduct the survey and this may have had a negative impact on results.

- **Awareness:** 56% of users of legal services in the last two years had heard of the Legal Ombudsman

The annual awareness survey, which first took place in 2012, is designed to measure awareness levels of our service within the general public and users of legal services. The results are used to benchmark and track the impact of signposting, and our communication and media activity, and to identify any trends in awareness levels across demographic groups.

As part of our awareness survey we ask:

"Have you personally used and paid for a legal service in the past 2 years?"

"Before today, had you heard of the Legal Ombudsman?"

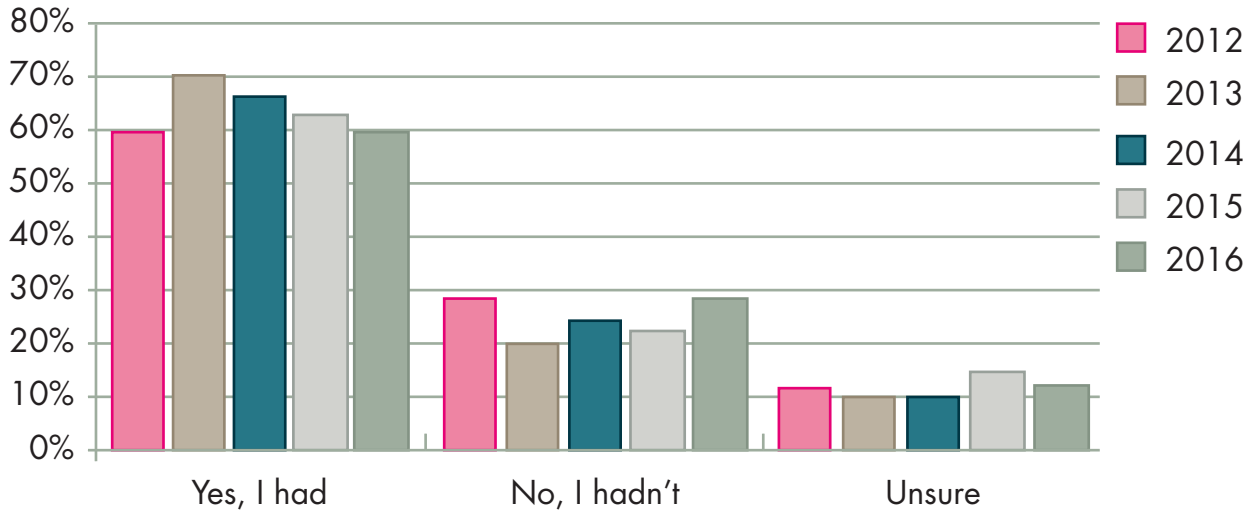
Impact Indicator	2013-14	2014-15	2015-16
Percentage of users of legal services in the last two years that have heard of the Legal Ombudsman	78%	77%	56%

PERFORMANCE ANALYSIS

The number of respondents that had personally used and/or paid for a legal service in the past two years and who were aware of the Legal Ombudsman has decreased from previous years.

General awareness levels of the Legal Ombudsman (as opposed to recent users of legal services) have been tracked over the last four years and provide some interesting context to this measure.

Before today, had you heard of the Legal Ombudsman?



59% of all respondents surveyed said that they had heard of the Legal Ombudsman. This represents a decrease from 2015 and is the lowest level since the survey started. We are exploring opportunities to share our learning more widely to improve customer awareness of our service.

Feeding back to the profession

Within our legal jurisdiction we have delivered five professional development courses offering 125 places to lawyers, we had 78 different firms sending attendees in the past financial year. In addition, we have shared feedback at a number of events and conferences including at universities, consumer focused seminars, and industry forums.

When we started work on CMC complaints we committed to improving standards within the industry through our education and communication strategy. This included extending our professional learning courses to CMCs. Over the course of the financial year we have held six courses across the country: two in Manchester, and one each in Swansea, Bristol, Birmingham and London. In total 138 places were booked by 68 different CMCs.

We have published 15 case studies to help CMCs learn from our decisions, four CMC specific newsletters, one thematic report, and various guidance documents. We also held a stakeholder event to share our experience of the first year of operation.

We maintain strong links with the approved regulators and continue to share information as appropriate. We have made the following misconduct referrals to the relevant regulatory bodies:

	Bar Standards Board	Council for Licensed Conveyancers	Solicitors Regulation Authority	Claims Management Regulator
2013-14	35	10	623	N/A
2014-15	70	10	401	58
2015-16	41	10	310	197
Total	146	30	1334	255

Operational performance and activity

Legal complaints	2013-14	2014-15	2015-16
Contacts	69,500	59,000	59,082
Complaints	19,450	18,185	18,126
Complaints accepted for investigation	8,323	7,635	7,033
Accepted but out of Jurisdiction	- 704	- 480	- 427
Adjustment in Work in Progress	- 436	- 285	190 ³
Complaints resolved (in Jurisdiction)	8,055	7,440	6,416
Ombudsman Decision	3,059	3,054	2,560
Cost	15.71	12.77	11.63
Unit Cost	1,950	1,716	1,813

We accept complaints for investigation on the basis of what complainants tell us and once we have confirmed that the complainant has first used the lawyer's complaints procedure. Once we have spoken to the service provider and/or obtained more evidence, we may find that they have not had an opportunity to address the complaint directly, or that the complaint does not, after all, fall within our jurisdiction. Some 427 investigations were subsequently closed for this reason during 2015-16 (2014-15:480 complaints).

³ Figures correct as of May 2016 as complaints can have numerous remedies such as to apologise and award compensation.

To calculate our unit cost measure we count only the 6,416 complaints that we have investigated and resolved which fall within our jurisdiction (2014-15: 7,440).

PERFORMANCE ANALYSIS

The expenditure in respect of the OLC's legal services activities is met from levy funds received from Approved Regulators on behalf of HM Treasury. Levy funds are paid directly to the OLC annually in arrears in March of each year. In May 2016 the OLC received £1,625k Grant in Aid relating to the financial year 2015-16 (2014-15: £915k received March 2015).

Net expenditure to continue operating the new business unit to resolve complaints about claims management companies was £1.7m in 2015-16 (2014-15: 0.85m)

Costs

The total expenditure of the Ombudsman scheme on its legal jurisdiction for 2015-16 was £11.6m (2014-15: £12.8m), against a budget expenditure of £12.2m (2014-15: £13.9m). We set our annual budget following public consultation and taking into account expected demand forecasts. Our unit cost for 2015-16 was £1,813 (2014-15: £1,716). Our unit cost is calculated by dividing the total cost of operating the Ombudsman scheme by the number of cases we resolve in each financial year.

Unit cost within the past year has been affected by a one off payment to close down the previous flexible benefit scheme and the total remuneration supplement allowance, which were determined to be novel and contentious in 2015. Before factoring in the payment, unit cost is actually £1,754. In addition, the unit cost has been impacted by a reduction in the conversion rate of complaints to cases.

In 2016-17 the KPI measurement of unit cost will be presented for each business unit. In our legal jurisdiction the unit cost has been adjusted to report the direct cost of a complaint and the direct cost of an investigation. For the purposes of comparison, the historic method of calculating unit cost will be available for the immediate financial year. Our CMC jurisdiction unit cost will be presented as unit cost per investigation only, since CMC jurisdiction processes have not defined a split between complaint and investigation resources.

Legal Services Activities	2012-13	2013-14	2014-15	2015-16	Budget 2016-17
Budgeted expenditure of the scheme £'m	16.997	16.994	13.867	12.207	11.545
Actual expenditure £'m	16.657	15.831	12.764	11.640	-
Less non Ombudsman Scheme activity, taxation and interest received £'m	0.115	0.122	0.006	0.006	-
Total cost of the ombudsman scheme (A) £'m	16.542	15.709	12.770	11.634	-
Year on year cost reduction	2.7%	5.0%	18.7%	8.8%	0.8%
Cases resolved during the year (B)	7,630	8,055	7,440	6,416	7,000
Unit cost (A divided by B)	£2,168	£1,950	£1,716	£1,813	£1,723
Year on year unit cost reduction	5%	10%	12%	(6%)	5%

Key relationships

The OLC is directly accountable to the MoJ for its financial management. This is because while the funding for the Legal Ombudsman comes ultimately from a levy on the legal profession, it is routed through Government and is therefore classified as public spending. However, along with our relationship with the MoJ, the OLC must also report our performance to the LSB, which also agrees our budget and performance targets.

Along with our formal governance relationships, the Legal Ombudsman has a broad range of external stakeholders encompassing regulators, other ombudsmen schemes and complaint handling bodies, professional associations, lawyers themselves, consumer groups/charities and government and judicial bodies.

The success of the Legal Ombudsman hinges in large part on raising the awareness of customers – lawyers, CMCs, consumers, and the bodies that communicate with them. Our success is not simply to exist; we must continuously raise awareness of our services and disseminate what we have learnt. The profession itself is the most important referral point into the Ombudsman service. Consumer support bodies are also a key point of referral, particularly for complainants who require support to prepare their complaint. These two groups are the key audiences for explaining coming changes and the role of the Ombudsman scheme overall. A core part of our commitment is to make sure that the Legal Ombudsman is accessible to a diverse range of the population.

Gaining profile and exposure in professional circles continues to be essential – both for the reputation of the scheme and to enable the scheme to prepare for the coming changes to the legal landscape. The Legal Ombudsman has in place working arrangements with all of the Approved Regulators of legal services. These are set out in a series of memoranda of understanding (all available to view on the Legal Ombudsman website).

PERFORMANCE ANALYSIS

Environmental matters

The OLC is committed to working with its suppliers and employees to ensure that it takes proper account of the impact of all of its activities on the environment. Our office design, location and infrastructure are designed to ensure sustainability. We have a city centre location, which means the majority of our employees use public transport. Our office is designed to be paperless – this is not only an efficient approach, but given the volumes of paper that lawyers and their clients can generate, is also an acknowledgement that as our service grows and develops, we must take a responsible and ethical view to the use of resources. We also do the small but important things such as encouraging recycling and minimising waste through catering and facilities management.

