

The Office for Legal Complaints

Annual report and accounts

For the year ending 31 March 2019

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

Ordered by the House of Commons to be
printed on 18 July 2019

LEGAL
OMBUDSMAN





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Performance overview

Purpose of the Performance Overview

This Performance Report provides information on the OLC, its main objectives and strategies and the principal risks that it faces. We aim to provide a fair, balanced and understandable analysis of our performance. The overview section gives a short summary of relevant information about our organisation, its purpose, the key risks to the achievement of our objectives and how the business as a whole has performed during the year.

Foreword by Chair of the Office for Legal Complaints

2018-19 has been a year of significant change for the Office for Legal Complaints (OLC) and Legal Ombudsman scheme.

During the year we have delivered significant changes in our infrastructure and ways of working, and improved aspects of our performance. Much work remains to achieve sustainable, consistent improvement in our performance, building on the important foundations laid in 2018-19.

The OLC made significant progress with its modernisation programme in 2018-19. We closed the programme in April 2019 having successfully implemented our business process, staffing model, IT, telephony, case management system, and estate rationalisation.

The successful, seamless implementation of a new, more robust case management system in April 2018 is worthy of particular note. This has facilitated the operation of a streamlined business process.

Over the course of the year, we moved all of our cases on to the new case management system. We also set up a new business intelligence system which will allow us to produce much more robust and reliable data to support our work in feeding back to the profession. We have also begun the process of digitising our service through successful implementation of an online customer assessment tool and web complaint form.

We are operating in a rapidly changing landscape – short and long-term factors will impact legal services, regulatory frameworks and the operating environment for public bodies. Our work with claims management companies (CMCs) transferred successfully to the Financial Ombudsman Service on 1 April 2019. CMC work has been a great success, and I would like to thank our staff and stakeholders for their contribution to this.

Investment in improved operational forecasting and capacity modelling has informed a more balanced suite of key performance indicators (KPIs) which, in line with the recommendations from the Ministry of Justice's (MoJ) 2017 Tailored Review, emphasise the importance of quality, and the need to view timeliness as one very important element of delivering a high quality service.



Although performance against our new KPIs has improved during 2018-19, it remains mixed; in 2019-20 we must achieve consistent and sustainable performance. We have been particularly concerned by the lower than planned level of output, and the impact this has had on our unit cost KPI.

The OLC is under no illusion about the scale of the task to deliver sustained improvement in performance and recognises that it will take time to address our current challenges, particularly if case numbers and complexity continue to increase in the legal jurisdiction.

This year has seen significant changes of leadership, both on the OLC Board and within the Executive team. Our progress with modernisation has enabled us to further streamline our management structure by implementing a recommendation of the MoJ's Tailored Review to combine the Chief Executive and Chief Ombudsman roles a year earlier than planned.

Rebecca Marsh and her leadership team will focus on improving performance, productivity and quality in 2019-20. They will build on the foundations laid by the 'Modernising LeO' programme. I would like to thank our former Chief Executive Rob Powell for his leadership of the programme and organisation, and wish him well for the future in his new appointment.

I have been delighted to welcome Jane Martin to the OLC Board in 2018-19, as well as Shrinivas Honap and Rod Bulmer who joined us in April 2019. All bring fresh expertise, insights and perspectives to the OLC Board.

I would like to pay tribute to outgoing members Bernard Herdan and Michael Kaltz, respectively Chairs of our Remuneration and Nomination Committee (RemCo) and our Audit and Risk Assurance Committee (ARAC). Both have made major contributions to the OLC, particularly in stabilising the organisation and refocusing on modernisation. I thank them for their service and wish them well for the future.

I look forward to working with the OLC Board, our staff and stakeholders as we progress the final year of our three year strategy in 2019-20.



Wanda Goldwag

Chair of the Office for Legal Complaints

July 2019

The Office for Legal Complaints (OLC) is the statutory body responsible for establishing and administering the Legal Ombudsman scheme. The Legal Ombudsman is not a separate entity to the OLC, which is the legal entity and non-executive board that oversees, establishes and maintains the scheme, as set out in the Legal Services Act 2007.

How the OLC has discharged its functions

The OLC Board has discharged its functions by:

- a number of strategy sessions, including a strategy workshop supported by the Justice 2030 team (Ministry of Justice), and an annual strategic risk workshop;
- overseeing the performance of the OLC against its new key performance indicators and tolerances, delivery against the business plan, and future performance forecasting;
- receiving quarterly progress reports on the 'Modernising LeO' programme and any key issues, risks and assurances about programme delivery;
- scrutinising regular executive, finance reports and strategic horizon scanning papers at each meeting, and regular progress updates on the transfer of claims management complaints;
- considering a strategic review of delivery models for corporate support services;
- approving a new communications and engagement strategy, monitoring progress against the IT and digital strategy and approving a new strategic approach to enforcement;
- considering a number of key policy issues, including: evaluation of a new delivery model implemented during 2018-19 and approving the roll-out of an updated version of this in 2019-20, our publishing decisions policy, an update on management of quality, and options to develop the Scheme Rules;
- approving a number of key appointments, including the new combined Chief Ombudsman and Chief Executive role, as well as appointment of ombudsmen and the reappointment of the Service Complaint Adjudicator;
- receiving presentations and having discussions with key stakeholders during Board meetings, including the Legal Services Board (LSB), Ministry of Justice (MoJ), Legal Services Consumer Panel (LSCP) and Professor Stephen Mayson of University College London (UCL);
- approving the 2019-20 business plan and budget for submission to the LSB, equality priority objectives, and the 2017-18 Annual Report and Accounts;

- approving an updated scheme of delegation, a schedule of matters reserved to the Board, an update on implementation of the 2017 Tailored Review recommendations, and oversight of transparency work including starting to publish Board papers and voluntary assurance letters to the LSB;
- approving the annual report on the Welsh Language Scheme;
- delegating key governance functions to, and receiving regular reports from, its Audit and Risk Assurance Committee (ARAC), Remuneration and Nomination Committee (RemCo) and Category 1 Publications Committee, the work of which is reported in this annual report;
- discussing annual reviews of Board effectiveness for 2018-19; and
- receiving the Service Complaint Adjudicator's six-monthly and annual reports on her activities and views from her work handling any complaints about the service of the Legal Ombudsman which cannot be resolved internally.

In discharging its functions the OLC has had regard to good practice in the administration of ombudsman schemes. This obligation has been met by receiving advice from the Chief Ombudsman, through active membership of the Ombudsman Association, and by taking account of the views of a member of the OLC Board who is a former Local Government Ombudsman. Wider horizon scanning has also been conducted to look at specific practice and recognise developments across the sector.

In discharging its functions, the OLC Board has also had regard to the regulatory objectives. Details of the extent to which the OLC considers that it has met these objectives can be found in Appendix 1 of this report.

The Chief Executive is accountable to the OLC Board for ensuring that the OLC manages its affairs in accordance with all relevant principles of good corporate governance. This obligation has been met in 2018-19 by ongoing work to implement the recommendations contained in the Ministry of Justice's Tailored Review of the OLC and LSB.

Importantly, a thorough review of Board effectiveness took place in the second half of 2018, with external input from Ed Nally, Chair of the Solicitors' Disciplinary Tribunal. The OLC has refined and updated its new assurance framework in line with HM Treasury good practice.

PURPOSE AND ACTIVITIES OF THE OFFICE FOR LEGAL COMPLAINTS

The Legal Ombudsman scheme for England and Wales was set up by the Board of the Office for Legal Complaints, under the Legal Services Act 2007.

This year, the Office for Legal Complaints (OLC) was structured into three business areas: the legal jurisdiction, the claims management company (CMC) jurisdiction and corporate services. The first two of these conducted our main operational business model of assessing, investigating and determining complaints, and our corporate services division provided support for this. Our strategies and objectives are laid out in detail in our triennial strategy and annual business plan documents.

The Legal Ombudsman is independent and impartial. This means that when we receive complaints, we will look at the facts in each case and weigh up both sides of the story. We are not consumer champions or part of the legal profession, and we are also independent of government. Our service is free to consumers, and costs are recovered from legal service providers and CMCs. More detail on this is laid out in the section on unit cost within this report.

After the end of this financial year (2018-19), responsibility for handling complaints about CMCs transferred over to the Financial Ombudsman Service.

KEY ISSUES AND RISKS

The key issues we have faced this year have been the combined impact of three factors on performance against KPIs: our investment in modernisation and the time it has taken for fundamental changes to bed in; significant pressures on operational staffing arising from higher than anticipated staff turnover in a highly competitive recruitment market and high levels of staff sickness; and variability in performance and productivity with existing resource. The key risks are set out in detail in our governance statement in this report.

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 2019, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2020. The MoJ also provides Grant in Aid where required to meet the net cash needs of the OLC.

The MoJ provided Grant in Aid to fund the OLC's CMC complaint-related activities and has fully funded the operation until 31 March 2019. From 1 April 2019 the responsibility for handling complaints for CMC-related activities transfers to the Financial Ombudsman Service and will no longer be the responsibility of the OLC.



Performance Summary: Chief Ombudsman's report

Over the last year, as an organisation we have achieved a great deal of change, and I am pleased with the progress we have made.

We delivered an ambitious and successful modernisation project, which brought with it changes to our infrastructure, job roles, processes, and even our building layout, whilst continuing to provide services to people who needed our assistance. We have developed a new Customer Assessment

Tool for our website; we have created a new service tailored to our most vulnerable customers; and we are now conducting more in-depth reviews of cases at assessment stage.

This has all resulted in a more stable organisation, which will enable us to deliver a better quality service to our customers. It is important to note that these improvements are to the absolute credit of our staff, who have risen to the many challenges that have been presented.

During the year we also made sure that the transfer of our claims management jurisdiction to the Financial Ombudsman Service on 1 April 2019 would happen on schedule and to plan.

There is much more work to be done for us to achieve a sustained and consistent level of high performance. Customer experience has improved in terms of the quality and timeliness of investigations, particularly with the removal of waits for ombudsman decisions, but the wait time for cases to be assessed is still too long. There is still a way to go to meet the levels of service that people expect from the Legal Ombudsman.

This is my first Annual Report and Accounts since I took up the additional role of Chief Executive in April 2019. To me, the combining of the roles of Chief Ombudsman and Chief Executive indicates just how far the organisation has come over the last year. Not only are we fulfilling the recommendations of the Ministry of Justice's tailored review carried out in 2017, but we are also becoming more efficient as an organisation. This is also a sign of stability and increased confidence in the progress that the OLC has made.

My vision for the organisation is simple: we must deliver the very best service we can, through continued improvement of our processes and development of our leadership within the organisation. This year, we have initiated work to equip staff with the skills and knowledge to meet our stakeholders' expectations and to develop the right culture for the organisation. We need to provide the right outcome, at the right time, in the right way, consistently.

This will also help the ways that we engage in feeding back to the profession, so that service standards in the sector can improve constantly over time. I am committed to maximising and focusing our opportunities to do this, and sharing what we have learnt during our investigations. This is integral to enhancing the trust and confidence that people have in legal services.

Our work is important both to individuals and to communities in their ability to access justice. We need to remember the impact we can have and in doing so, I am confident that we will move forward to deliver our commitments and ambitions over the coming year. I am excited to see what we can achieve.

Rebecca Marsh

Chief Ombudsman & Chief Executive

July 2019

Performance analysis

The following report analyses the performance of the Office for Legal Complaints (OLC) for 2018-19 in delivering the Legal Ombudsman scheme.

In 2018-19 we focused our efforts on maintaining performance, whilst implementing the previous year's modernisation programme along with additional refinements introduced following the arrival of the new Chief Ombudsman. The year also saw us successfully prepare for the transfer of our claims management jurisdiction to the Financial Ombudsman Service on 1 April 2019. The information contained in this section of our report summarises our performance over 2018-19 in relation to complaints about legal and claims management service providers alike.

We also explore below how the OLC has performed against its Key Performance Indicators (KPIs) over the last year. Our risk framework is built around key issues in the external landscape, performance and organisational capability, and the level of uncertainty surrounding key strategic factors which may impact on our ability to deliver our statutory objectives.

LEGAL SERVICE PROVIDERS

During the 2018-19 financial year, within our legal jurisdiction, we saw the number of complaints that were accepted for investigation reduce to 4,022 from 7,527 in 2017-18. This change can be attributed to our new business process which was designed to deal with legacy cases from our previous case management system. Our new Customer Assessment Tool, launched in 2018-19, has also enabled people to come to us at the right time with the types of issues we can help them with, and has given them a better understanding of the complaints system.

We have also developed a tailored service for people who need additional or specific support to enable them to engage fully with our service. We have trained Vulnerable Customer Champions at the front end of our process to identify these people as early as possible.

Our front end process is more efficient as a result of changes we made this year, and the overall customer experience has been significantly improved. However, the process change also meant that we had a one-off volume of people waiting at the front end to begin with. Nevertheless, the number of cases accepted for investigation and the number that are waiting, when considered as a whole, provide assurance that the levels of demand for our service remain broadly consistent.

CLAIMS MANAGEMENT SERVICE PROVIDERS

During 2018-19 we accepted 835 complaints about CMCs for investigation, which was down from 1,212 in the previous year. The changes were, in part, down to fewer CMCs operating an up-front fee business model, which is where we had historically seen most complaints. As news of the transfer of the CMC jurisdiction to the Financial Ombudsman Service on 1 April 2019 became more widely known, we also saw a reduction in the number of new complaints coming to us over the year.

HOW WE WORK

The investigation of complaints through the Legal Ombudsman scheme is a two-step process. Initially an investigator will aim to negotiate an agreed outcome between the parties, which may include producing a case decision. If an agreement cannot be reached, the case will be sent to an ombudsman who will make a final decision which is binding if accepted by the complainant.

In addition, a case may be closed if the complaint is abandoned, withdrawn, or dismissed – either as outside our jurisdiction or for other compelling reasons.

Our process



Initial enquiry

People contact us by phone, email, post and live chat.



Assessment

We look at every file to work out if it's something we can help with.

Investigation

We accept complaints to find out what happened in detail.



Agreed outcome / case decision

We try to resolve an issue informally first by making initial findings and seeing if both parties agree.



Final decision

Where necessary, an ombudsman reviews the case and makes a final and binding decision on it.



Insights gathered for feeding back to the profession

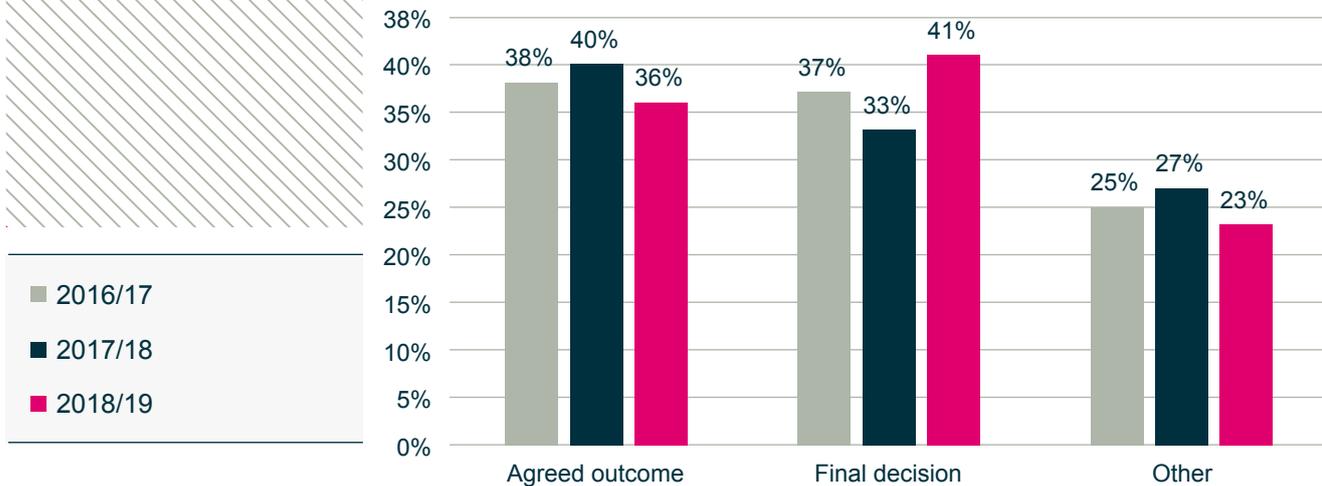
We take learning from all the complaints we see to help lawyers improve in the future (see page 21-22).



Legal jurisdiction

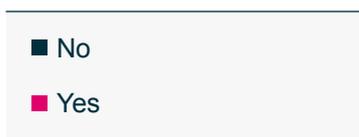
In our legal jurisdiction, we concluded a total of 6,206 cases in 2018-19 which was an increase on the 6,125 achieved in 2017-18.

How did we conclude cases in our legal jurisdiction this year?



The chart above shows that during this year, we closed a higher proportion of cases by way of an ombudsman’s final decision, and therefore a smaller percentage were concluded by an agreed outcome than in previous years. This is a reflection of us dealing with our oldest cases, more of which went all the way to the end of our process.

Was the service provided by lawyers reasonable?

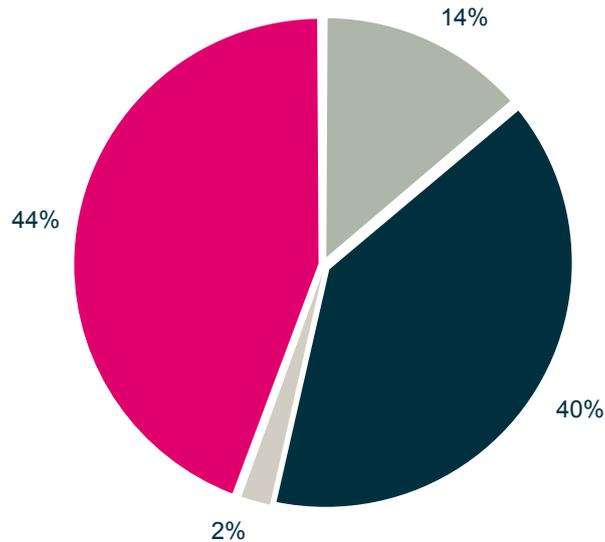


2018-19 showed a change in the proportion of cases where an ombudsman found (at final decision) that there was a reasonable service provided. Typically in previous years, we found that the service provided was of a reasonable standard in a majority of cases concluded (2016-17: 54%; 2017-18: 53%). However, this year we have seen that in 54% of cases the service provided was not reasonable. A remedy would not have been required in every case, as there are occasions where we find that the service provided was not reasonable but there was no loss or detriment that needed to be put right.

How did we put things right for people who came to us?

- Fee-related remedies
- Financial remedies
- Non-financial remedies
- No remedy

The figures are shown as a percentage of all remedy types recorded, as complaints can have numerous remedies directed.



We have the power to award a wide range of remedies. We can direct practical remedies such as asking the service provider to complete or re-do work, and apologise for the service they have provided. We can also direct awards for compensation up to a maximum of £50,000, which covers compensation for both financial loss and emotional impact. Furthermore, we can direct other financial remedies such as a refund of fees or a reduction of costs. Refunds and reductions are not subject to any cap. In many cases, putting things right means providing an explanation and reassurance.

The graph above shows a breakdown of the remedy type for all cases that we dealt with about lawyers. Remedies with a financial element (financial remedies and fee related remedies) were directed in over half of cases. For purposes of analysis, the remedy types for this chart have been grouped as follows:

Non-financial remedies (to apologise, to complete work for the complainant, to improve procedures to prevent the problem happening again, and to return papers)

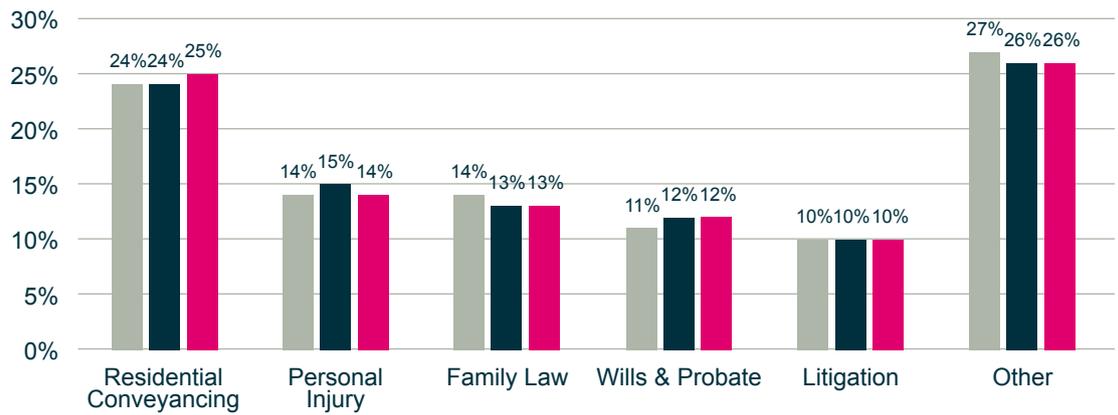
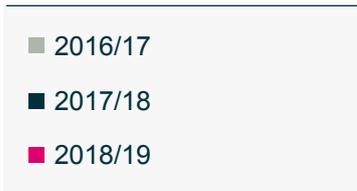
Financial remedies (to pay a specified amount for expenses the complainant incurred in pursuing the complaint, to pay compensation for emotional impact and/or disruption caused, to pay compensation of a specified amount for loss suffered, to pay for someone else to complete the work, to pay interest 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 (to waive fees, limit fees, and refund fees)

No remedy (In these cases, we provided an explanation of why the service was reasonable, or why it was not reasonable but no remedy was required, to give people reassurance and help them understand their experience.)

This year we had a lower proportion (44%) than in previous years of cases where we awarded no remedy (2016-17: 52%; 2017-18: 53%), which mirrors the higher percentage of cases where we found that the service provided was not reasonable. The proportion of cases that received a fee-related remedy or a non-financial remedy stayed broadly the same as in previous years, but we awarded a higher proportion of financial remedies (40%) than we have in the last two years (2016-17: 34%; 2017-18: 33%).

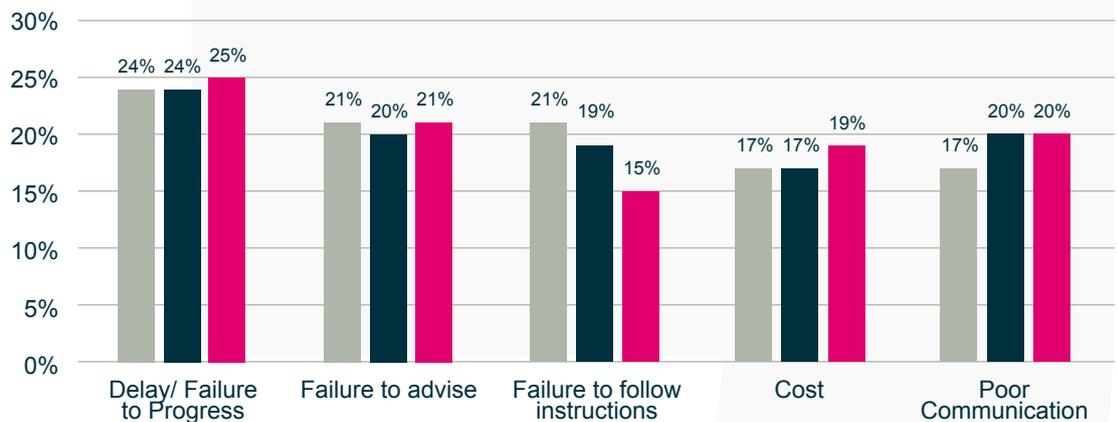
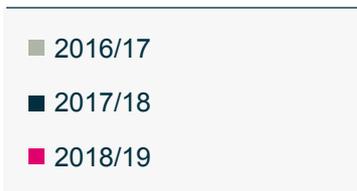
Which areas of law attracted the most complaints?



'Other' areas of law include: commercial conveyancing, commercial law, consumer law, crime, employment law, finances, immigration and asylum, property and social welfare, and other.

This graph shows that there was little change in complaint volumes according to area of law in 2018-19.

What did people complain about?



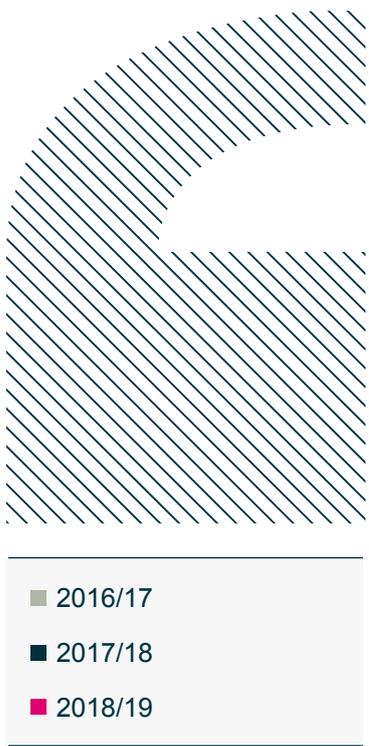
Some complaint types have been combined as the following: costs = costs excessive and cost information deficient; poor communication = failure to keep informed and failure to reply. Percentages are of the top 5 complaints.