Equality, diversity and inclusion

The Legal Ombudsman continues to equality assess all of its work to ensure we improve customer access, experience and outcomes. This includes evaluating the impact of new offices, a new case management system, and the launch of our claims management jurisdiction.

Our commitment is that customers are treated as individuals. We use insight about our customers to understand their individual needs and preferences, and we are committed to tailoring our services in response. Our customer equality data collection revealed that there was a potential disparity in customer satisfaction between complainants with a disability and those without. We explored these issues in further detail and found that the reasons for dissatisfaction with our service had no direct correlation to our ability to provide reasonable adjustments to our service. We will continue to monitor this trend, analysing our data during this financial year

Our data collection also highlighted significant differences between black, minority, ethnic (BME) and white complainants, and differences between the BME complainants themselves; particularly black and other BME groups. Areas identified include the following observations: BME complainants are less likely to opt for informal resolution, and there have been high levels of dissatisfaction with our service amongst BME groups. In 2016-17 we will be exploring these results further to inform our approach to resolving complaints.

We have an elected Staff Council to support colleagues in communicating with and being consulted more effectively by the Legal Ombudsman on employment matters.

We have also continued to support our staff by providing training on issues including reasonable adjustments and mental health awareness.

Our equality data collection work has allowed us to monitor uptake and satisfaction levels for staff across all equality categories and we act on any trends seen in the staff survey. We benchmark the diversity profile of our workforce against the economically active populations of West Midlands from where we draw most of our staff.

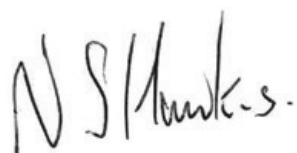
We are keen that we continue to build our relations with stakeholders and other ombudsmen schemes. In doing this we have chaired the Equality & Diversity Ombudsman Interest Group to share good practice, and are exploring opportunities to work with the Law Society Disability Division Group.

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 dealing with payment queries promptly and ensuring any undue delay is notified to the supplier in a timely fashion. 91% of invoices were paid within agreed terms and the average number of days taken to pay creditors was 15.8 days.

Format of Accounts

The 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.



**Nick Hawkins,
Accounting Officer
[31 October 2016]**

ACCOUNTABILITY REPORT

Corporate Governance

Report

BOARD MEMBERS' REPORT

Members of the OLC are appointed by the LSB. They may be appointed for a fixed term of up to five years and may then be re-appointed for one further fixed term of up to five years. OLC members may be removed by the LSB only under the circumstances set out in Schedule 15.8 (2) of the Legal Services Act 2007, and the Chair may only be removed with the agreement of the Lord Chancellor. If the LSB thinks there are circumstances that make it right for a person ceasing to hold office as Chairman or another member to receive compensation, the OLC may pay that person such compensation as the LSB may determine. Board membership together with the terms of appointment are set out in the Remuneration report.

The OLC is supported by a Management Team, led by the Chief Executive Officer. The OLC has delegated relevant day to day authority to the Management Team, whose role is to deliver day to day operation of the Legal Ombudsman scheme. Further information about governance arrangements, including the report of the Remuneration and Nomination Committee, is set out in the Governance Statement.

REGISTRATION OF INTERESTS

This is available via the following web address:

<http://www.legalombudsman.org.uk/wp-content/uploads/2014/09/Board-member-register-interests-July-2016.pdf>

MANAGEMENT COMMENTARY

The purpose of the Legal Ombudsman scheme is to provide a single gateway for consumers of legal and claims management services, and to channel their complaints while at the same time driving systemic improvement by feeding information and methods to improve back to the profession.

AUDITORS

The Ministry of Justice provided internal audit services to the OLC. During the 2015-16 financial year the cost of internal audit work was £36k, however there is a reduction in the reported figures of £5k in final expenditure for the year due to the release of an over-estimate of costs for work completed in 2014-15. The expenditure accounted for in this financial year equals £31k (2014-15 Internal Audit provided by KPMG was £28,236).

The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with the Legal Services Act Schedule 15, Section 26(5). For the year to 31 March 2016 the C&AG has estimated the

costs at £36,000, £5,000 of which related to work completed on the 2014-15 Annual Report but which is accounted for in this financial year (2014-15, £41,000 including £10,000 for 2013-14 Annual Report). This amount has been provided for in accounts. The services provided by the C&AG staff relates only to statutory audit work.

IMPROVEMENT ACTIVITY AND ACCOUNTING OFFICER OF THE OLC

The removal of Accounting Officer status from the previous Chief Executive in January 2015 has been comprehensively reported in both the 2013-14 and 2014-15 accounts.

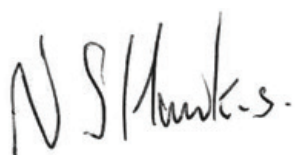
In September 2015 the OLC and MoJ jointly commissioned an independent review of governance and financial controls, which was complete in December 2015. Both the OLC and MoJ accepted all recommendations made in the review.

In January 2016 the OLC prepared the first draft of an Action Plan to address the recommendations of the review. This was shared with the Sponsor Team in the MoJ and updated regularly. Many of the necessary actions were completed by March 31. Guidance was given by the MoJ about what further assurance and evidence of progress would need to be provided to the Principal Accounting Officer in order that he could safely appoint the Chief Executive as Accounting Officer.

An updated version of the action plan was submitted in May 2016, with more actions evidenced as complete and with completion dates by 30 September 2016 for all remaining actions. As a result, on 6 June 2016, the Principal Accounting Officer appointed the Chief Executive as Accounting Officer of the OLC.

The remaining actions to be completed continue to be monitored by the CEO, the OLC Board, and the Sponsor Team, and will be completed during 2016-17 and reported on in the 2016-17 accounts.

I would like to record my gratitude to Catherine Lee for all of her hard work as Interim Accounting Officer and for her guidance to me as Director General whilst I prepared for the return of Accounting Officer status.



Nick Hawkins,
Accounting Officer
[31 October 2016]

ACCOUNTABILITY REPORT

OLC and Accounting

Officer's Responsibility

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

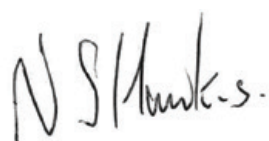
In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

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

Following the withdrawal of Accounting Officer status from the previous Chief Executive in January 2015, the role of Interim Accounting Officer was held by the previous Principal Accounting Officer of the Ministry of Justice until her retirement in August 2015. The Director General, Justice and Courts Policy Group of the Ministry of Justice was appointed as interim Accounting Officer in August 2015 and held that role until June 2016.

In June 2016 the Principal Accounting Officer designated the new Chief Executive as Accounting Officer.

I confirm that I have taken all reasonable steps to make myself aware of any required audit information, and I am unaware of any relevant audit information which has not been disclosed to the auditors. I confirm that the annual report and accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.



Nick Hawkins,
Accounting Officer
[31 October 2016]

Governance Statement

As Accounting Officer, I am responsible for the governance, decision making and financial management of the OLC. This year, the Comptroller and Auditor General has again qualified these accounts due to the continued payment to some staff of the Flexible Benefit Scheme [FBS] and Total Remuneration Supplement [TRS]. These payments had been deemed novel and contentious by the Ministry of Justice in the OLC's Annual Report and Accounts for 2013/14, and this situation continued in the OLC's ARA for 2014/15.

Having taken legal advice the Office for Legal Complaints, with the full knowledge of the Interim Accounting Officer and MoJ, continued paying these allowances throughout 2015/16 whilst working towards a solution that would allow the termination of these payments in a contractually legal manner. We engaged with Ministry of Justice and HM Treasury officials throughout this period and obtained their express agreement to our approach to regularising this issue. Further details of this can be seen on page 48 under the regularity of expenditure section. The final payments of FBS and TRS were made in March 2016.

No payments of this kind have been made in FY 2016/17 and, as Accounting Officer, I am content that this matter has now been resolved satisfactorily and that all staff payments going forward are fully in accordance with Managing Public Money.

THE OLC'S GOVERNANCE FRAMEWORK

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

BOARD PERFORMANCE AND CORPORATE GOVERNANCE

Schedule 15.1 of the Legal Services Act 2007 requires that the OLC is to consist of a Chairman and at least six but no more than eight other persons. It must have a lay majority and reflect the experience and knowledge set out in Schedule 15.4.

OLC meetings were fully compliant with the other requirements of its governance arrangements and rules of procedure. Eight OLC meetings took place during 2015-16, attendance is disclosed within the OLC statement.

OLC Board Attendance	Apr 15	Jun 15	Jul 15	Sep 15	Oct 15	Dec 15	Jan 16	Mar 16	
Steve Green (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	8
Caroline Coates	✓	✓	✓	☒	✓	✓	✓	✓	7
Bernard Herdan	✓	✓	✓	✓	✓	✓	✓	✓	8
Michael Kaltz	☒	✓	✓	✓	✓	✓	✓	☒	6
Tony King	✓	✓	✓	✓	✓	✓	✓	✓	8
Jane McCall	✓	✓	✓	✓	✓	✓	✓	✓	8
Philip Plowden	✓	✓	✓	✓	✓	☒	✓	✓	7
Karen Silcock	✓	☒	☒	n/a	n/a	n/a	n/a	n/a	1
Accounting Officer	☒	✓	☒	R	✓	✓	R	✓	6

R = representative

ACCOUNTABILITY REPORT

Members of the OLC have self-assessed their roles and performance throughout the year, both collectively and through individual discussions with the Chair, and have concluded as a result that the OLC has been, and remains effective. This activity will be ongoing to allow members to enhance their future contribution to the stewardship of the OLC.

The OLC is duty bound to comply with the Corporate Governance in central government departments Code of Good Practice 2011. As a statutory body the OLC complies with the Code where it is deemed practical and relevant to its circumstances.

During this year, the OLC has received assurance from the organisation's independent internal auditors. Details of the work undertaken and the internal auditor's opinion are set out later in this statement.

OTHER COMMITTEES

The OLC is supported in its stewardship by two sub-committees:

Audit and Risk Assurance Committee

The Audit and Risk Committee is responsible for reviewing the establishment and maintenance of an effective system of integrated management control of risk across the whole of the organisation's activities. During the period April 2015 to March 2016 four Audit and Risk Committee meetings took place and the following table records the attendance of committee members during this period.