The graph above shows that, subject to some slight variances, the top five types of complaints received against legal service providers remained the same when compared to previous years.

Claims management jurisdiction

In our CMC jurisdiction we concluded 1,185 complaints in 2018-19 (compared to 1,146 in 2017-18).

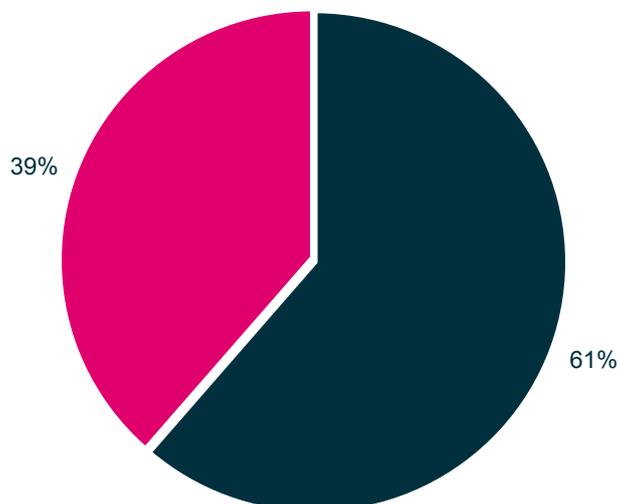
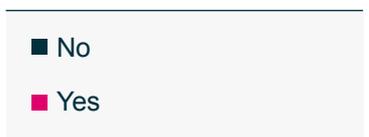
How did we conclude cases in our claims management jurisdiction this year?



The graph here illustrates the breakdown of the way that cases in the CMC jurisdiction were concluded during 2018-19. As in our legal jurisdiction, a smaller percentage were resolved by reaching an agreed outcome this year compared to last year. However for CMCs, the proportion receiving ombudsman’s final decision stayed broadly the same.

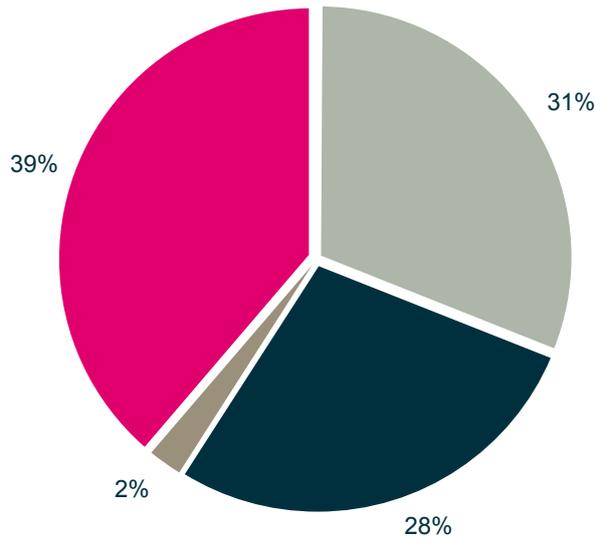
A higher proportion were concluded by other means. This included closures through Section 75 claims (where we supported the complainant to make a claim to their credit card provider under Section 75 of the Consumer Credit Act), and also a number of dismissals under our Scheme Rules where, due to circumstances beyond our control, there were no prospects of success in pursuing an investigation.

Was the service provided by CMCs reasonable?



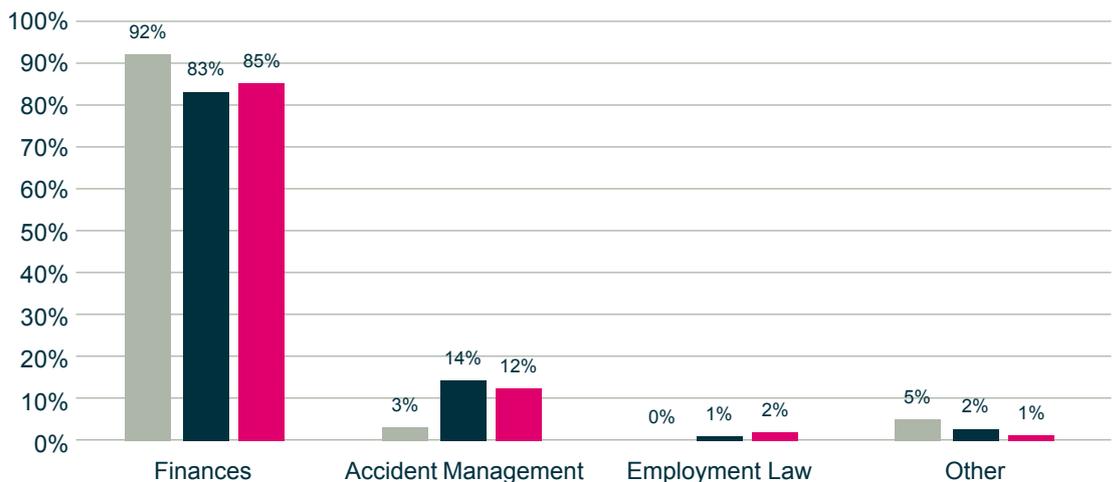
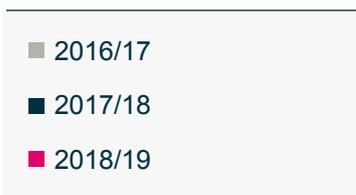
The percentage of cases where we found reasonable service went up in our CMC jurisdiction this year, following the trend from previous years (2016-17: 19%; 2017-18: 28%).

How did we put things right for people who came to us?



The graph above shows the type of remedies we awarded over this past year, as well as instances where putting things right meant providing an explanation and reassurance that the service provided was reasonable. In previous years we have had a smaller proportion of cases with no remedy (2016-17: 27%; 2017-18: 31%) and a greater proportion of fee-related remedies (2016-17: 50%; 2017-18: 36%).

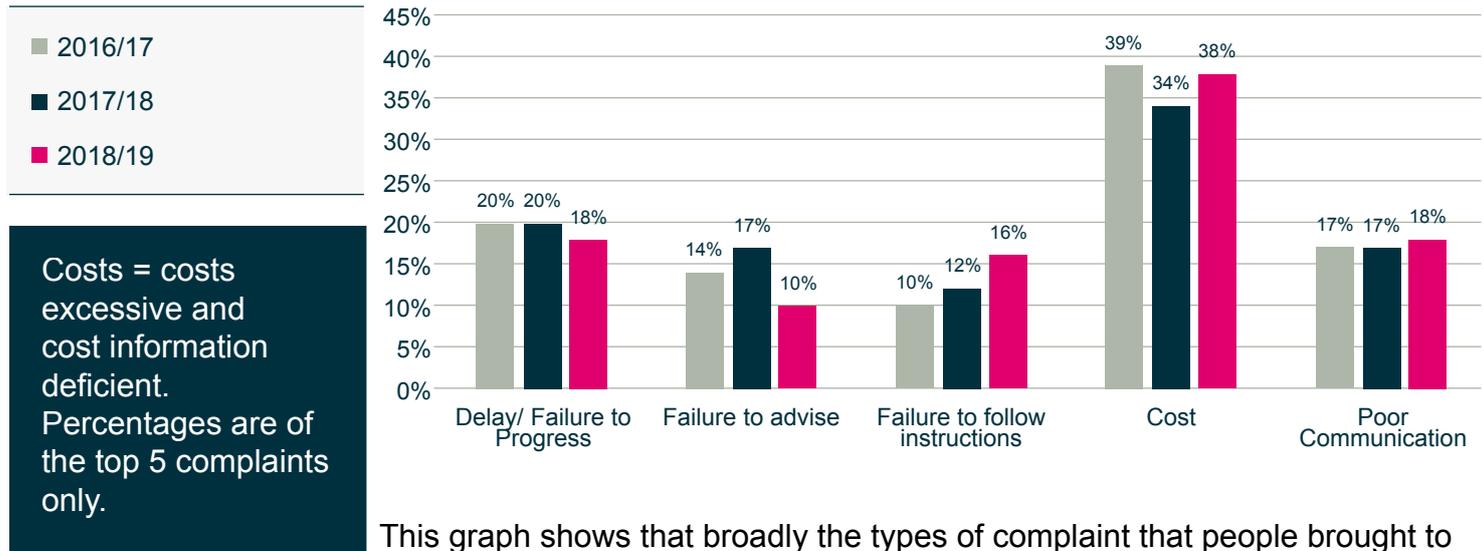
Which areas of service attracted the most complaints?



'Other' areas of service include: personal, criminal and industrial injury.

As in previous years, the largest area of complaint continued to be in connection with financial products and services, accounting for 85% of the total complaints received.

What did people complain about?



This graph shows that broadly the types of complaint that people brought to us remained the same as in previous years.

OPERATIONAL TRANSFORMATION

During 2018-19 we established a new Operational Transformation team with responsibility for developing and delivering improvement initiatives. This represents a real investment in improving our service and helps us meet our objective providing effective, efficient and high quality resolution of complaints.

The Operational Transformation team have been instrumental in the successful delivery of a number of modernisation projects, including the transfer of cases onto a new case management system and the development of our new Customer Assessment Tool.

Other projects have included:

- design, development, implementation and evaluation of a pilot delivery model;
- design and delivery of in-house training on effective phone skills and standards-setting;
- setting up membership with the Institute of Customer Service;
- workload management mapping and guidance;
- producing a suite of guidance videos for system users; and
- mapping and reviewing all business processes to identify efficiency savings.

The pilot delivery model, which overlays ombudsman guidance throughout a case, was trialled and evaluated by the team to improve the quality of our casework. It will now form the basis of our delivery model for the entire organisation going forward. As part of our focus in 2018-19 on improving performance against KPIs, we also piloted a new case progression model. This identifies optimum case-holding level and progression timelines in order to enhance customer experience while ensuring that workloads remain manageable.

We recognise that our people are one of our greatest assets and a vital source of knowledge. This team is ombudsman-led, and is made up of staff who have significant and valuable casework and operational experience.

Key Performance Indicators (KPIs)

For our customers and wider stakeholders, what matters most is that we deliver a high quality ombudsman service. We use a range of Key Performance Indicators (KPIs) to measure our performance and identify how we can improve the service we offer, and our quality assurance framework enables us to monitor the effectiveness of improvement measures we have taken. Our KPIs for 2018-19 were as follows:

- **Customer experience and quality:** measured by timeliness of our investigations, results of our customer satisfaction surveys, and the number of service complaints we receive.
- **Reputation and raising professional standards:** measured through surveys that assess customer advocacy of our service, wider consumer awareness of the Legal Ombudsman, and stakeholder views of our guidance, training, and insight-sharing.
- **Efficiency and resilience:** tracking the unit cost of our work by reporting the annual cost of the organisation, averaged according to the number of cases concluded.
- **People, leadership and culture:** measured by our annual turnover rate, average days per employee lost to sickness, and staff engagement index on two annual surveys.

Our quality assurance framework includes:

- senior staff assuring the quality of technical decision making to confirm that we achieve fair and reasonable outcomes for those using our service;
- our team leaders assuring the standard of customer service we provide;
- seeking comments directly from those who use our service both during our process and after cases have concluded; and
- monitoring any complaints we receive about our service.

TIMELINESS

Timeliness is an important element of delivering a quality service. It is, however, only one dimension of how we deal with complaints, and must be considered in conjunction with more qualitative measures and customer comments about achievement of our service principles. The time it takes to conclude a complaint is also determined somewhat by the parties to the dispute themselves.

We measure how long it takes to resolve a complaint from the point at which it is accepted for investigation to the date on which the case is concluded. The only exception to this rule is where we agree with the complainant to suspend an investigation. In these cases, the period for which the case is suspended is not counted.

The table below shows our timeliness performance for the year in our legal jurisdiction.

How quickly did we conclude cases in our legal jurisdiction?

| Cases concluded within | Low Complexity | | Medium Complexity | | High Complexity | | All Cases | |
|------------------------|----------------|--------|-------------------|--------|-----------------|--------|-----------|--------|
| | Actual | Target | Actual | Target | Actual | Target | Actual | Target |
| 90 days | 83% | 60% | 55% | 30% | 16% | 0% | 34% | 26% |
| 180 days | 98% | 85% | 93% | 80% | 62% | 30% | 52% | 72% |
| 365 days | 100% | 99% | 100% | 90% | 100% | 85% | 89% | 90% |

Performance against our timeliness targets in 2018-19 was impacted by the need to focus a proportion of our operational resource on working through a portion of “legacy” work. These cases had been accepted for investigation in 2017-18 under our previous case management system. The historic wait

significantly constrained our ability to progress those cases in line with our timeliness KPIs. The effect of those cases can be seen on our overall performance against timeliness KPIs particularly in relation to the 180 and 365 day KPIs – although this was anticipated, and we were able to meet the challenging targets we set in our business plan for this year in all other timeliness measures.

Through 2018-19 we removed the historic wait for a final decision at the end of our business process. Under our new case management system and operating process, our ability to progress cases in line with our timeliness KPIs is significantly improved.

Timeliness performance within the CMC jurisdiction is shown in the table below. We did not introduce assessment of complaint complexity for our CMC work, so all cases were subject to the same timescales.

How quickly did we conclude cases in our claims management jurisdiction?

| Cases concluded within | All Cases | Target |
|------------------------|-----------|--------|
| 90 days | 43% | 60% |
| 180 days | 89% | 90% |
| 365 days | 100% | 100% |

Performance against timeliness targets in the CMC jurisdiction was lower this year than in 2017-18. This was primarily due to the need to make preparations for the transfer of work to the Financial Ombudsman Service.

Over the year we managed staffing levels to keep on top of demand but also to enable colleagues to move into the legal jurisdiction if they wanted to do so. We managed the expectations of customers raising new complaints in Q4 to minimise where possible the need for cases to be handed over to the Financial Ombudsman Service mid-investigation.

CUSTOMER SATISFACTION

Our customer satisfaction KPI is a measure based on an independent survey of complainants and service providers within our legal jurisdiction whose case with the Legal Ombudsman has concluded. The table below shows the percentage of people who were satisfied with the service we provided, segmented by their view of the outcome of their complaint, as we continue to see that dissatisfaction with the outcome of a complaint has a significant effect on reported satisfaction with our service.

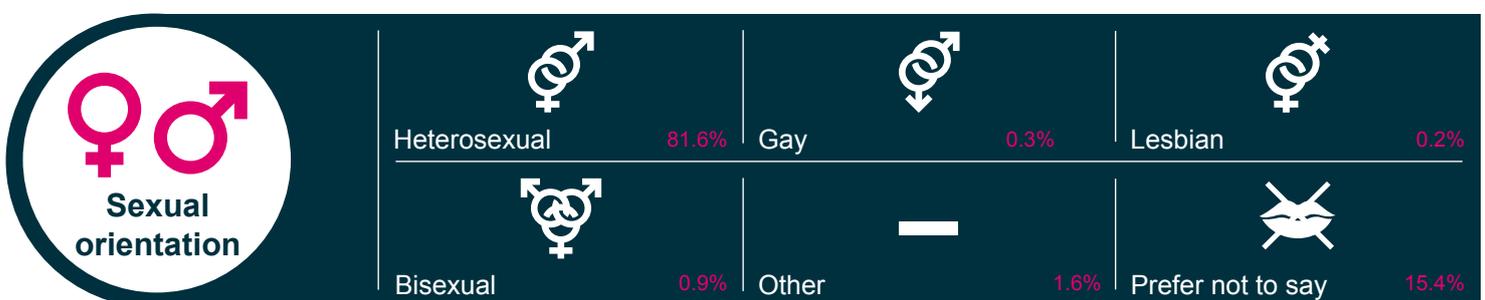
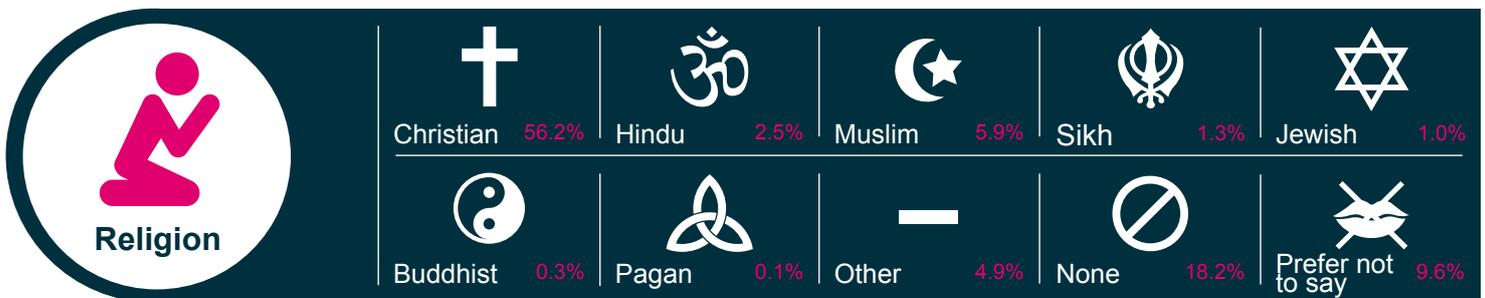
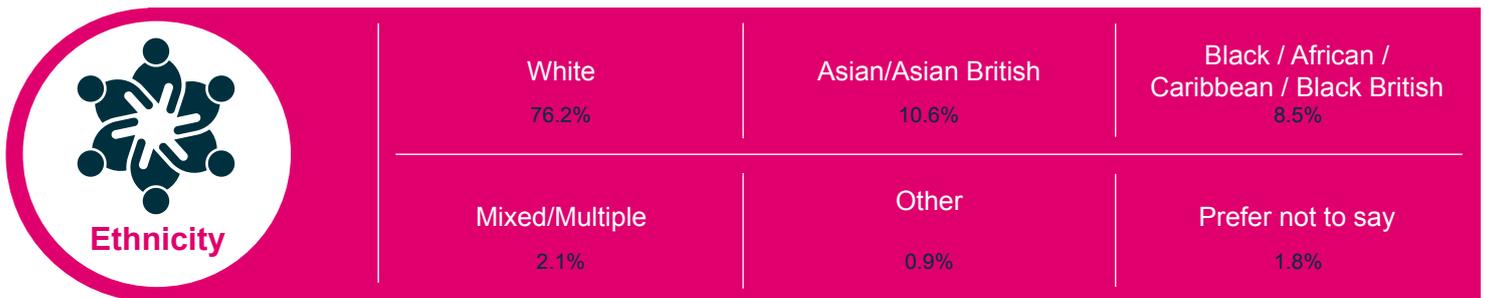
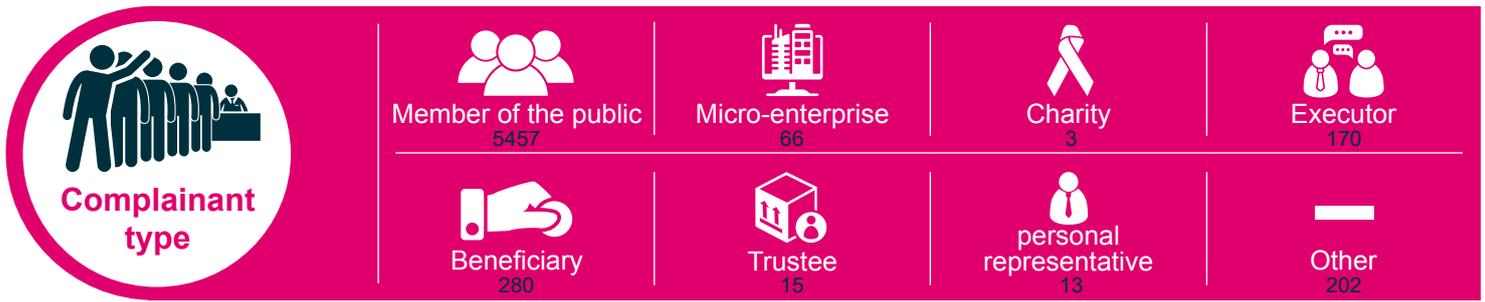
What did our customers think of our service to them?

| | Q1 | Q2 | Q3 | Q4 | Overall | Target |
|---------------------------|-----|-----|-----|-----|---------|--------|
| Satisfied with outcome | 94% | 84% | 93% | 96% | 92% | 85% |
| Dissatisfied with outcome | 13% | 8% | 10% | 8% | 8% | 15% |

Levels of reported customer satisfaction remain strong for those satisfied with the outcome of their complaint to us. Dissatisfaction with the outcome of a complaint continues to have a significant effect on reported satisfaction levels. The decline in satisfaction levels for service providers in this group can largely be linked to the effect of the historic wait associated with “legacy” work held in our previous case management system, and an increased wait at the front end of our process.

As well as activity to reduce wait times, we are working to improve how we communicate the role of an ombudsman and the process by which we reach our decisions. It is intended that this work will help those complainants who are dissatisfied with the outcome of their complaint better understand why and how we have reached that decision on their complaint.

Characteristics of our customers



SERVICE COMPLAINTS

We carefully monitor the service complaints we receive to identify areas where we can improve, and senior staff oversee any action taken as a result. During this year we created a new Customer Experience Specialist post to provide dedicated resource focused on the effective resolution of complaints about our own service, and to improve how we capture organisational learning relating to those complaints.

| Stage | Percentage of service complaints received that were upheld | | | |
|-------|--|-----|-----|-----|
| | Q1 | Q2 | Q3 | Q4 |
| 1 | 31% | 34% | 65% | 11% |
| 2 | 20% | 6% | 18% | 7% |
| 3 | 7% | 2% | 5% | 0% |

KPI: Percentage of service complaints upheld, of those we received from our customers (trend).

A more detailed account of service complaints received in 2018-19 can be found in the Service Complaint Adjudicator's report on page 61.

ADVOCACY

The objective of our reputation measure is to assess how the general public and users of our service regard the Legal Ombudsman. In order to assess this, we commission a number of independent surveys. For our advocacy measure, an independent research partner asks our customers within both jurisdictions to see whether they would speak highly of the Legal Ombudsman.

As is to be expected, the likelihood of our customers recommending us is heavily influenced by their satisfaction with the outcome of our investigation. This measure has been developed to account for this unavoidable bias by separately reflecting levels of advocacy for customers satisfied with the outcome of their case, and those who are not satisfied. Together these two factors give a more meaningful indication of our performance.

Would our customers recommend us to others? (Legal)

| If asked about the Legal Ombudsman... | Satisfied with outcome | Dissatisfied with outcome |
|---------------------------------------|------------------------|---------------------------|
| I would speak highly (4-5) | 87% | 3% |
| I would be neutral (3) | 9% | 15% |
| I would be critical (1-2) | 4% | 80% |
| I don't know | 0% | 2% |

*KPI: 80% of complainants satisfied with outcome would speak highly of the Legal Ombudsman.
10% of complainants dissatisfied with outcome would speak highly of the Legal Ombudsman.*

AWARENESS

Our annual awareness survey measures familiarity with the existence of our service among the general public and users of legal services. We use this data to benchmark the effectiveness of the signposting activity required by bodies within our jurisdiction. It also enables us to track the impact of our communications activity and to identify any demographic trends in relation to awareness.

The key question we use to assess awareness of the Legal Ombudsman is “Before today, had you heard of the Legal Ombudsman? We look at this for the public in general, and then refine this further by asking “Have you personally used and/or paid for a legal service in the past 2 years?” and seeing how many of these people are aware of our organisation.

Have the general public heard of us? What about users of legal services?

| Awareness indicator | 2016-17 | 2017-18 | 2018-19 |
|--|---------|---------|---------|
| Percentage of general public that have heard of the Legal Ombudsman | 58% | 56% | 68% |
| Percentage of users of legal services in the last two years that have heard of the Legal Ombudsman | 60% | 64% | 75% |

For members of the general public, this table illustrates a substantial increase in the level of awareness of the Legal Ombudsman, from 56% in the previous financial year to 68%. For those who have used a legal service provider in the past two years, awareness of the Legal Ombudsman has increased by almost as much, to 75%.

RAISING PROFESSIONAL STANDARDS

The role of ombudsman schemes is often seen first and foremost as resolving complaints. This is a central part of our work, and of course provides a valuable service to both consumers and service providers, but our role is actually much wider than this.

Our mission states that our work is also about feeding back to the profession. We share information in order to improve customer service and prevent complaints happening in the first place, and to support wider improvements in the legal services sector.