ARAC Attendance	Apr - 15	Jul - 15	Oct - 15	Jan - 16	
Karen Silcock	✓	n/a	n/a	n/a	1
Michael Kaltz	☒	✓	✓	✓	3
Tony King	✓	✓	✓	✓	4
Philip Plowden	✓	✓	✓	✓	4
Accounting Officer	✓	☒	✓	R	3
Legal Services Board	R	✓	R	☒	3
Internal Audit	✓	✓	✓	✓	4
NAO	✓	✓	✓	✓	4

R = representative

In addition, the members of ARAC undertook meetings and telephone conferences amongst themselves and meetings outside of the Committee with both internal and external auditors.

During this financial year the Committee agreed internal and external audit plans and received regular updates from both auditors on the effectiveness of the organisation's internal control systems.

The Committee reviewed the Corporate Risk Register and, working with executive management, redesigned the format in order to give the Committee, and ultimately the OLC, clearer sight of the major risks and the progress of mitigation steps. The Committee continues to work with management on the structure of the content in the Risk Register in order to ensure that it provides a strategic and business-logical overview of corporate risk. Managers separately maintain operational risk registers for their areas which inform the Corporate Risk Register.

During 2015-16, the Committee also reviewed the status of those LeO policies which impact on financial and risk matters and approved amendments to several.

We assured ourselves that Managing Public Money was high on the Executive's agenda and, at each Committee meeting, we considered a report on MoJ financial approval requests and their progress, with MPM particularly in mind.

The Committee also fulfilled the important role of agreeing the annual Governance Statement, overseeing key financial and budgetary matters and draft and final statutory accounts prior to ratification by the OLC and the Legal Services Board.

Audit and Risk Committee members and attendees also completed a self-assessment review of its effectiveness based on the January 2012 National Audit Office publication "The Audit Committee Self Assessment Checklist".

**Michael Kaltz,
Chair, Audit and Risk Assurance Committee
[31 October 2016]**

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for the overall remuneration approach and policy relating to all members of staff working within the Legal Ombudsman scheme. During the period April 2015 to March 2016 six Remuneration and Nomination Committee meetings took place and the following table records the attendance of committee members during this period (two meetings in May 2015).

REMCO Attendance	May 15	May 15	Jul 15	Sep 15	Nov 15	Feb 16	
Bernard Herdan	✓	✓	✓	✓	✓	✓	6
Caroline Coates	✓	✓	✓	✓	✓	✓	6
Jane McCall	✓	✓	✓	✓	✓	✓	6
Chief Executive	✓	✓	✓	✓	✓	✓	6
Head of HR	✓	☒	✓	✓	✓	✓	5
Chief Legal Ombudsman	✓	✓	✓	✓	☒	✓	5
Staff Council observers	n/a	n/a	✓	✓	✓	☒	3

ACCOUNTABILITY REPORT

I am pleased to present my first annual report of the OLC Remuneration and Nomination Committee (RemCo) for which I was appointed Chair in April 2015. The Committee membership was also completely changed at the same date with the appointment of Jane McCall and Caroline Coates. The Chief Executive, Chief Ombudsman and Head of Human Resources are normally in attendance at our meetings, and we took the decision in May 2015 that the Staff Council should send representatives to observe each meeting, although they may sometimes be excluded from specific agenda items of a confidential nature.

The Committee took the decision to recommend to the Board that its terms of reference should be broadened to embrace matters relating to leadership, staff internal communication, morale and culture change, and the revised terms of reference were approved by the OLC Board in October 2015. The OLC Board decided in October 2015 that the periodic review and ongoing oversight of Legal Ombudsman policies should be shared between the Audit and Risk Committee (ARAC) and RemCo. RemCo has continued to review such policies during the year.

At the start of the tenure of the newly constituted RemCo, there was considerable turbulence within the Legal Ombudsman caused by a combination of: the departure of the Chief Ombudsman and his replacement by an Interim Chief Ombudsman and Chief Executive; the initiation of a comprehensive Governance Review; the poor performance of the newly procured case management system; and fallout from a difficult office move. All of this had a negative impact on staff morale. RemCo oversaw the excellent work done to enhance staff engagement, improve internal communications and boost staff morale as the organisation stabilised and recovered over the first months of 2015-16. Staff surveys were undertaken, action plans implemented and this remains an ongoing activity. The staff survey results are now beginning to show an improvement and it is hoped this trend will continue.

RemCo oversaw learning and development activity with a particular emphasis on a fresh approach to management and leadership development for senior and middle management. This progressed more slowly than ideally required due to the impact of MoJ spending constraints but a way forward was agreed by the year end.

One of the issues which led to the above mentioned turbulence was the decision by the Interim Accounting Officer that payments made to staff under the Flexible Benefits Scheme were novel and contentious and this in turn led to the Accounts being qualified. RemCo oversaw work on what would have to be done to regularise this situation and which would be the best, out of various options, to move to a different regime and to deal with the legal

and practical issues arising. This work was completed in 2015-16 and the new scheme was implemented with effect from April 1st 2016. RemCo also approved a revised approach to operation of the pay scales and the 2016 pay remit.

RemCo also had responsibility for oversight of a substantial amount of recruitment and reorganisation activity at senior level as the top team was largely replaced by interims and subsequently permanent appointees. RemCo members participated in many of the selection panels as part of this process and gave approval for restructuring and for setting of senior salaries within the approved framework. RemCo also had oversight of a recruitment campaign to replace front line staff whose numbers had fallen and started to impact on performance.

RemCo extends grateful thanks to staff of the Legal Ombudsman for their support to the work of the Committee.

**Bernard Herdan,
Chair, Remuneration and Nomination Committee
[31 October 2016]**

OLC OVERSIGHT OF THE LEGAL OMBUDSMAN

The OLC met together eight times during the year with the Chief Executive Officer, Chief Ombudsman, Chief Operating Officer, Head of Policy and Communications, and General Counsel in attendance. One of the meetings is specifically dedicated to considering strategy. Meetings are held in an open, consultative way and the management team are transparent about the organisational issues with which they are dealing and with the performance of the organisation. The OLC is briefed on matters of strategic importance and materiality and asked to verify or make decisions in these areas.

The OLC receives reports on organisational performance and financial performance and quarterly updates on key issues for the business such as risk, human resources and legal challenges. The OLC reviews a suite of internal and externally reportable KPIs. These external KPIs provide stakeholders with an effective overview of Legal Ombudsman performance.

Any changes to organisational design are discussed with, and where appropriate, agreed by the OLC. OLC members shadow key areas of the business and form links with relevant LSB members.

The OLC considers the quality of data provided to it to be acceptable. While there are routine reports provided to the OLC, the format and content of information evolves to include new issues as these arise, or to continually improve the content and relevance of information provided. Board papers are reviewed by executive management prior to distribution to ensure that these are of appropriate quality.

ACCOUNTABILITY REPORT

EXECUTIVE MANAGEMENT OF THE LEGAL OMBUDSMAN

Executive management of the Legal Ombudsman is delegated to the Chief Executive Officer. Following the departure of the previous Chief Executive Officer, who also held the role of Chief Ombudsman, the roles of Chief Executive Officer and Chief Ombudsman were separated. As at 1 April 2015 both the posts of Chief Executive and Chief Ombudsman were occupied in an interim capacity. A permanent Chief Executive was appointed and took up post on 5 October 2015. A permanent Chief Legal Ombudsman was appointed and took up post on 18 January 2016.

The Chief Executive Officer is supported by a Management Team which comprises the Chief Legal Ombudsman and other senior managers responsible for each of the core functions of the organisation. The Management Team meets regularly to discuss strategic and operational issues and performance and take relevant decisions. A review of the establishment, which concluded in May 2016, was conducted and has reduced the number of senior posts.

Operationally each area of the business ensures effective communication is maintained through a variety of meetings, forums and one to one sessions. Communication across the organisation is further facilitated by quarterly and ad-hoc all staff presentations, a regularly updated intranet, and the use of audio visual displays around the office.

RISK MANAGEMENT AND KEY RISKS

The OLC maintains a risk management framework in accordance with guidance in HM Treasury's 'Managing Public Money' and 'Management of Risk – Principles and Concepts', as well as other official guidance that may be issued from time to time. The framework is also consistent with the Ministry of Justice's risk management policy, and ensures that risks are identified and escalated as necessary.

Our corporate risk register identifies "Risk Assurance" measures, which are used to highlight activities or occurrences which might indicate a heightened risk. Risk measures are reported using a Red, Amber and Green (RAG) status based on pre-agreed thresholds for each measure. In addition, the register identifies specific areas of risk ("risk elements") where control and monitoring are required.

Each risk element is given a one to five "impact" and "likelihood" score to calculate the perceived probability and consequence of risk events, if they are realised. The results of this assessment are then used to prioritize risks to establish a most-to-least-critical importance ranking. Ranking risks in terms of their criticality or importance provides insights to the project's management on where resources may be needed to manage or mitigate the realisation of high consequence/high probability risk events.

All staff are encouraged to report risks for inclusion on the register. Management Team members are accountable for monitoring and evaluating specific risk measures and risk elements, which are then open for review by the management team each month.

The risk register is reviewed by our Audit and Risk Assurance Committee (ARAC), which meets four times a year, and the OLC Board. This process provides accountability for and visibility of risk and also provides an effective reporting of action plans in place to manage risks. As a result, high quality risk assessment and mitigation is embedded into our financial and non-financial management processes.

Risk appetite

The OLC considers itself a customer focussed organisation, managing risk in the areas of its key strategic goals, which are: to continue to improve our efficiency; to implement changes to our jurisdiction; to help create an improved complaints handling system; to disseminate what we have learned more widely.

As a risk averse organisation we look to minimise risk in the areas of internal governance and management control systems.

Key risks

Key strategic risks are summarised below:

Case Management System

Risk: The new CMS (implemented in December 2014), and related reporting tools, were found to have been too ambitious, focussed too much on flexibility and not enough on core functionality. It is not delivering the quality and level of service that is required, and is unable to respond to changes in business needs.