FEEDING BACK TO THE PROFESSION IN 2018/19



17 speaking events



8 webinars/videos



7 professional learning courses



4 pieces of external guidance



4 newsletters

We believe it is important that we engage in this work, as it has a positive impact for all consumers of legal services. Sharing our learning and insight with the profession means the impact of our work goes beyond the initial customer and service provider to consumers more generally, who benefit from improvements in the way legal services are provided.

The work we do covers a variety of areas: sharing intelligence and insights with the regulators about their members, speaking at events and conferences, providing training, guidance and videos on specific areas.

| Value-add indicator | Relevant | Useful |
|----------------------------------|----------|--------|
| How would you rate our guidance? | 79% | 80% |
| How would you rate our training? | 76% | 76% |

KPI: Percentage of stakeholders agreeing that the Legal Ombudsman provides value-adding insight. (This is measured using four questions on our annual stakeholder survey, which are shown in the table above.)

| Value-add indicator | Yes | No |
|--|-----|-----|
| Have we effectively shared learning/insights with stakeholders over the last 12 months? | 68% | 32% |
| Have we effectively shared learning/insights with service providers over the last 12 months? | 79% | 21% |

A large part our work in feeding back to the profession involves speaking to service providers on a regular basis and sharing some of the common reasons for complaints. We receive a wide range of complaints: delay, failure to advise and costs are some of the key ones. A theme which underpins all of this is a lack of understanding about the importance of communicating effectively with customers. If we can support service providers to understand the impact of language and the importance of good communication, this will improve the level of service for a wider group of consumers.

The ombudsman who spoke at our event was a breath of fresh air and the feedback has been extremely positive, so much so that there have already been requests that she comes back next year.

Direct engagement with service providers plays a key part in feeding back to the profession. Through this we are able to share our experience, case studies and discuss emerging trends in a way that contextualises the raw data we collect on legal complaints.

As well as running our own events we aim to work in partnership with regulators, professional bodies and others in the sector to maximise our impact. In 2018-19 this has included collaborating with several legal networks, the Solicitors Regulation Authority (SRA), the Council for Licensed Conveyancers (CLC), and the Notaries Society.

Alongside this we continue to meet regularly with all of our stakeholders, and particularly the frontline regulators and professional bodies to discuss operational issues, share understanding about key issues in the sector, and develop joint pieces of work.

UNIT COST

KPI: Deliver cases in our legal jurisdiction at a cost of £1,580 per case.

We remain committed to achieving and demonstrating value for money in the way we run our service. Our unit cost is calculated by dividing the total cost of operating the ombudsman scheme by the number of cases concluded.

What was the cost of our legal jurisdiction this year?

| Legal Services Activities | 2018-19 | 2017-18 |
|--|---------|---------|
| Budgeted expenditure of the scheme £'m | 12.79 | 11.80 |
| Actual expenditure £'m | 11.90 | 10.92 |
| Less non-ombudsman scheme activity, £'m taxation and interest received £'m | 0.05 | 0.02 |
| Total cost of the ombudsman scheme (A) £'m | 11.95 | 10.94 |
| Year on year cost reduction / (increase) | (9.2%) | (4.7%) |
| Total cases resolved during the year (B) | 6,206 | 6,125 |
| Unit cost all cases (A divided by B) | £1,926 | £1,787 |
| Case fee / other income received £'m | 1.20 | 0.89 |
| Net – total expenditure less income £'m | 10.75 | 10.03 |

The net expenditure in respect of the OLC's legal services activities is met with 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.

The table above shows total expenditure on the legal jurisdiction in 2018-19, which was £11.9m (2017-18: £10.9m), against a budget of £12.8m (2017-18: £11.8m). We set our annual budget following public consultation and take into account expected demand forecasts. Our underspend this year reflects the impact of high staff turnover in year and the need to control unit cost in the medium term.

What was the cost of our CMC jurisdiction this year?

KPI: Deliver cases in our CMC jurisdiction at a cost of £1,219 per case.

| CMC Activities | 2018-19 | 2017-18 |
|--|---------|---------|
| Budgeted expenditure of the scheme £'m | 2.01 | 3.04 |
| Actual expenditure £'m | 1.34 | 1.45 |
| Less non-ombudsman scheme activity, £'m taxation and interest received £'m | 0.00 | 0.00 |
| Total cost of the ombudsman scheme (A) £'m | 1.34 | 1.45 |
| Year on year cost reduction | 7.6% | 19% |
| Total cases resolved during the year (B) | 1,185 | 1,146 |
| Unit cost all cases (A divided by B) | £1,131 | £1,263 |
| Case fee received £'m | 0.14 | 0.19 |
| Net – total expenditure less income £'m | 1.20 | 1.26 |

In October 2018 the OLC received £1,258k Grant in Aid relating to the costs for the financial year 2017-18 and £1,195k in March for the financial year 2018-19. (2016-17: £1,364k received in September 2017). This second table shows that net expenditure to continue operating the claims management jurisdiction was £1.2m in 2018-19 (2017-18: £1.3m).

TURNOVER, SICKNESS AND STAFF ENGAGEMENT

We are committed to ensuring that the OLC offers an attractive package to all our employees, which includes flexible working, staff development and a focus on wellbeing. In order to measure how well this comes through for our staff members, we look at how many people leave the organisation against how many new people join us, the number of sick days taken by our employees, and how many people participate in our staff surveys.

Although we have not achieved our target for turnover in 2018-19, this is reflective of a wider trend which has seen turnover in all sectors increase in the last two years. We are implementing a number of initiatives to bring our sickness absence down, as this is not where we would want it to be.

| People and culture indicators | 2018-19 | Target |
|--|------------|------------|
| Rolling annual turnover rate | 18.5% | <12% |
| Average days per employee lost to sickness | 11.8 (FTE) | <8.5 (FTE) |

Employees were asked to participate in two surveys in 2018-19: the Pulse survey (Q1) and the Civil Service Survey (Q3). For the first time in 2018-19, the organisation adopted a KPI on engagement levels, the results of which are displayed below. Participation is voluntary, and we discuss the results of these surveys with staff at all levels of the organisation and use them to inform staff policies and engagement strategies.

| 2018-19 surveys | Staff participation | Target |
|----------------------|---------------------|--------|
| Pulse Survey | 49.4% | 60% |
| Civil Service Survey | 50% | 60% |

More information about our staff and employment at the OLC can be found in the Remuneration and Staff Report, beginning on page 38.

KEY RELATIONSHIPS

The OLC is directly accountable to the Ministry of Justice (MoJ) for its financial management. While the net funding for the OLC comes from a levy on the legal profession, and the (former) Claims Management Regulator recovering its costs from claims management companies, the OLC's costs are classified as public expenditure. In addition to financial accountabilities to the MoJ, the Legal Services Board (LSB) approves the OLC's budget and oversees the OLC's discharge of its responsibilities for the Legal Ombudsman.

Along with formal governance relationships, the OLC has a broad range of external stakeholders encompassing regulators, other ombudsman schemes and complaint handling bodies, professional associations, service providers, consumer groups/charities, and government and judicial bodies.

The success of the Legal Ombudsman hinges in large part on awareness amongst customers, lawyers, CMCs, consumers, and the bodies that communicate with them, and our dissemination of learning from the scheme. The profession is the most important referral point for our service. Consumer support bodies are also a key point of referral. A core part of our commitment is to make sure that the Legal Ombudsman is accessible to a diverse range of people.

Gaining profile and exposure in professional circles continues to be essential, both for the reputation of the scheme and to enable the OLC to prepare for the coming changes in the legal landscape. The OLC has working arrangements in place with all of the frontline regulators of legal services, which are set out in a series of Memoranda of Understanding (available on the Legal Ombudsman website).

Key relationships in 2018-19 have included the various parties involved in the transfer of our claims management jurisdiction to the Financial Ombudsman Service: namely the Ministry of Justice, Financial Conduct Authority, HM Treasury, and the Financial Ombudsman Service itself.

EQUALITY, DIVERSITY AND INCLUSION

The OLC provides an independent and impartial service to its customers, underpinned by a commitment to promoting diversity, equality and inclusion. That commitment includes providing a fair and flexible service delivered in accordance with our customer service principles, without discrimination, and accessible to all.

Progress against our four equality priority objectives for 2018-19, agreed by the OLC Board, was reported to the Board in March 2019. Driven by our Equality, Diversity and Inclusion Forum, this showed positive developments in our approach to vulnerable customers by providing an inclusive service, better recognising and nurturing Black, Asian and Minority Ethnic (BAME) talent through implementation of our race action plan, benchmarking the organisation against the MIND workplace well-being index, and adopting best practice in meeting the requirements of the Public Sector Equality Duty.

We use insight and analysis about our customers to understand their individual needs and preferences, and we continue to work towards eliminating barriers and ensuring that our service is designed to meet the needs of all customers. We published a policy statement on customer inclusivity in December 2017 and developed an internal framework for inclusivity, using the relevant BSI standard.

The organisation demonstrates its respect for human rights through commitment to its Inclusive Service policy statement and its compliance with the Public Sector Equality Duty. Our Scheme Rules also require issues of human rights to be considered when making certain types of decision, such as whether to hold a hearing (under Scheme Rule 5.33).

The OLC has an elected Staff Council which enables its members, as representatives of their colleagues, to bring significant issues to the direct attention of the Management Team and to enable consultation on employment matters. This forum helps to ensure regular communication between our Management Team and staff representatives.

We have also continued to support our staff by providing training on topics such as equality and diversity, mental health awareness and dealing with vulnerable customers. In recognition of the importance of promoting positive mental health we have also signed up to the Time to Change mental health awareness campaign, trained a network of internal Wellbeing Champions and implemented a wellbeing action plan. We have also benchmarked the organisation against the MIND wellbeing index.

Our equality data collection allows us to monitor uptake and satisfaction levels 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 population of the West Midlands from which we draw most of our staff.

SOCIAL MATTERS

In 2018-19 staff at the OLC voted to support two local charities, Midland Langar Seva Society and Wythall Animal Rescue. A number of events were organised by the Charity and Engagement Committee throughout the year, including participation in the Midland Legal Walk, and a total of £1,149 was raised alongside year-round food donations.

WHISTLEBLOWING POLICY

The Audit and Risk Assurance Committee reviewed our Whistleblowing policy in March 2019 to ensure that it is still robust and effective. Edits were made to improve clarity and structure. There were no reports under the policy during 2018-19.

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 devised to ensure sustainability. Our office is designed to be paperless – this is an efficient and ethical approach to the use of resources. We also encourage recycling and minimise waste through effective facilities management. We have improved sustainability by implementing our new estates strategy which reduced our estates footprint by 25% from April 2018.

CAPITAL EXPENDITURE

The 'Modernising LeO' programme continued during early 2018-19 when the delivery of the new case management system was implemented. The initial costs of the system were recognised as assets under construction in prior years (553k) with 60k being spent in this year. Remaining costs were associated with the refresh program for infrastructure hardware, end user devices and a small amount of office furniture following the modernisation programme.

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. Ninety-six per cent of invoices were paid within agreed terms in 2018-19 and the average number of days taken to pay creditors was 19 days.

FORMAT OF ACCOUNTS

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



Rebecca Marsh
Accounting Officer
02 July 2019

Accountability report

CORPORATE GOVERNANCE REPORT

This report explains the composition and organisation of the OLC's governance structures and how they support the achievement of our objectives. We present this information in a transparent way to demonstrate good governance and accountability.

DIRECTORS' REPORT

BOARD MEMBERS

Members of the OLC are appointed by the Legal Services Board (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 Board 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 the Chair to cease to hold office, or for another member to receive compensation, the OLC may pay that person such compensation as the LSB determines. Board membership and terms of appointment are set out in the Remuneration and Staff Report.

The OLC is supported by our Management Team, led by the Chief Executive. The OLC Board has delegated relevant day-to-day authority to the Management Team, whose role is to deliver the 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

The OLC Board members' register of disclosable interests is available on our website. There were no examples of company appointments, consultancy arrangements or other significant interests held by OLC members during 2018-19 that gave rise to a potential conflict with their responsibilities as members of the Board, other than Annette Lovell's role as an executive director of the Financial Ombudsman Service. She did not vote on any decisions relating to the transfer of the CMC jurisdiction to Financial Ombudsman Service.

Declarations of interest are a quarterly Board item, and recorded at periodic meetings of the OLC.

DATA INCIDENTS

There were four personal data related incidents in 2018-19 that met the threshold for formal reporting to the Information Commissioner's Office (ICO). None resulted in any enforcement action, but some recommendations were received and have been acted upon. The Security Forum and the Audit and Risk Assurance Committee review all incidents reported internally. All breaches are assessed and improvements are made to help ensure the effective management of personal data.

The Government Internal Audit Agency undertook an internal audit of our progress implementing the General Data Protection Regulation (GDPR), and we also had a voluntary audit by the ICO. Both projects were initiated by the OLC to increase assurance about our management of data protection and information security.

MANAGEMENT COMMENTARY

The purpose of the Legal Ombudsman scheme is to provide a single gateway for consumers of legal and claims management services to resolve their complaints. It also drives systemic improvement by feeding back to the profession any information and insight we have from running the scheme. During 2018-19, there was significant activity to implement the new three-year strategy and business plan published in April 2017.

AUDITORS

The Ministry of Justice (MoJ) provides internal audit services to the OLC. During the 2018-19 financial year, the cost of internal audit work was £47,400 (2017-19: £38,400). The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with Schedule 15, Section 26(5) of the Legal Services Act. For the year to 31 March 2019 the C&AG has estimated the costs at £34,000 (2017-18: £31,000). The services provided by the C&AG staff relates only to statutory audit work.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITY

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

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

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

I have reviewed the risks of fraud, bribery and corruption. I consider that there is a low risk of misstatement due to fraud and that appropriate controls exist to manage fraud risk. A report on assurance regarding these risks was presented to our Audit and Risk Assurance Committee in April 2018 and May 2019. There are no known instances of fraud to report.

I confirm that I have taken all reasonable steps to make myself aware of any required audit information, and so far as I am aware, there is no relevant audit information which has not been disclosed to the auditors. I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.



Rebecca Marsh

Accounting Officer
02 July 2019

GOVERNANCE STATEMENT

THE OLC'S GOVERNANCE FRAMEWORK

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

The OLC's Accounting Officer is responsible for the governance, decision making and financial management of the OLC. They are personally responsible and accountable to Parliament for the OLC as an organisation: its management, use of public money, and stewardship of public assets. In particular they are responsible for ensuring that the OLC complies with all statutory and administrative requirements on the use of public funds, including the principles and policies of Managing Public Money (HM Treasury).

The Accounting Officer's review of the effectiveness of the system of internal control this year has been informed by assurance statements from members of the Management Team, independent assurance from internal and external audit, scrutiny and challenge from the Audit and Risk Assurance Committee, review of our assurance map, and various assurance reports submitted to central government.

We have undertaken an annual review of fraud risk – which concluded that the overall level of fraud risk was low – and discussed this with the Audit and Risk Assurance Committee. We manage information security through an internal Security Forum, which reviews information security incidents and breaches, oversees security, and ensures our compliance with the Government's Security Policy Framework.

Based on their review of this evidence, our Accounting Officer is assured that the OLC has an effective system of internal control to support the delivery of its strategy. There is no complacency and we continue to develop our performance and risk management frameworks as well as our approach to the management of personal information and data.

ASSURANCE FOR THE NEW ACCOUNTING OFFICER

The 2018-19 Annual Report and Accounts have been signed off by the new Accounting Officer, Rebecca Marsh, our Chief Ombudsman and Chief Executive Officer.

Rebecca Marsh was with the organisation throughout 2018-19, attended all OLC Board and the majority of Audit and Risk Assurance Committee (ARAC) and Remuneration and Nomination Committee (RemCo) meetings. As a result, there was a considerable level of continuity and additional assurance in the handover.

In addition, the departing Accounting Officer and former Chief Executive, Rob Powell, provided an assurance statement for the Chief Ombudsman, reviewed and approved the fraud risk assessment, and provided her with the monthly attestation reports submitted to the Ministry of Justice. He left the organisation on 29 March 2019.

BOARD PERFORMANCE AND CORPORATE GOVERNANCE

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

OLC Board meetings were fully compliant with all requirements of its governance arrangements and rules of procedure. Eight Board meetings took place in 2018-19. Attendance of Board members is disclosed in the table below.

| OLC Attendance | Apr 2018 | Jun 2018 | July 2018 | Sept 2018 | Oct 2018 | Dec 2018 | Jan 2019 | Mar 2019 | Total |
|-----------------------|----------|----------|-----------|-----------|----------|----------|----------|----------|-------|
| Wanda Goldwag (Chair) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Elisabeth Bellamy | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Bernard Herdan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Michael Kaltz | ✓ | ✓ | ✓ | ✓ | ✓ | x | ✓ | ✓ | 7 |
| Annette Lovell | ✓ | ✓ | ✓ | ✓ | ✓ | x | ✓ | ✓ | 7 |
| Jane Martin* | | ✓ | x | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |
| Rebecca Hilsenrath | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |

Jane Martin was not appointed to the OLC Board until 1 May 2018.

An independent Board effectiveness review was conducted in Q3 2018-19, led by Ed Nally, Chair of the Solicitors' Disciplinary Tribunal. The findings of this review, along with the findings of the self-assessment of ARAC and RemCo, were discussed at the March Board meeting. An action plan to enhance the operation of the OLC Board and its committees was agreed.

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

During this year, the OLC Board 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.

Throughout the year, the OLC Board has continued to oversee improvements to corporate governance, building on work done in previous years. The Board approved changes to the Scheme of Delegation, the Schedule of Matters Reserved to the Board and the Operating Framework. They also approved the publication of Board papers from April 2018, and oversaw the process of publication and redaction.

In March, Board members agreed changes to all key governance documentation in preparation for the Chief Executive and Chief Ombudsman roles being combined from 1 April 2019.

OTHER COMMITTEES

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

Audit and Risk Assurance Committee

The overall objective of the Audit and Risk Assurance Committee is to support the OLC Board and the Accounting Officer by providing independent oversight and advice. This includes appropriate assurance in relation to risk management, financial reporting and controls, overall governance and the work of internal and external audit. The 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 2018 to March 2019, four meetings of the Audit and Risk Assurance Committee took place. The following table records the attendance of committee members during this period.

| ARAC Attendance | Apr 19 | Jul 2 | Dec 5 | Mar 11 | Total |
|-----------------------|--------|-------|-------|--------|-------|
| Michael Kaltz (Chair) | ✓ | ✓ | ✓ | ✓ | 4 |
| Rebecca Hilsenrath | ✓ | ✓ | ✓ | ✓ | 4 |
| Annette Lovell | ✓ | ✓ | ✓ | ✓ | 4 |
| Legal Services Board | x | ✓ | x | ✓ | 2 |
| Internal Audit | ✓ | ✓ | ✓ | ✓ | 4 |
| External Audit | ✓ | ✓ | ✓ | ✓ | 4 |

The Committee assured itself of the adequacy of the Executive's preparation for the implementation of General Data Protection Regulation (GDPR) and has closely monitored reports on information and security rights at each of its meetings. The Committee reviewed cyber security, noted the findings of independent penetration testing, and was satisfied with the progress made.

During this financial year, the Committee agreed internal and external audit plans and received regular updates from internal audit on the effectiveness of the organisation's internal control systems. The reports received during the year from the internal auditors included GDPR implementation; realisation of the benefits from 'Modernising LeO'; and business continuity.

The Committee also reviewed progress made on actions arising from the 2015 external governance review. It agreed amendments to its Terms of Reference to reflect changes in Committee membership which were submitted for full Board approval.

The Committee assured itself of the progress made on actions arising from its 2017 self-assessment review and in the autumn, the Committee completed a new self-assessment as part of a wider Board effectiveness review.

At each of its meetings, the Committee continues to review the strategic risk register and receives updates about any operational risks with a score exceeding a pre-agreed threshold. An in-depth review of one strategic risk takes place at each meeting, providing the Committee with a deeper assurance and understanding of the factors associated with management of that risk. At its meeting in February, the Committee conducted an in-depth review of organisational capability and governance risk, in order to consider in particular assurance about the management of organisational risks associated with the implementation of a combined Chief Ombudsman/Chief Executive role from April 2019.

The Committee was satisfied with management of risk and continues to work with risk owners to ensure a culture and practice of risk management within the OLC.

The Committee satisfied itself of the adequacy of the framework of governance and controls in place for the Celebrating Success: Reward and Recognition payments.

The Committee reviewed the Assurance Map and was satisfied with the progress made in improving effectiveness of the organisation's data assurance measures. It welcomed further planned improvements in order to ensure a comprehensive operational data assurance framework was in place. The Committee was satisfied with the findings of the 2017-18 Health and Safety compliance report and was assured that the OLC was a low risk organisation with a positive health and safety culture.

Throughout the year, the Committee reviewed and approved amendments to all policies which fall within its remit.

The Committee fulfilled the important role of agreeing the annual Governance Statement, overseeing key financial and budgetary matters and approving draft and final statutory accounts for 2017-18 prior to ratification by the OLC Board. The Committee reviewed an assessment of fraud risk conducted by the Executive, which provided assurance to support the financial statements, and closely monitored financial governance and management to ensure the Executive maintained progress in these areas.

This is my final report as Chair of ARAC, as my four-year term of office ended on 31 March 2019. I would like to thank current and former Committee members and the OLC Executive for their support for the work of the Committee, which I am confident leaves the organisation with more robust internal governance and control.

Michael Kaltz

Chair, Audit and Risk Assurance Committee
March 2019

Remuneration and Nomination Committee

I am pleased to present my third annual report from the Remuneration and Nomination Committee (RemCo). RemCo membership has changed over the year, with Elisabeth Bellamy joining the Committee from March 2018 and Jane Martin in April 2018, in place of Jane McCall and Caroline Coates who both made immense and positive contributions to the Committee's work.

Regular attendees from the OLC Executive included the Chief Executive, Head of Human Resources, and Chief Ombudsman. Other senior staff have joined meetings to assist the Committee in dealing with specific topics. Members of the Staff Council have been invited to attend as observers, and when they have attended they have made helpful contributions. In 2018-19, the Committee held a joint meeting with the Staff Council, and hosted a meeting attended by members of RemCos from other organisations within the MoJ family to share learning and good practice.

Attendance at some meetings (or elements of meetings) dealing with sensitive topics has been restricted to the Non-Executive Directors (NEDs) only or NEDs plus the Chief Executive.

The Committee met eight times in 2018-19, some meetings were held by telephone and some were devoted to a single urgent topic.

| REMCO Attendance | Apr 27 | Jun 13 | Aug 20 | Sept 25 | Nov 16 | Nov 28 | Jan 2 | Feb 27 | Total |
|------------------------|--------|--------|--------|---------|--------|--------|-------|--------|-------|
| Bernard Herdan (Chair) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Elisabeth Bellamy | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Jane Martin* | | ✓ | x | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |
| Michael Kaltz* | ✓ | | | | | | | | 1 |
| Chief Executive | ✓ | ✓ | x | ✓ | ✓ | ✓ | ✓ | ✓ | 7 |
| Chief Ombudsman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | x | ✓ | 7 |
| Head of HR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | x | ✓ | 7 |

Jane Martin was not appointed to the OLC Board until 1 May 2018. To ensure quoracy, Michael Kaltz joined RemCo as a member for the April meeting only.

Throughout 2018-19 the Committee has overseen the Executive's work on a number of developments arising from the 'Modernising LeO' agenda, including the reward and recognition framework and controls, flexible working, the wellbeing agenda, and the learning and development professional programme aimed at supporting operational staff.

The Committee has undertaken annual reviews of the learning and development strategy, the apprenticeship scheme, and equality and diversity trends, and has considered the findings of exit reports. It has received updates on workforce planning, considered changes to the annual performance process, and approved the annual gender pay gap report for 2018.

RemCo has continued to use a balanced scorecard to track performance throughout the year on people aspects of the OLC's work. The Committee has discussed issues around staff turnover, workloads, sickness absence and wellbeing, and their impact on organisational performance.

The Committee welcomed the work undertaken by the Ministry of Justice's Project Race Team exploring the experience of Black, Asian and Minority Ethnic (BAME) colleagues within the organisation, and reviewed the race action plan and follow-up actions being undertaken to address the findings of the review.

As part of its role in approval of pay arrangements, the Committee reviewed pay, and approved: proposals for improvements around family leave (including maternity pay provision); a new reward and recognition scheme; proposals for the 2018-19 annual pay remit; new pay rates for apprentices; and changes in senior structure. At year end, the Committee approved the relevant payments to be made to staff relating to the annual bonus scheme.

Throughout the year, the Committee reviewed and approved amendments to all policies that fall within its remit.

The Committee has reviewed the findings of staff surveys that have been conducted throughout the year, alongside actions being taken to address the findings of the survey results. The Committee also met with the Staff Council to discuss staff perceptions.

This is my final report as Chair of RemCo, as my term of office ended on 31 March 2019. I would like to thank current and former Committee members, and the OLC Executive, for their support for the work of the Committee in driving forward the organisation's people agenda.