Mitigation: Further work is planned with a new Managed Service Partner following a full review of the system. Work has begun to stabilise the system with further plans to rebuild it fully, whilst ensuring limited impact on business operations. Delivery is expected over the next 12 months.

Flexible staffing

Risk: Limits to operational resource (whether due to spike in demand or other factors) could adversely affect operational performance.

Mitigation: Changes to working practices have been adopted in order to cater to the unique challenges posed by complaints about claims management companies. We implement a policy of flexible working arrangements to cross-utilise staff as and when required. We also work closely with our MoJ sponsor team to enable successful procurement of appropriate resources when required.

ACCOUNTABILITY REPORT

Spending controls

Risk: Spending controls required by the Cabinet Office and, separately, by the MoJ, have the potential to impact adversely on the OLC's ability to fulfil its statutory commitments. This includes the need for prior approval when recruiting staff and gaining permission for other aspects of spend.

Mitigation: Improved governance measures have rebuilt trust in the OLC's ability to competently manage its finances. This has resulted in the Chief Executive Officer of the Legal Ombudsman regaining Accounting Officer status. The OLC works closely with our MoJ sponsor team to stay apprised of spending controls and how they apply to the OLC.

PERFORMANCE

MoJ internal audit has delivered seven audits in total for 2015-16; five of these were undertaken during the year and two were completed after the year end. The Audit Committee initially agreed to an input of 75 days in total. In total 82 days have been delivered for 2015-16.

Implementation dates have been agreed for all recommendations as part of the reporting protocol. In addition, management report progress on the implementation of recommended improvements on a regular basis to the Audit Committee.

Internal Audit have issued the following assurance opinion for 2015-16 to the OLC:

'We have reviewed the Office for Legal Complaints systems in accordance with the 2015-16 Internal Audit plan.'

A balanced scorecard is used to monitor quarterly performance for each part of the Group.

Our opinion is based primarily on the work conducted during the year but also takes into account our observations during attendance at Audit Committee meetings. It also takes into account our confidence in the extent to which agreed actions to remedy weaknesses are implemented by due dates.

On the basis of the work completed to date and my knowledge of the governance, internal control and risk management frameworks within the OLC, I expect to provide a moderate level of assurance.'

Remuneration and

Staff Report

APPOINTMENT AND TERMINATION OF OLC MEMBERS

Five new OLC members were appointed with effect from 1 April 2015. These OLC members are Michael Kaltz (lay member), Tony King (lay member), Dr Bernard Herdan (lay member), Jane McCall (lay member), and Caroline Coates (non-lay member).

One member of the OLC board left her post in 2015-16.

Member	Appointed	Terminates
Steve Green (lay chair)	1 Apr 2014	31 Mar 2017
Philip Plowden	1 Apr 2014	31 Mar 2017
Karen Silcock (lay)	1 Feb 2012	31 Jul 2015
Tony King (lay)	1 Apr 2015	31 Mar 2018
Bernard Herdan (lay)	1 Apr 2015	31 Mar 2019
Jane McCall (lay)	1 Apr 2015	31 Mar 2019
Caroline Coates	1 Apr 2015	31 Mar 2018
Michael Kaltz (lay)	1 Apr 2015	31 Mar 2019

On the 21 April the board ratified the membership of the committees. Karen Silcock would remain as Chair of the Audit and Risk Assurance Committee and Dr Bernard Herdan as Chair of the Remuneration and Nominations Committee.

On 10 June 2015, the Chair noted that further to Karen Silcock's resignation from the OLC Board, the first order of action would be to formally approve Michael Kaltz as the new Chair of the Audit and Risk Assurance Committee. The Board formally ratified this proposal.

BOARD REMUNERATION

The remuneration of the Board members is shown in the tables below and has been subject to audit. Only Board Members are included in this report. They are the only ones who influence the decisions of the OLC as a whole rather than individual parts.

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. The Chief Ombudsman is remunerated by the OLC.

ACCOUNTABILITY REPORT

Board Remuneration	Annual Rate £	Year to March 2016 £	Year to March 2015 £
Steve Green (Chair)	52,500	52,500	52,500
Karen Silcock	10,000	3,334	10,000
Philip Plowden	10,000	10,000	10,000
Bernard Herdan	10,000	10,000	-
Michael Kaltz	10,000	10,000	-
Tony King	10,000	10,000	-
Jane McCall	10,000	10,000	-
Caroline Coates	10,000	10,000	-
Rosemary Carter	10,000	-	10,000
David Thomas	10,000	-	10,000
Stella Manzie	10,000	-	9,470
Tony Foster	10,000	-	10,000

The Chair's remuneration reflects the higher proportion of time which the Chair is contracted to spend on OLC matters. Details of expenses claimed by the OLC Board are published and publicly available on the Legal Ombudsman website.

STAFF NUMBERS AND RELATED COSTS

Nick Hawkins started his role as the Chief Executive Officer on 5 October 2015. The OLC operates a salary sacrifice pension scheme which allows employees to elect to sacrifice a proportion of their basic pay in return for correspondingly increased contributions to their pension scheme.

The interim Chief Executive Officer was in place at the commencement of this financial year albeit through an interim recruitment agency. This individual was appointed and paid through payroll from 8 June 2015 contractually until 31 December 2015 and the OLC incurred in total expenditure of £113,888. A table of the CEO remuneration is shown below.

Year to 31 March 2016	Consultancy £	Salary £	Pension £	Salary Sacrifice Pension Scheme £	Other Benefits £	Total £
*N Hawkins (From October)	-	56,832	5,982	2,991	-	65,805
I Brack (Until December)	48,600	61,763	2,402	1,123	-	113,888

*** N Hawkins FTE Salary £121,200**

The former Chief Executive Officer officially left his post in November 2014, however in the terms of their contract they remained on OLC's payroll until the official leave date of 7 May 2015. All costs had been provided for in the 2014-15 financial year with no costs included in 2015-16. The interim Chief Executive Officer took up his post on 8 December 2014 engaged through an interim recruitment agency. A table of the CEO remuneration is shown below.

Year to 31 March 2015	Consultancy £	Salary £	Pension £	Salary Sacrifice Pension Scheme £	Other Benefits £	Total £
A Sampson	-	132,560	6,933	15,389	12,299	167,181
I Brack (From December)	88,200	-	-	-	-	88,200

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid individual in their organisation (excluding pension contributions) and the median remuneration of the organisation's workforce.

The annualised remuneration of the highest-paid individual in the Legal Ombudsman in the financial year 2015-16 was £121,200 (2014-15: £167,181). This was 3.8 times (2014-15: 5.1) the median remuneration of the workforce in March 2016, which was £32,259 (2014-15: £33,147).

In 2015-16, no employees received remuneration in excess of the highest paid director (2014-15: none). Remuneration ranged from £7,800 to £121,200 (2014-15: £12,724 to £167,181).

Total remuneration includes salary, non-consolidated performance-related pay (not in 2015) and benefits in kind. It does not include 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 on leaving employment. All employees had an element of their remuneration allocated to a flexible benefits scheme and certain individuals had other specific benefits arrangements that form part of their total compensation.

STAFF RELATED COSTS

The remuneration of the OLC Board is borne by the LSB. The Chief Executive Officer is remunerated by the Legal Ombudsman scheme and is included within the staff costs below.

Staff costs comprise	Total 2015-16 £'000	Permanent staff 2015-16 £'000	Other staff 2015-16 £'000	Total 2014-15 £'000	Permanent staff 2014-15 £'000	Other staff 2014-15 £'000
Wages and salaries	8,908	8,038	870	8,112	7,499	613
Social security costs	821	821	-	745	745	-
Other pension costs	607	607	-	587	587	-
Exit packages	-	-	-	23	23	-
Total net costs	10,336	9,466	870	9,467	8,854	613

ACCOUNTABILITY REPORT

AVERAGE NUMBER OF PERSONS EMPLOYED

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

	Total 2015-16 No.	Permanent staff 2015-16 No.	Other staff 2015-16 No.	Total 2014-15 No.	Permanent staff 2014-15 No.	Other staff 2014-15 No.
Directly employed	228	221	7	225	215	10
Not directly employed	6	-	6	3	-	3
Total	234	221	13	228	215	13

Proposed performance related pay changes and any revalorisation of pay for senior managers and for the OLC as a whole is reviewed and approved by the Remuneration and Nomination Committee.

Previous Issues regarding former CEO expenditure items are close to a conclusion. There are no future accounting periods affected by this.

Reporting of Civil Service and other compensation - exit packages. In 2015-16 no exit packages have been agreed.

In 2014-15 one exit package was agreed.

2014-15 Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Costs Band
£10,000 - £25,000	-	1	1
Total Number of Exit Packages	-	1	1
Total Cost / £	-	22,560	22,560

Pensions

The OLC 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.

Special Payments As set out in the 2013-14 and 2014-15 annual reports, issues were identified during late 2014-15 with the way the Flexible Benefit scheme and the Total Remuneration Supplement allowance scheme were conceived, designed, implemented and operated from 2010 to date, without obtaining the MoJ's prior written approval. In January 2015 the Interim Accounting Officer determined this scheme to be novel and contentious and decided not to retrospectively approve the payments made under them

These contractual obligations the schemes were continued throughout 2015-16, pending agreement with the Ministry of Justice and HM Treasury regarding how to regularise these schemes.

In February 2016 an agreement was reached with the Interim Accounting Officer, the Ministry of Justice, and HM Treasury to cease paying the Flexible Benefit scheme and the Total Remuneration Supplement on 31 March 2016. In recognition that staff were losing a benefit contained in their contracts, they were offered a taxable one-off payment, equivalent to two years' benefit in return for signing an agreement recognising that the schemes were terminating, and agreeing claw back upon leaving employment. The last payments of FBS and TRS, along with the one-off payments, were made at the end of March 2016. No payments are being made in 2016-17 and no staff have challenged the agreement reached.

Special Payment	2015-16	2014-15
Extra-contractual payments	23,570	33,236
Novel and/or contentious	214,031	210,098
HM Treasury & MoJ approved payment to cease FBS & TRS	434,037	-
Total	671,638	243,334

As part of the process for reaching agreement with the MoJ and HM Treasury all other non-salary benefits were considered for compliance within the principles of Managing Public Money, and all had been deemed compliant.