Dr Bernard Herdan CB

Chair, Remuneration and Nomination Committee
March 2019

Category 1 Publications Committee

The OLC established a Category One Publications (Cat1) Committee to fulfil the functions of the OLC as detailed in its Publishing Decisions policy. The Committee is intended to guide the OLC in the exercise of its discretion under Section 150 of the Legal Services Act 2007.

The Committee did not need to meet in 2018-19.

Wanda Goldwag

Chair, Category One Publications Committee
March 2019

APPOINTMENTS AND TERMINATION OF OLC BOARD MEMBERS

| Member | Term starts | Term ends |
|------------------------------|--------------|------------------|
| Bernard Herdan (lay) | 1 April 2015 | 31 March 2019 |
| Michael Kaltz (lay) | 1 April 2015 | 31 March 2019 |
| Wanda Goldwag (Chair) | 1 April 2017 | 31 March 2020 |
| Rebecca Hilsenrath (non-lay) | 1 April 2017 | 31 March 2020 |
| Annette Lovell (lay) | 1 March 2018 | 28 February 2021 |
| Elisabeth Bellamy (non-lay) | 1 March 2018 | 28 February 2022 |
| Jane Martin (lay) | 1 May 2018 | 30 April 2021 |

OVERSIGHT OF THE OFFICE FOR LEGAL COMPLAINTS

The OLC Board met eight times during the year, with the Chief Executive and Chief Ombudsman in attendance at every meeting. Head Ombudsmen and other Heads of Function and staff attended as requested for specific items. The September meeting involved a half-day strategy workshop.

The OLC Board receives reports on organisational performance and financial performance, as well as quarterly updates on progress against the OLC's strategy and on the 'Modernising LeO' programme.

The quarterly strategic update measures performance against external KPIs and tolerances set by the OLC Board, strategic risks, and implementation of the OLC's business plan, as well as highlighting key themes and issues for the organisation.

Improving performance is the key priority for the OLC. During the year, the OLC Board has focused considerable attention on performance and also the organisation's progress with its 'Modernising LeO' programme. While progress with the modernisation programme has been extensive, this is yet to translate into consistent and sustained improvement in performance.

The year has seen further progress in implementing the 2017-18 Board effectiveness review undertaken by the Chair. There have been significant changes in Board papers and management of the Board agenda, with a stronger focus on strategic, stakeholder and performance issues.

In February 2019, we received a report arising from the annual review of Board effectiveness conducted by the Chair of the Solicitors' Disciplinary Tribunal. This review has led to an action plan for 2019-20, with an emphasis on further focusing Board time on strategic and stakeholder issues.

QUALITY OF DATA USED BY THE OLC BOARD

The Management Team, chaired by the Chief Executive, is responsible for submissions to the Board about organisational performance, regular matters of business and specific governance issues. Data provided by the Management Team includes, but is not limited to: the corporate risk register; assurance documentation; budget plans; strategic plans; performance reports and detailed papers on matters arising. The risk register, assurance documentation, budget plans and Government Internal Audit Agency (GIAA) outcomes are subject to ongoing scrutiny by the Audit and Risk Assurance Committee (ARAC), providing the Board with confidence in the quality and accuracy of the data it relies on.

EXECUTIVE MANAGEMENT OF THE OFFICE FOR LEGAL COMPLAINTS

Executive management of the OLC is delegated to the Chief Executive and Chief Ombudsman in accordance with the OLC Scheme of Delegation.

The Chief Executive, Chief Ombudsman and other senior managers form the OLC's Management Team. The Management Team focuses on the effective and efficient running of the OLC and the Legal

Ombudsman scheme. It supports the OLC Board in setting the OLC's strategic direction, delivering agreed business priorities, ensuring effective stakeholder relationships, and reflecting organisational values and customer service principles across the organisation.

Neither the Management Team nor the Chief Executive are concerned with ombudsman decisions made under the Scheme Rules, which are the independent statutory preserve of the Chief Ombudsman. From 1 April 2019, the Chief Executive and Chief Ombudsman roles have been combined, implementing a recommendation of the 2017 Ministry of Justice Tailored Review. This was a year earlier than scheduled and reflected the organisation's significant progress with the 'Modernising LeO' programme.

RISK MANAGEMENT

The OLC operates a risk management framework which follows 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. This framework is consistent with the Ministry of Justice's risk management policy, and ensures that risks are identified and escalated as necessary.

The OLC's risk management framework is based on a risk and opportunities strategy, which sets out the overall approach to managing risks and opportunities and provides a clear risk management framework that is well understood across the organisation.

In 2018-19, the OLC Board set five strategic risks, each of which has a risk owner who is a member of the Management Team. The risk owner assesses controls already in place and the current risk (taking account of those controls), and identifies further controls required if the risk is to be brought to the target level set by the Board. Each risk is given "impact" and "likelihood" scores of one to five to calculate the effect and probability of risk events.

The Strategic Risk Register is reviewed by Management Team on a quarterly basis prior to review by the Audit and Risk Assurance Committee (ARAC). The Management Team reports corporate or programme/project risks with a rating of 16 or more (likelihood x impact) to the attention of ARAC. At each meeting, ARAC considers a more detailed report from the relevant risk owner on the management of a specific strategic risk.

Strategic risks are reported to the OLC Board as part of the quarterly strategic update paper.

RISK APPETITE

The OLC has a dynamic risk appetite, and identifies risks that could hinder or prevent the achievement of its strategy. For each risk the OLC Board sets the risk appetite at the level it is prepared to accept, using a framework based on HM Treasury guidance.

The OLC Board formally reviewed its risk appetite for 2018-19 as part of the annual strategic risk workshop in April 2018. Quarterly reports on strategic risks enable the OLC Board to review risk management using the risk appetite as a guide, particularly to assess the effectiveness with which strategic risk is being managed.

KEY RISKS

We have set out below the five strategic risks set by the Board for the OLC.

Reputation and credibility – scheme loses credibility, trust and public confidence:

Risk: The credibility of the scheme is of paramount importance. Everything the organisation and its people does should build and maintain trust and confidence in the Legal Ombudsman. Levels of performance and service, any governance issues, external criticism and legal challenge are all factors that can impact legitimacy, and influence our ability to fulfil our purpose.

Mitigation: We have a quality framework in place, including robust arrangements for handling service complaints and performance reporting. We have brought together our quality framework, service complaints and legal challenges to identify learning opportunities arising across these areas. We have also established a pilot delivery model to drive quality and case progression. At the LSB's request, the OLC has provided it with regular voluntary assurance letters about performance over this and the previous financial year. Our performance management framework has been strengthened, and we have commenced publication of all OLC Board papers.

Impact, innovation and responding to changing expectations:

Risk: failure to innovate, achieve positive impact and respond effectively to a changing strategic landscape and stakeholder expectations. This would be caused by a failure to take learning from the scheme to influence first-tier complaint handling, policy makers, and the regulatory and consumer protection landscape, or by weaknesses in strategic horizon scanning and stakeholder engagement.

Mitigation: We have introduced a more systematic approach to strategic horizon scanning which is now a standing item on the OLC Board agenda. We have developed a communications and engagement strategy that helps to target our limited resources to maximise impact and tailor our engagement. We are developing new channels for communication, and have strengthened our coordination and control of stakeholder engagement and relationship management.

Demand – trust and confidence in the Legal Ombudsman scheme is impacted negatively by significant unplanned changes in demand:

Risk: Changes in demand impact our ability to achieve performance and financial targets, both in terms of the volume of enquiries we receive, the proportion of those which are accepted as cases, and the case mix or complexity of the cases we receive. Significant changes in our business process, through the 'Modernising LeO' programme, and the impact of dealing with legacy cases from 2017-18 made 2018-19 an anomalous year in terms of volume. The risk is impacted by poor forecasting and changes in the external environment (for example recent regulatory changes have significant potential to change demand for our service).

Mitigation: The 'Modernising LeO' programme has introduced a new, more flexible staffing model. An operational forecasting and modelling tool was implemented in 2017-18 and has been developed and enhanced in 2018-19. This allows the organisation to understand better the impact of changing demand on performance, and to plan accordingly. We have also strengthened strategic horizon scanning and linked this process with demand forecasting. We now collect better data about initial enquiries as well as accepted cases which will help us understand demand at a more granular level. Longer-term mitigations will include development of more flexible delivery models to help meet demand.

Operational resources – inability to recruit, develop and retain sufficient skilled people with the right skills values and behaviours:

Risk: Limits to operational resource (whether due to increased demand or other factors) could adversely affect quality of service, operational performance and staff morale. Higher than expected levels of staff turnover in a highly competitive local recruitment market have negatively impacted performance, given the time it takes for staff new-in-role to become fully productive, and the need to reallocate existing caseloads when colleagues leave the organisation. The Legal Services Act 2007 creates potential constraints in the flexibility of our resources.

Mitigation: We have adopted a more flexible staffing model as part of changes to our business process. A high proportion of staff are new-in-role, meaning that the lead time to become productive is contributing to variable output. Rolling recruitment has increased staff levels ahead of turnover, and our workforce planning factors in turnover and ongoing rolling recruitment. More granular management information is helping us to understand and improve performance. The new delivery model and workload management guidance are helping to support individual staff output. The organisation has implemented a new reward and recognition system, invested in workplace wellbeing, and significantly improved its flexible working policy. Longer-term mitigations will also need to consider new delivery models and pay, given the level of competition in the local market.

Organisational capability and governance:

Risk: There is a risk that the organisation (governance, infrastructure, controls, people, and process) is not capable of enabling effective delivery of the scheme, which could impact reputation and credibility and/or performance. There are wider risks around resilience, value for money and cyber/data security.

Mitigation: A new KPI framework and tolerances have improved the visibility, transparency and grip of corporate performance. Corporate governance and operation of the OLC Board have been improved. The 'Modernising LeO' programme has improved organisational infrastructure and capability. This reduces the level of risk in this area, although the organisation will need to manage new risks arising from the transition to a combined Chief Ombudsman and Chief Executive role from 1 April 2019.

QUALITY ASSURANCE OF FORECASTING MODEL

In line with the recommendations within the 2013 Macpherson Review, the OLC has developed a forecasting tool that is of increasing importance in developing the organisation's understanding of demand and performance management. Although the OLC has working procedures that give a level of assurance regarding technical quality and robustness of outputs, it is acknowledged that further formal controls need to be set in place. To this end the organisation has developed an action plan in response to a recent audit report by the Government Internal Audit Agency (GIAA). The recommendations provided by the GIAA will be implemented in line with the agreed time plan in the final report.

PERFORMANCE

The GIAA has delivered seven audits of the OLC for 2018-19. Of the seven audits, two provided substantial assurance (stakeholder engagement, benefits of 'Modernising LeO' programme), four provided moderate assurance (business continuity, ICT infrastructure contract management, data management/GDPR, financial control framework), and one provided limited assurance (management information/forecasting).

Implementation dates have been agreed for all recommendations as part of the reporting protocol. In addition, our Management Team report progress on the implementation of recommended improvements on a regular basis to the Audit and Risk Assurance Committee. Internal Audit have issued the following assurance opinion for 2018-19 to the OLC:

'Our opinion is based primarily on the work conducted during the year but also takes into account our observations during attendance at Audit and Risk Assurance 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 this year, I am able to provide a **moderate** level of assurance regarding the OLC's framework of governance, risk management and control.'

The annual opinion descriptions are shown in the table below, including a description of this and the alternative levels of assurance.

| Opinion | Description |
|----------------|--|
| Substantial | The framework of governance, risk management and control is adequate and effective. |
| Moderate | Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. |
| Limited | There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. |
| Unsatisfactory | There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail. |

REMUNERATION AND STAFF REPORT

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

APPOINTMENT AND TERMINATION OF OLC BOARD MEMBERS

Two members of the OLC Board left their posts in 2018-19. Bernard Herdan and Michael Kaltz reached the end of their terms in March 2019.

On 21 January 2019, the LSB announced the appointments of Rod Bulmer and Shrinivas Honap as new lay members of the OLC Board. They both took up their appointments on 1 April 2019.