EMPLOYEES AND SOCIAL COMMUNITY ISSUES

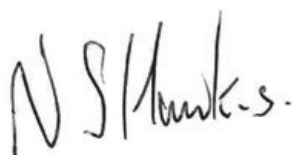
As at 31 March 2016, the Legal Ombudsman had 199 full time employees (2014-15: 218) and 30 part time employees (2014-15: 30). 67% of the staff complement were women (2014-15: 67%). 3.6% of working days were lost to sickness including absence for planned operations (2014-15 2.9%).

The OLC supports the Two Ticks scheme and therefore guarantees to interview those who consider themselves to have a disability and meet the criteria set out in the job description, the OLC will appoint on merit. Reasonable adjustment requests are agreed in consultation with an individual's line manager and the Human Resources team. Ongoing training is continuously reviewed for all staff periodically with an individual's line manager, in conjunction with a centralised knowledge strategy.

ACCOUNTABILITY REPORT

One individual is considered an off payroll engagement due to the independent requirement of the role. The Service Complaints Adjudicator is contracted on a delivery basis and not paid a salary.

The OLC and its employees strive to ensure that it has a positive impact on the local community. We are committed to meeting the different needs of the legal community and users of legal services, as well as our employees and suppliers. To this end we facilitate and encourage our employees' charitable fundraising initiatives as well as building links into the broader West Midlands community.



Nick Hawkins,
Accounting Officer
[31 October 2016]

Parliamentary accountability and audit report (subject to audit)

The OLC is a statutory body accountable to both the MoJ and the LSB.

The LSB has a number of responsibilities in respect of the OLC:

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

The relationship between the LSB and OLC is governed by a memorandum of understanding, which reflects the respective bodies' independent and separate functions, and facilitates constructive communication, co-operation and co-ordination in the performance of the bodies' respective

responsibilities. The memorandum of understanding, which is publicly available on both the LSB and OLC websites, details the core principles underpinning the relationship, and the detailed arrangements for:

- Budget management.
- Scheme rules.
- Performance monitoring and reporting.
- Information exchange.
- Communication.

In respect of the annual budget approval, the OLC provides a budget submission to the LSB with the Accounting Officer and appropriate Board members or Legal Ombudsman employees attending LSB meetings to provide any reasonable assurances on the appropriateness of the budget.

The scheme rules and any changes to them must be approved by the OLC and then the LSB. In order to provide assurance that any rules are appropriate and provide a framework for the scheme to operate fairly, impartially and reasonably and to adhere to good practice of Ombudsman schemes the OLC undertakes consultation with key stakeholders including the legal profession and consumers groups.

The OLC and LSB have formed a sub-group of executive and non-executive staff who meet quarterly to review Legal Ombudsman performance and the setting of key performance indicators and targets.

Information exchange and communication is facilitated by the executive teams of both bodies. This is augmented by the Chairs and Chief Executives of the LSB and OLC meeting on a regular basis to discuss issues of common interest and to ensure that the LSB can secure assurances during the course of the year as to the discharge of the OLC's duties. Both the LSB and OLC Boards meet jointly on a regular basis.

As an independent organisation sponsored by the MoJ, the OLC also has responsibilities directly to that Department. Both the LSB and the OLC's Framework Documents make reference to these so that there is no confusion over where responsibility for ongoing financial oversight (the MoJ) or OLC performance (the LSB) lies.

Members of the OLC are required to abide by key elements of the LSB's Governance Manual, including the Code of Practice, and policies on expenses, gifts and hospitality and interests.

ACCOUNTABILITY REPORT

Regularity of expenditure

(subject to audit)

Under the funding agreement between the OLC and the MoJ, the OLC has the authority to incur expenditure as agreed without further reference to the MoJ, however it must comply with the requirements of the Framework Document (within specified delegated limits), as well as the requirements of HM Treasury's Managing Public Money. Specifically, the OLC must obtain the MoJ's prior written approval before incurring expenditure for any purpose that is or might be considered novel and/or contentious, or which has or could have significant future cost implications.

As set out in the 2013-14 and 2014-15 annual reports, issues were identified during late 2014-15 with the way the Flexible Benefit scheme and the Total Remuneration Supplement allowance scheme were conceived, designed, implemented and operated from 2010 to date, without obtaining the MoJ's prior written approval. In January 2015 the Interim Accounting Officer determined this scheme to be novel and contentious and decided not to retrospectively approve the payments made under them. All amounts paid under these schemes are therefore considered irregular expenditure, meaning they are outside the ambit of expenditure approved by Parliament.

Despite the determination, independent legal advice confirmed that the OLC had contractual commitments to its employees which prevented the immediate suspension or withdrawal of these schemes. As a result of these contractual obligations the schemes were continued throughout 2015-16, pending agreement with the Ministry of Justice and HM Treasury regarding how to regularise these schemes.

In February 2016 an agreement was reached with the Interim Accounting Officer, the Ministry of Justice, and HM Treasury to cease paying the Flexible Benefit scheme and the Total Remuneration Supplement on 31 March 2016. In recognition that staff were losing a benefit contained in their contracts, they were offered a taxable one-off payment, equivalent to two years benefit in return for signing an agreement recognising that the schemes were terminating, and agreeing claw back upon leaving employment. The last payments of FBS and TRS, along with the one-off payments, were made at the end of March 2016. No payments are being made in 2016-17 and no staff have challenged the agreement reached.

Special Payment	2015-16	2014-15
Extra-contractual payments	23,570	33,236
Novel and/or contentious	214,031	210,098
HM Treasury & MoJ approved payment to cease FBS & TRS	434,037	-
Total	671,638	243,334

As part of the process for reaching agreement with the MoJ and HM Treasury all other non-salary benefits were considered for compliance within the principles of Managing Public Money, and all had been deemed compliant.

Remote contingent liabilities: there are no remote contingent liabilities to report.

Long term expenditure trends: the OLC's initial budget in the first full year of operating was £17m, this has subsequently been reduced each operating year.

ACCOUNTABILITY REPORT

The Certificate of the Comptroller and

Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office for Legal Complaints for the year ended 31 March 2016 under the Legal Services Act 2007. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that are described in those reports as being audited.

RESPECTIVE RESPONSIBILITIES OF THE BOARD, ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of OLC and Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Services Act 2007. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office for Legal Complaints' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office for Legal Complaints; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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 QUALIFIED OPINION ON REGULARITY

In 2015-16, the Office for Legal Complaints made payments in respect of a remuneration scheme for senior staff and a flexible benefit scheme for the employees, which I consider to be novel and contentious. The nature of these payments came to light during the course of my audit of the 2013-14 financial statements and the payments have continued this year. In accordance with Managing Public Money, novel and contentious payments must be approved by HM Treasury or, in this case

under delegation from HM Treasury by the Ministry of Justice. The Ministry of Justice has not provided retrospective approval for the novel and contentious expenditure. I have concluded that this expenditure is not in conformity with the authorities which govern it and is, therefore, irregular. Further details can be found in my report on page 52.

OPINION ON REGULARITY

In my opinion, except for the matter described in the basis for qualified opinion paragraph above, in all material respects the expenditure and income 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.

OPINION ON FINANCIAL STATEMENTS

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 2016 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Legal Services Act 2007 and Lord Chancellor directions, with the approval of HM Treasury, issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with directions made under the Legal Services Act 2007 by the Lord Chancellor with the approval of HM Treasury; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse
Comptroller and Auditor General
[7 November 2016]

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

ACCOUNTABILITY REPORT

Report of the Comptroller and Auditor

General to the Houses of Parliament

INTRODUCTION

1. The Office for Legal Complaints (OLC) is an Arm's Length Body created under the Legal Services Act 2007 and sponsored by the Ministry of Justice (the Ministry). The OLC is an independent and impartial body established to handle complaints about the legal profession.
2. My Report explains the basis for the qualification of my opinion on regularity on the OLC's 2015-16 financial statements.

QUALIFICATION OF MY REGULARITY OPINION

3. As I have reported previously, during the course of my audit of the OLC's 2013-14 financial statements, concerns were raised about the remuneration and expenses of the previous Accounting Officer and Chief Executive. These had been separately raised with the OLC, Legal Services Board and the Ministry who had started to look into the concerns. I made further enquiries of the OLC, which lead to a detailed review of the remuneration, expenses and benefit payments of senior staff since the OLC's creation in 2009, being undertaken by the Ministry and the OLC.
4. This review identified a number of novel and contentious payments incurred since OLC's inception in July 2009 to 31 March 2014. Two of these payments, which are summarised below, continued during 2015-16:
 - The payment of an extra-contractual 'Total Remuneration Supplement' to the senior members of staff (£23,570); and
 - Payments made under a Flexible Benefits Scheme to all members of staff (£214,031 in total).
5. The Accounting Officer of OLC is obliged to adhere to the requirements of Managing Public Money. This sets out the responsibilities for an Accounting Officer in managing public funds and safeguarding assets. Managing Public Money requires that 'novel and contentious' payments must be authorised by HM Treasury or, under delegation, by the Ministry of Justice as sponsor department of OLC.
6. These payments were not authorised by the Ministry at the time they were made. Retrospective authorisation, although sought, was declined. Therefore they do not conform with the authorities which govern them. I have therefore qualified my opinion on regularity.
7. Further details on how these issues arose, the amounts involved and the Ministry's conclusions, are outlined in the Governance Statement, Remuneration and Staff Report and the Parliamentary accountability disclosures.

ACTION TAKEN BY THE OFFICE FOR LEGAL COMPLAINTS AND THE MINISTRY OF JUSTICE

8. Following identification of these issues, the OLC sought legal advice which confirmed that it has contractual commitments to its employees which prevented the immediate suspension or withdrawal of either of these schemes. As a result of these contractual obligations, payments under the schemes continued pending agreement with the Ministry and HM Treasury regarding how to regularise these schemes.
9. The OLC has considered a number of options which balance its contractual commitments to staff with the need to replace the existing scheme with one that the Ministry and HM Treasury considered appropriate. In December 2015, the OLC submitted a proposal to HM Treasury. This proposal was approved by HM Treasury in February 2016.
10. The HM Treasury approved proposal allowed OLC to cease paying the Flexible Benefit scheme and the Total Remuneration Supplement on 31 March 2016. In recognition that staff were losing a benefit contained in their contracts, they were offered a taxable one-off payment, equivalent to two years benefit in return for signing an agreement recognising that the schemes were terminating (£434,037). This agreement also allowed for recovery of the payment should employment end within a year. The last payments of the Flexible Benefit Scheme and the Total Remuneration Supplement, along with the one-off payments, were made at the end of March 2016.
11. The OLC undertook a review of its governance and financial controls which was completed in December 2015. The review found that the OLC had put in place a number of sound building blocks for governance and management control and noted that there had been improvements following recent changes in senior management and at Board level. However, the review also highlighted several areas where further improvements in governance and control at OLC could be made. Details of these can be found in the Corporate Governance Report. During 2015-16, and subsequently, OLC have made good progress in addressing these recommendations.

Sir Amyas C E Morse
Comptroller and Auditor General
[7 November 2016]

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

FINANCIAL STATEMENTS

Statement of comprehensive net expenditure

For the year ended 31 March 2016

Income	Note	2015-16 £'000	2014-15 £'000
Income from operating activities	5	12,014	12,765
Other Operating Income	5	-	6
Total		12,014	12,771
Expenditure			
Staff costs	3	10,336	9,467
Depreciation and impairment	6,7	410	442
Provision expense	12	99	265
Other operating expenditure	4	2,893	3,462
Total operating expenditure		13,738	13,636
Net operating expenditure		(1,724)	(865)
Interest receivable		31	32
Taxation		(6)	(8)
Net expenditure after interest and taxation		(1,699)	(841)

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

The notes on pages **58 to 69** are part of these financial statements.

Statement of financial position

As at 31 March 2016

Non-current assets:	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Property, plant and equipment	6	841		1,133	
Intangible assets	7	452		535	
Total non-current assets			1,293		1,668
Current assets:					
Trade and other receivables	9	513		603	
Cash and cash equivalents	10	16,669		17,756	
Total current assets			17,182		18,359
Total assets			18,475		20,027
Current liabilities					
Trade and other payables	11	644		650	
Provisions	12	120		-	
Other liabilities	11	1,308		1,206	
Total current liabilities			2,072		1,856
Non-current assets plus net current assets			16,403		18,171
Non-current liabilities					
Provisions / Other payables	12	277		346	
Financial liabilities	11	-		-	
Total non-current liabilities			277		346
Assets less liabilities			16,126		17,825
Taxpayers' Equity and other reserves					
General Fund		17,825		17,751	
Grant In Aid from sponsoring department		-		915	
Net expenditure after interest & Taxation		(1,699)		(841)	
Total			16,126		17,825

N S Hawkins

**Nick Hawkins,
Accounting Officer
[31 October 2016]**

The notes on pages **58 to 69** are part of these financial statements.

FINANCIAL STATEMENTS

Statement of cash flows

For the year ending 31 March 2016

Cash flows from operating activities	Note	2015-16 £'000	2014-15 £'000
Net operating cost		(1,724)	(865)
Adjustments for non-cash transactions	4	509	442
(Increase)/decrease in trade and other receivables	9	90	(88)
Increase/(decrease) in trade and other payables	11	96	159
Use of provisions	12	(48)	(237)
Interest receivable		31	32
Taxation		(6)	(8)
Net cash outflow from operating activities		(1,052)	(565)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(17)	(864)
Purchase of intangible assets	7	(18)	(595)
Proceeds from disposals of property, plant & equipment		-	7
Proceeds of disposal of intangibles			
Net cash outflow from investing activities		(35)	(1,452)
Cash flows from financing activities			
Grants from sponsoring department		-	915
Net financing		-	915
Net increase/(decrease) in cash and cash equivalents in the year		(1,087)	(1,102)
Cash and cash equivalents at the beginning of the year	10	17,756	18,858
Cash and cash equivalents at the end of the year	10	16,669	17,756

The notes on pages **58 to 69** are part of these financial statements.

Statement of changes

in taxpayers' equity

For the year ending 31 March 2016

	Note	Total reserves £'000
Balance at 31 March 2014		17,751
Changes in taxpayers' equity for 2014-15		
Grants of sponsoring department		915
Comprehensive net expenditure for the year		(841)
Revaluation gains and losses/Transfer between reserves		-
Notional transfer to Consolidated Funds		(12,477)
Notional receipts from Sponsor		12,477
Balance at 31 March 2015		17,825
Changes in taxpayers' equity for 2015-16		
Grants of sponsoring department		
Comprehensive net expenditure for the year		(1,699)
Revaluation gains and losses/ Transfer between reserves		-
Notional transfer to Consolidated Funds	1.3	(11,573)
Notional receipts from Sponsor	1.3	11,573
Balance at 31 March 2016		16,126

The notes on pages **58 to 69** are part of these financial statements.

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2015-16 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 which is judged to be most appropriate to the particular circumstances of the OLC for the purpose of giving a true and fair view has been selected. The particular 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 to account for the revaluation of property, plant and equipment, intangible assets, and inventories.

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 2016, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2017. The MoJ also provides Grant in Aid where required to meet the net cash needs of the OLC. The MoJ provides Grant in Aid to fund the OLC's Claims Management Company complaint related activities. The OLC has assurances from the MoJ that, in the unlikely event that this is necessary, Grant in Aid will continue to be provided to meet the other cash needs of the organisation. The OLC continues to have the support of Ministers and the legal profession. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Income

The OLC is funded by a levy on the legal profession which 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 Legal Ombudsman to set charges for complaints we accept. A case fee is potentially chargeable on closure of the case. Where a complaint is resolved "in favour of the lawyer", and an Ombudsman is satisfied that the lawyer took all reasonable steps to try to

resolve the complaint under their own procedure, the case will not be treated as chargeable. Case fee income is therefore recognised in the year that the chargeable case is closed and the fee becomes chargeable. Amounts charged in respect of case fees correspondingly reduce amounts due in respect of the levy due from Approved Regulators.

The LSB, in conjunction with the MoJ and HM Treasury, are 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 believes 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 2016 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.

1.4 CMC income and expenditure

CMC complaints are handled by the OLC as an entity. All amounts due from operating activities are funded by Grant in Aid minus collection of case fee income, in 2015-16 this was £1,625k. The payment for this was received in May 2016 (2014-15 £915k received March 2015). Set up costs incurred by the OLC that are in direct relation to this project were recovered from MoJ in 2014-15 within the £915K.

1.5 Government grants

The net cash needs of the OLC are financed by the MoJ through the Grant in Aid regime. Grant in Aid is not shown as income, but in line with FReM guidance, is shown as financing in the General Reserve.

1.6 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 down to residual value over their useful economic life by equal monthly instalments, the first instalments being charged in the month of bringing the asset into use and no charge being made in the month of disposal.

During the year the life of furniture and equipment was reviewed. Furniture and equipment which is no longer in use was impaired to its residual value.

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

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

- Leasehold improvements: over the residual life of lease 10 years.
- Furniture and equipment: from five to ten years
- Computer hardware: three to five years

1.7 Intangible assets

Expenditure on major information technology projects is capitalised. This also includes expenditure on software, and the costs of design consultancy exceeding £1,000, and the up front development and configuration costs incurred in establishing and developing the OLC's outsourced IT infrastructure. The following rates of depreciation are applied on a straight line basis over the following periods:

- Software licenses: in equal monthly instalments over three years; and
- Information technology: in equal monthly instalments over the residual life of the contract.

1.8 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 as a result of a clear consumption of economic benefit or service potential.

The OLC has undertaken an impairment review. Depreciated historical cost is used as a proxy for fair value as this realistically reflects the consumption of the assets as allowed by the FReM para 7.1.14. Revaluation would not cause a material difference.

1.9 Leases

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

1.10 Finance leases

The OLC treats contracts which transfer substantially all the risks and rewards incidental to ownership to the OLC in accordance with IAS17 as adapted by the FReM.

1.11 Value Added Tax

The OLC is registered for VAT. VAT incurred on direct costs incurred in the provision of training and other services provided where VAT is charged on invoices is recoverable. The OLC is unable to recover VAT on expenditure relating to its primary operation of providing complaint handling services and therefore all expenditure and the capitalised value of non-current assets includes this irrecoverable VAT.

1.12 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.

1.13 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.

1.14 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.

1.15 Impending application of newly issued accounting standards not yet effective

There is no anticipated material impact to the OLC of IFRSs that have been issued by the International Accounting Standards Board but are not yet effective at the end of the reporting period.

2 ANALYSIS OF NET EXPENDITURE BY SEGMENT

The OLC's principal operation is the provision of independent and impartial Ombudsman schemes to resolve consumers' disputes involving their lawyer. No other income or expenditure was received or incurred during the year to 31 March 2016.

	Legal £'000	Claims Management £'000	2015-16 Total £'000	Legal £'000	Claims Management £'000	2014-15 Total £'000
Gross expenditure	11,634	2,079	13,713	12,764	848	13,612
Income	11,634	380	12,014	12,764	7	12,771
Net expenditure	-	1,699	1,699	-	841	841
Total assets	16,126	-	16,126	20,026	-	20,026

All OLC assets have been allocated to the provision of the operation of the Legal Ombudsman scheme. Depreciation costs, together with other central overheads, are included within a recharge of shared overheads to claims management complaint handling activities.

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

3 STAFF COSTS

	Total 2015-16 £'000	Permanent staff 2015-16 £'000	Other staff 2015-16 £'000	Total 2014-15 £'000	Permanent staff 2014-15 £'000	Other staff 2014-15 £'000
Wages and salaries	8,908	8,038	870	8,112	7,499	613
Social security costs	821	821	-	745	745	-
Other pension costs	607	607	-	587	587	-
Exit packages	-	-	-	23	23	-
Total net costs	10,336	9,466	870	9,467	8,854	613

4 OTHER EXPENDITURE

	Note	2015-16 £'000	2014-15 £'000
IT and telecoms		1,032	1,006
Uncollectible debts		442	121
Facilities services		294	357
External communications		213	168
Legal and professional fees		179	349
Rentals under operating leases		199	412
Recruitment costs		179	138
Premises costs		154	769
Consultancy		39	81
Other running costs		32	82
Training		46	114
External audit fees		35	41
Internal audit fees		31	52
Travel & Subsistence		18	37
Total cash items		2,893	3,727
Increase in dilapidations provision		71	-
Increase in professional provisions		28	-
Loss on disposal of assets		-	47
Write off of assets		27	-
Impairment of assets		-	26
Depreciation	6	175	248
Amortisation	7	208	121
Total non cash items		509	442
Total		3,402	4,169

Uncollectible debts include amounts provided for during the year. These relate primarily to case fees charged to law firms or CMC companies, most of whom had ceased to operate either before the relevant complaint was brought to us or by the time the investigation was completed and the case fee became chargeable.

5 INCOME

	2015-16 £'000	2014-15 £'000
Levy income in respect of the Legal Ombudsman Scheme	10,688	11,691
Case fee income	1,326	1,074
Sub total	12,014	12,765
Income from Support Services, Secondments & Sundry	-	6
Claims Management jurisdiction on behalf of the Ministry of Justice	-	-
Total	12,014	12,771

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 2015-16 (see note 1.3).

6 PROPERTY, PLANT AND EQUIPMENT

2015-16	Information technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Payments on account and assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2015	797	641	600	20	2,058
Additions	4	13	-	-	17
Disposals	(102)	-	(55)	-	(157)
Reclassifications	(174)	-	-	(20)	(194)
At 31 March 2016	525	654	545	-	1,724
Depreciation					
At 1 April 2015	613	12	300	-	925
Charged in year	52	65	57	-	174
Disposals	(78)	-	(51)	-	(129)
Reclassifications	(87)	-	-	-	(87)
At 31 March 2016	500	77	306	-	883
Net book value at 31 March 2016	25	577	239	-	841
Net book value at 31 March 2015	184	629	300	20	1,133

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

2014-15	Information technology £'000	Leasehold improve- ments £'000	Furniture and fittings £'000	Payments on account and assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2014	912	799	892	-	2,603
Additions	37	641	166	20	864
Disposals	(152)	(799)	(458)	-	(1,409)
Reclassifications	-	-	-	-	-
At 31 March 2015	797	641	600	20	2,058
Depreciation					
At 1 April 2014	692	699	615	-	2,006
Charged in year	73	112	63	-	248
Impairment charge	-	-	26	-	26
Disposals	(152)	(799)	(404)	-	(1,355)
At 31 March 2015	613	12	300	-	925
Net book value at 31 March 2015	184	629	300	20	1,133
Net book value at 31 March 2014	220	100	277	-	597

No property, plant and equipment have been purchased under finance lease arrangements. Telecommunication purchases from 2014 originally stated as Property, Plant & Equipment have been identified as intangible assets, these items have been included in the reclassifications line.

7 INTANGIBLE ASSETS

2015-16	Information technology £'000	Software licenses £'000	Payments on account and assets under construction £'000	Total £'000
Cost or valuation				
At 1 April 2015	3,005	1,294	12	4,311
Additions	18	-	-	18
Disposals	(2,158)	(91)	-	(2,249)
Reclassifications	206	-	(12)	194
At 31 March 2016	1,071	1,203	-	2,274
Amortisation				
At 1 April 2015	2,568	1,208	-	3,776
Charged in year	179	29	-	208
Disposals	(2,158)	(91)	-	(2,249)
Reclassifications	87	-	-	87
At 31 March 2016	676	1,146	-	1,822
Net book value at 31 March 2016	395	57	-	452
Net book value at 31 March 2015	437	86	12	535

2014-15	Information technology £'000	Software licenses £'000	Payments on account and assets under construction £'000	Total £'000
Cost or valuation				
At 1 April 2014	2,565	1,162	-	3,727
Additions	440	143	12	595
Disposals	-	(11)	-	(11)
Reclassifications	-	-	-	-
At 31 March 2015	3,005	1,294	12	4,311
Amortisation				
At 1 April 2014	2,509	1,157	-	3,666
Charged in year	59	62	-	121
Disposals	-	(11)	-	(11)
At 31 March 2015	2,568	1,208	-	3,776
Net book value at 31 March 2015	437	86	12	535
Net book value at 31 March 2014	56	5	-	61

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

8 IMPAIRMENTS

No Impairments in 2015-16 (2014-15, £25,770)

9 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year:	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Case fee receivables	190	155
Deposits and advances	65	16
Other Receivables	-	-
Prepayments and accrued income	258	432
Total	513	603

Accrued income of £21,600 relating to unbilled case fees is included in prepayments and accrued income (2014-15: £24,400).

10 CASH AND CASH EQUIVALENTS

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Opening balance	17,756	18,858
Net change in cash and cash equivalent balances	(1,087)	(1,102)
Closing balance	16,669	17,756
The following balances at 31 March were held at:		
Government Banking Services	16,669	17,756
Short term investments	-	-
Balance at 31 March 2016	16,669	17,756

The Legal Ombudsman does not use petty cash and holds all of its cash in the Government Banking Service. It does not have any cash equivalents.

11 TRADE PAYABLES AND OTHER LIABILITIES

Amounts falling due within one year	Note	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Trade payables		384	515
Other payables		260	135
Trade and other payables		644	650
Intra-government balances – other taxation and social security		365	195
Intra-government balances – Ministry of Justice		-	-
Accruals and deferred Income		943	1,011
Other liabilities		1,308	1,206
Total		1,952	1,856

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000	Leasehold dilapidation & onerous lease £'000	Total provisions £'000
Balance as at 1 April 2015	15	331	346
Provided in the year	60	-	60
Provisions not required written back	(32)	-	(32)
Provisions utilised in the year	(23)	(25)	(48)
Unwinding of Discount	-	71	71
Balance as at 31 March 2015	20	377	397
Expected timing of cash flows			
Not later than one year	(20)	(100)	(120)
Later than one year and not later than five years	-	-	-
Later than five years	-	(277)	(277)
Balance as at 31 March 2016	(20)	(377)	(397)

Leasehold dilapidation in respect of anticipated costs required to reinstate the OLC's office premises at the end of the leasehold. The costs anticipated have been determined by an independent assessment of the potential liability less amounts incurred on dilapidations work during the year.

13 CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2016 not otherwise included in these financial statements amounted to Nil (2014-15: Nil).

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

14 COMMITMENTS UNDER LEASES

14.1 Operating leases

The future minimum lease payments under operating leases are given in the table below for each of the following periods:

Obligations under operating leases for the following periods comprise	2015-16 £'000	2014-15 £'000
Buildings		
Not later than one year	145	-
Later than one year and not later than five years	559	704
Total	704	704

14.2 Finance leases

The OLC has a contract for staff refreshment vending machine over a five year and three month period. Payments are made quarterly.

Obligations under finance leases for the following periods comprise	2015-16 £'000	2014-15 £'000
Not later than one year	2	-
Later than one year and not later than five years	6	-
Total	8	0

The present value of obligations under finance leases for the following periods comprise	2015-16 £'000	2014-15 £'000
Not later than one year	2	-
Later than one year and not later than five years	6	-
Total	8	0

15 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Given the nature of the Legal Ombudsman scheme it is inevitable that we will be challenged on some of our Ombudsman's decisions. The OLC has a small number of ongoing challenges to decisions where Judicial Review proceedings have been started. These challenges are at an early stage in proceedings and management does not currently believe that these have a realistic prospect of success.

The OLC identified an issue relating to the remuneration of the Chief Ombudsman during 2014, which resulted in certain payments which are deemed to result in benefits in kind to the Chief Ombudsman as well as additional allowances that should have been deemed taxable earnings, being made in addition to those stipulated within the Chief Ombudsman's contract over the past six years. These payments constitute taxable income for the Chief Ombudsman and give rise to a tax liability for the OLC. The final taxation implications of the benefit in kind and

additional allowances provided to the Chief Ombudsman over the last six years remain under review and the final amount of the tax liability and, if applicable, penalties has not yet been determined. Action is being taken by OLC to ensure that the appropriate tax is paid.

16 FINANCIAL INSTRUMENTS

As the cash requirements of the OLC are met through Grant in Aid provided by the MoJ, through levy funding provided by Approved Regulators of the legal profession, and through case fees charged to individual law firms, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The OLC is therefore currently exposed to little credit, liquidity or market risk.

17 RELATED-PARTY TRANSACTIONS

The OLC has a direct relationship with the LSB. The LSB has some oversight responsibilities for the Ombudsman scheme that the OLC established. 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 £126k (2014-15: £137k). The payment for salaries of the OLC board members for 2015-16 was £116k (2014-15: £122k).

The MoJ is the OLC's parent body and provides working capital financing to the OLC under the Grant in Aid scheme. During the year to 31 March 2016 £1,625k (Paid in May 2016) Grant in Aid was provided by MoJ (2014-15: £915k paid March 2015).

No board member, key manager or other related parties has undertaken any material transactions with the OLC during the year.

The OLC, in conjunction with the LSB, MoJ and HM Treasury, is seeking to identify a suitable legislative vehicle to make an amendment to s175 of the Legal Services Act 2007. This to confirm the current practice whereby the OLC retains all amounts received through the levy and any prescribed fees rather than passing this over the Consolidated Fund and then having the same amounts returned to it by the MoJ. This was the intention of Parliament when debating the Bill setting up the LSB although some of the drafting of s175 does not capture this intent correctly.

18 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 on [7 November 2016].

There were no post reporting period events.

APPENDIX 1:

Regulatory objectives

The table below outlines the eight regulatory objectives, as outlined in Section 1(1) of the Legal Services Act 2007, and how the Legal Ombudsman has contributed to them.

Regulatory objective	OLC/ Legal Ombudsman met the objective by:
(a) Protecting and promoting the public interest;	Providing access to a quality dispute resolution scheme, guided by a robust Quality Framework and clear Service Principles.
(b) Supporting the constitutional principle of the rule of law;	Promoting confidence in the legal system, and the standard of legal representation, by providing a safety net for legal and claims management service users.
(c) Improving access to justice;	Discharging our core jurisdiction over legal and claims management service providers, resolving complaints as outlined in the annual review.
(d) Protecting and promoting the interests of consumers;	Providing access to a quality dispute resolution scheme, guided by a robust Quality Framework and clear Service Principles. Publishing focus reports and guidance notes, which highlight specific issues and risks affecting consumers.
(e) promoting competition in the provision of services within subsection (2) [defined as services such as are provided by authorised persons (including services which do not involve the carrying on of activities which are reserved legal activities)];	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 via training on effective complaint handling. Delivering a CMC relationship management programme, in which we work with service providers to promote best practice. Publishing focus reports and case study publications to feedback lessons learnt from complaints. Regularly attending and speaking at relevant stakeholder events.
(g) Increasing public understanding of the citizen's legal rights and duties;	Promoting awareness of our scheme via an industry signposting pack, which is made available to service providers.
(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

This is my first report as Service Complaint Adjudicator, having been appointed in April 2015.

THE ROLE OF THE SERVICE COMPLAINT ADJUDICATOR

I represent the last stage in the Legal Ombudsman's service complaints procedure. The service complaints procedure has three stages. First, the complaint is considered by the team manager responsible for the area the complaint arose. Second it is considered by a senior member of staff, usually an ombudsman. Finally, if necessary, the complaint comes to me. I act completely independently of LeO and once I have completed my investigation and made a decision there is no further right of appeal.

Under the terms of reference my remit is to investigate complaints about LeO's service. It specifically excludes me from looking at complaints about LeO's decisions. And so, I can consider complaints about the conduct of staff, delays, or the way a case has been handled, but not the decision LeO made on the case.

If I uphold a service complaint I may recommend to LeO that an appropriate remedy be provided. That could include an apology and/or that appropriate compensation be paid for any damage, distress or inconvenience caused by the shortfall in the level of service given.

In addition, I am also able to use my unique position to suggest service improvements to LeO; to help prevent specific service issues from arising again and/or to improve the service more generally.

2015-16 WORKLOAD

There were a total of 98 service complaints considered by LeO at Stage 1 of the service complaints procedure during 2015-16: 33 were considered at Stage 2 by an ombudsman, and twelve of those were then investigated by me. That meant I reviewed just over 12% of all service complaints in the last business year.

I upheld, to some extent, six of the twelve complaints I investigated this year (50%). That percentage is quite high. However, despite that, I am generally satisfied with the quality of the complaint responses provided earlier in the complaints process. That is because the twelve service complaints I considered this year raised 96 individual issues of complaint about LeO in total. Six of those issues were outside of my remit, and so in all I reviewed 90 individual issues of complaint. I supported 20 of the 90 individual issues of complaint (22%) in six of the service complaints I looked at. That means I did not support 78% of the individual issues of complaint that were put to me.

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It is worth noting that nine of the individual issues of complaint I supported arose in one case, and that was because the customer's concerns had not been investigated in full earlier in the complaints process.

Overall, I found the service complaint responses at Stage 1 and 2 of the complaints process to be detailed with full explanations given for the decisions reached. They have also included appropriate apologies and amendments to process where the respondent identified service issues. In the light of that I have supported the decisions taken earlier in the complaints process in the vast majority of individual issues of complaint put to me.

Having said that, I have noted that the language and tone of ombudsman decisions at Stage 2 tend to be more formal than the decisions given at Stage 1. I have also noted that the ombudsmen at Stage 2 tend not to discuss complaints with complainants, where the team managers usually do at Stage 1. I would encourage ombudsmen to adopt a less formal tone in their correspondence and to discuss complaints with complainants to ensure the complaints are fully understood. This is something I have separately recommended to LeO and they are taking forward.

SERVICE ISSUES

As I set out above, in six of the twelve cases I looked at I found areas where LeO's service could have been better. Appropriate apologies for this had not been offered earlier in the complaints process. They can be grouped under four themes: delay, correspondence handling, attention to detail, and equality and diversity.

DELAY

On the whole I have been impressed with the way that cases progress through the various parts of the LeO investigative journey. The drive to progress cases and to keep them moving is commendable and it comes across strongly in all but two of the cases I looked at this year.

Despite that drive there have on occasions been times where two cases have been delayed by LeO and those delays have been significant. I have supported the following complaints about delay this year:

- That LeO delayed providing a decision on a complaint for three and a half months;
- that LeO delayed progressing a service complaint to me at Stage 3 of the complaints process (a delay of over one month in acknowledging the correspondence and then a delay of one week in referring the complaint to me); and
- that LeO caused significant delays in progressing a complaint to them (six months).

Part of the reason for the delays were glitches in the computer system, with work tasks being added to the old computer system for service users who were no longer using that system. I am pleased that LeO have put in place a work around to stop it happening again. They now monitor all open cases and not just open work tasks to check all are being progressed. I am also pleased that, at my suggestion, LeO are reviewing the management information to ensure that work tasks cannot be lost going forward.

CORRESPONDENCE HANDLING

This year I have also seen three cases where LeO failed to respond to correspondence or reasonable requests for written information. Those were:

- That LeO failed to respond to emails chasing progress on a complaint to them;
- that LeO did not respond to an email received by them from a complainant;
- that LeO had not provided an amended written summary of the complaint to them when it was requested; and
- that LeO failed to take action to ensure the issues with written summaries of complaints did not happen again.

Failure to take action is unnecessarily frustrating for a complainant and is clearly to be avoided if at all possible. As I set out above, I am pleased that LeO has taken action to ensure work tasks do not get lost again. I am also pleased that, at my suggestion, LeO is now being open with complainants at the outset about the way their comments on the summary of complaint will be dealt with. That should prevent these particular issues from happening again.

ATTENTION TO DETAIL

As I said above, the drive to move cases through the process and to complete them in the most efficient way is commendable. However, I have seen a few cases this year where the customer experience has suffered as a result. I do not suggest in any way that LeO loses its drive to move cases forward to an appropriate resolution, but I encourage LeO to remain focused on quality also so it is not sacrificed for speed. Nothing undermines a customer's confidence in a decision more than when basic information is incorrect and/or where action is taken without appropriate explanation or in contradiction with what has been suggested before.

I supported the following complaints in this category this year:

- LeO used grammatical errors in letters to a customer;
- LeO provided confusing information to a customer about why they would dismiss their complaint;
- LeO had not considered an issue in sufficient detail to conclude that the offer put forward by the solicitors was reasonable;
- LeO provided confusing information about when action had been taken by them;

APPENDIX 2:

- LeO had incorrectly interpreted the customer's complaint about partnership supervision;
- LeO incorrectly suggested that the customer wanted all the fees remitted when that was not the case;
- LeO asked the customer for information that was contained in the complaint letter the customer had written to the solicitors, and which LeO and the customer had agreed would be used to form the basis of the complaint to LeO;
- LeO failed to deal with complaints put earlier in the complaints process;
- LeO terminated a telephone call prematurely and without providing all the information the caller had requested;
- LeO failed to manage the customer's expectations about how their investigation would be handled; and
- LeO failed to respond to a specific service complaint put at Stage 2.

I am pleased that LeO have accepted my comments about these errors and apologised for them and, as I will set out in the annex below, LeO have also taken action to remind staff of the importance of avoiding these issues going forward.

It seems to me that one of the reasons why LeO have not always clearly explained the actions they are taking on cases is because they have not tailored the standard letters when they should have done. Standard letters are helpful but they can be formulaic and going forward I would encourage LeO to make sure they are amended and tailored to the individual where that is necessary.

EQUALITY AND DIVERSITY

In two cases this year I found that more thought and attention should have been given to the handling of the particular needs of two complainants.

I found that in one case LeO failed to tailor letters in the light of the customer's mental health issues and provide appropriate explanations or reasons for taking action. In another case I found that LeO failed to ask the customer about any adjustments she required in the light of her learning difficulties. That was contrary to LeO's policy on reasonable adjustments, which provides that LeO should take a more proactive approach to asking about the adjustments people require.

I am very pleased that as a result of my investigation of those complaints LeO have reminded all staff about LeO policies, procedures and guidance in this area. The policies etc are also being reviewed to ensure they are fit for purpose and all staff will be undergoing refresher training in the first half of 2016.

SERVICE ISSUES CONCLUSION

I am pleased that in all of the occasions where LeO's service has fallen short that LeO agreed to apologise to the complainants for that (six cases). In four cases I considered that more than an apology was required in order to put matters right for the complainant.

In three cases I considered that LeO should provide financial redress as well as an apology for the distress and inconvenience LeO's poor service had caused. Again I am pleased that LeO agreed to my recommendations for financial redress and paid £150 to two complainants and £250 to another. In the case where £250 had been awarded LeO had significantly delayed the progression of the case and there had been a number of other issues with the handling of the case.

In the case where LeO had not asked a customer with learning difficulties about the adjustments she needed LeO agreed to deal with the complainant's case again. Before doing so they agreed to contact her to put in place the adjustments the complainant needed in order to put her complaint to them.

SERVICE IMPROVEMENTS

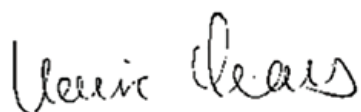
As I explained above, one part of my role as Service Complaint Adjudicator is to ensure that where LeO's service has fallen short that LeO takes action to put that right for the person bringing the service complaint. However, the other important part of my role is to look for occasions where I can suggest service improvements to LeO. I am pleased to report that I have found LeO to be very receptive to my suggestions and have taken action to implement them or to remind staff about policies and procedures already in place.

Over the course of the last business year LeO have either agreed to changes in service or reminded staff about policies and procedures already in place, covering 15 separate service issues.

CONCLUSION

The majority of complaints are resolved at the first two stages of the complaints process and do not come to me. While I have not upheld the full decision made in six of the cases I have seen (on 20 individual issues), overall the decisions and explanations provided at the first two stages of the complaints process are appropriate.

I am pleased that where I have had concerns about the service provided that LeO have apologised for that and have issued financial compensation where I considered that was appropriate. I am also very pleased that LeO have been receptive to the service improvements I have suggested and have taken or are taking those forward.



Claire Evans,
Service Complaint Adjudicator
[31 October 2016]