BOARD REMUNERATION (audited)

The remuneration of OLC Board members is shown in the tables below. Only Board members are included in this section, as 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.

| Member | Annual Rate £'000 | Year to March 2019 £'000 | Year to March 2018 £'000 |
|-----------------------|----------------------|-----------------------------|-----------------------------|
| Wanda Goldwag (Chair) | 50-55 | 50-55 | 50-55 |
| Elisabeth Bellamy | 5-10 | 5-10 | 0-5 |
| Caroline Coates | 5-10 | - | 5-10 |
| Bernard Herdan | 5-10 | 5-10 | 5-10 |
| Rebecca Hilsenrath | 5-10 | 5-10 | 5-10 |
| Michael Kaltz | 5-10 | 5-10 | 5-10 |
| Tony King | 5-10 | - | 5-10 |
| Annette Lovell | 5-10 | 5-10 | 0-5 |
| Jane McCall | 5-10 | - | 5-10 |
| Jane Martin | 5-10 | 5-10 | - |

Elisabeth Bellamy and Annette Lovell joined the OLC in March 2018. Jane Martin joined in May 2018. Tony King, Jane McCall and Caroline Coates left the OLC in March 2018.

STAFF NUMBERS AND RELATED COSTS (audited)

The annualised salary band of the highest-paid individuals in the OLC in the financial year 2018-19 was £110,000-115,000, mid-point £112,500 (2017-18: £120,000-£125,000, mid-point £122,500). The mid-point was 3.5 times (2017-18: 3.7) the median remuneration of the workforce in March 2019, which was £31,713 (2017-18: £32,907).

In 2018-19, no employees received remuneration in excess of the highest paid director (2017-18: none). Remuneration ranged from £8,500 to £111,375 (2017-18: £7,800 to £123,636). These figures excludes our piece rate workers.

Total remuneration includes salary but not employer pension contributions and the cash equivalent transfer value of pensions. All employees are eligible for interest-free season ticket loans, which are repayable over 10 months or upon leaving employment.

| Year to 31 March 2019 | Salary £'000 | Pension £'000 | Salary Sacrifice Pension Scheme £'000 | Total £'000 |
|---|-----------------|------------------|--|----------------|
| R Powell Chief Executive (left 29 March 2019) | 100 - 105 | 10 – 12.5 | 7.5 - 10 | 120 - 125 |
| R Marsh Chief Ombudsman | 105 - 110 | 10 - 12.5 | 5 - 7.5 | 120 - 125 |
| S Tunncliffe Director of Operations (left 13 April 2018) (FTE total 100-105) | 5 - 10 | 0 - 2.5 | 0 – 2.5 | 5 - 10 |

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

| Year to 31 March 2018 | Salary £'000 | Pension £'000 | Salary Sacrifice Pension Scheme £'000 | Total £'000 |
|--|-----------------|------------------|--|----------------|
| N Hawkins Chief Executive (left 29 September 2017) (FTE 120-125) | 55 - 60 | 5 - 7.5 | 2.5 - 5 | 65 - 75 |
| K Stone OBE Chief Ombudsman (left 29 December 2017) (FTE 100-105) | 75 - 80 | 7.5 - 10 | 2.5 - 5 | 85 - 90 |
| *R Powell Chief Executive | 95 - 100 | 10 – 12.5 | 7.5 - 10 | 115 - 120 |
| **S Tunncliffe Director of Operations | 75 - 80 | 7.5 - 10 | 2.5 - 5 | 85 - 90 |
| R Marsh Chief Ombudsman (from 22 Jan 18) (FTE 105-110) | 75 - 80 | 7.5 - 10 | 2.5 - 5 | 85 - 90 |

*R Powell was employed as Director of Corporate Services between 1 April 2017 and 1 October 2017 until his promotion to Chief Executive on 2 October 2017.

**S Tunncliffe was promoted from Director of Operations to act as Interim Chief Ombudsman for the period from 11 December 2017 until 21 January 2018.

| Staff Costs | 2018-19 | | | 2017-18 | | |
|------------------------|----------------|-----------------------------|-------------------------|----------------|-----------------------------|-------------------------|
| | Total £'000 | Permanent Staff £'000 | Other Staff £'000 | Total £'000 | Permanent Staff £'000 | Other Staff £'000 |
| Wages and salaries | 8,799 | 8,259 | 540 | 7,732 | 7,448 | 284 |
| Social security costs | 840 | 823 | 17 | 776 | 750 | 26 |
| Other pension costs | 618 | 600 | 18 | 607 | 591 | 16 |
| Exit packages | 19 | 19 | 0 | 45 | 45 | - |
| Total net costs | 10,276 | 9,701 | 575 | 9,160 | 8,834 | 326 |

There are no employees who were relevant union officials during 2018-19 and so no hours or associated costs were incurred.

AVERAGE NUMBER OF PERSONS EMPLOYED (audited)

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

| | Total 2018-19 | Permanent Staff 2018-19 | Other Staff 2018-19 | Total 2017-18 | Permanent Staff 2017-18 | Other Staff 2017-18 |
|-----------------------|------------------|-------------------------------|---------------------------|------------------|-------------------------------|---------------------------|
| Directly employed | 248 | 230 | 18 | 228 | 222 | 6 |
| Not directly employed | 4 | - | 4 | - | - | - |
| Total | 252 | 230 | 22 | 228 | 222 | 6 |

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

As at 31 March 2019, 69% of the staff complement were women (2018: 69%), which amounts to 193 female staff and 86 male. This year we also published our gender pay gap for 2018. There is no difference in the median salary, but the difference in the mean average hourly salary is 16% in favour of men (2017: 10%). The reasons for the difference are that at the reporting date more male pool ombudsman worked than female, and there were fewer men in lower paid positions.

4.4% of working days were lost to sickness including absence for planned medical operations (2017-18: 4.0%).

STAFF POLICIES APPLIED DURING THE YEAR

The OLC supports the Two Ticks scheme regarding the employment, retention, training and career development of disabled employees. The OLC therefore guarantees to interview those who consider themselves to have a disability and meet the criteria set out in the job description, and will appoint on merit.

Reasonable adjustment requests are agreed in consultation with an individual's line manager, occupational health and the Human Resources team. Training is continuously reviewed for all staff with their individual line managers, in conjunction with the learning and development strategy.

Health & Safety issues are regularly reviewed by the Health and Safety Committee which includes an elected member of the Staff Council. Regular quarterly Health and Safety returns are made to the MoJ and an annual report provided to the OLC Board. Our pay policy was updated in January 2019 and is consistent with guidelines on public sector pay.

REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION - EXIT PACKAGES (audited)

In 2018-19 one exit package has been agreed (2017-18: five).

| | Number of Compulsory Redundancies | Number of Other Departures Agreed | Total Number of Exit Packages by Costs Band |
|-------------------------------|-----------------------------------|-----------------------------------|---|
| < £10,000 | - | - | - |
| £10,000 - £25,000 | - | 1 | 1 |
| £25,000 - £50,000 | - | - | - |
| Total number of exit packages | - | 1 | 1 |
| Total Cost 2018-19 / £ | - | 19,136 | 19,136 |
| Total cost 2017-18 / £ | 6,888 | 37,595 | 44,583 |

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.

CONSULTANCY (audited)

There was no consultancy expenditure in the year.

OFF-PAYROLL ENGAGEMENTS (audited)

One individual – the Service Complaint Adjudicator – is considered an off-payroll engagement due to the independence requirement of the role. The Service Complaint Adjudicator is contracted on the basis of work delivered and is not paid a salary.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT (AUDITED)

This report brings together the key parliamentary accountability documents within our Annual Report and Accounts.

The OLC is a statutory body accountable to both the Ministry of Justice (MoJ) and the Legal Services Board (LSB). The operation of the supporting framework has been improved by the development and implementation of a tripartite operating protocol, which provides more detail about how the complex governance arrangements work in practice. Both the LSB and the OLC's Framework Documents make reference to the areas of overlap so that there is no confusion over where responsibility lies for ongoing financial oversight (the MoJ) or OLC performance (the LSB).

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

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; and
- 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 (MoU), which reflects the respective bodies' independent and separate functions, and facilitates constructive communication, co-operation and co-ordination of the performance of the bodies' respective responsibilities. The MoU, which is available on both the LSB and OLC websites, details the core principles underpinning the relationship, and the arrangements for:

- budget management;
- scheme rules;
- performance monitoring and reporting;
- information exchange; and
- communication.

In respect of the annual budget approval, the OLC provides a budget submission to the LSB which addresses the annual budget acceptance criteria the LSB sets in advance.

The scheme rules and any changes to them must be approved by the OLC Board and receive the consent of 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 adhere to good practice of ombudsman schemes, the OLC undertakes consultation with key stakeholders including the legal profession and consumer groups.

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.

During the year, the OLC has complied with a voluntary assurance framework agreed with the LSB in respect of the performance of the scheme. Specific members of the LSB Board attend meetings of the OLC twice a year.

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 conflicts of interest.

REGULARITY OF EXPENDITURE (AUDITED)

Losses and special payments: There were no losses and special payments in 2018-19. (2017-18: none).

Gifts: There were no gifts made by the organisation in 2018-19 that exceeded limits proscribed in Managing Public Money (HM Treasury).

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

Financial Instruments: The OLC does not have borrowings; we rely primarily on a levy on the legal services sector and case fee income for our cash requirements. Therefore we are not exposed to significant liquidity risks.

Long term expenditure trends: The OLC's initial budget in the first full year of operation was £17m in the legal jurisdiction. This reduced in each subsequent operating year until 2017-18 when there was a small increase for one year relating to the one-off costs of our modernisation programme.

Fees and charges: Analysis of fees and charges is disclosed on page 23.



Rebecca Marsh
Accounting Officer
02 July 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Legal Complaints for the year ended 31 March 2019 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Office for Legal Complaints' affairs as at 31 March 2019 and of 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 issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office for Legal Complaints in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office for Legal Complaints' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Office for Legal Complaints' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Lord Chancellor directions made under the Legal Services Act 2007;
- in the light of the knowledge and understanding of the Office for Legal Complaints and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Overview, Performance Analysis or the Accountability Report; and the information given in Performance Overview, Performance Analysis or the 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 Accountability Report 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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
08 July 2019

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 2019

| Income | Note | 2018-19 £'000 | 2017-18 £'000 |
|--|------|------------------|------------------|
| Income from operating activities | 4 | 12,034 | 11,120 |
| Total | | 12,034 | 11,120 |
| | - | - | - |
| Staff costs | 3 | (10,276) | (9,160) |
| Depreciation, amortisation and impairment | 5,6 | (414) | (440) |
| Provision expense | 11 | 35 | (37) |
| Other operating expenditure | 3 | (2,639) | (2,764) |
| Total operating expenditure | | (13,294) | (12,401) |
| Net operating expenditure | | (1,260) | (1,281) |
| Interest receivable | | 64 | 26 |
| Taxation | | (12) | (5) |
| Net expenditure after interest and taxation | | (1,208) | (1,260) |

The notes on pages 50 to 59 are part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

The notes on pages 50 to 59 are part of these financial statements.

| Non-current assets | Note | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
|---------------------------------|------|---------------|---------------|---------------|---------------|
| Property, plant and equipment | 5 | 582 | | 711 | |
| Intangible assets | 6 | 449 | | 605 | |
| Total non-current assets | | | 1,031 | | 1,316 |

| Current assets | | | | | |
|-----------------------------|---|--------|---------------|--------|---------------|
| Trade and other receivables | 8 | 10,148 | | 352 | |
| Cash and cash equivalents | 9 | 8,594 | | 16,708 | |
| Total current assets | | | 18,742 | | 17,060 |
| Total assets | | | 19,773 | | 18,376 |

| Current liabilities | | | | | |
|--|----|-----|---------------|-------|---------------|
| Trade and other payables | 10 | 657 | | 286 | |
| Provisions | 11 | 167 | | 186 | |
| Other liabilities | 10 | 959 | | 1,116 | |
| Total current liabilities | | | 1,783 | | 1,588 |
| Total assets less current liabilities | | | 17,990 | | 16,788 |

| Non-current liabilities | | | | | |
|--------------------------------------|----|-----|---------------|-----|---------------|
| Provisions / Other payables | 11 | 254 | | 297 | |
| Total non-current liabilities | | | 254 | | 297 |
| Total assets less liabilities | | | 17,736 | | 16,491 |

| Taxpayers' Equity and other reserves | | | | | |
|--------------------------------------|--|--|---------------|--|---------------|
| General Fund | | | 17,736 | | 16,491 |
| Total | | | 17,736 | | 16,491 |



Rebecca Marsh
Accounting Officer
02 July 2019

STATEMENT OF CASH FLOWS

For the year ending 31 March 2019

| Cash flows from operating activities | Note | 2018-19 £'000 | 2017-18 £'000 |
|---|----------|------------------|------------------|
| Net operating expenditure | | (1,260) | (1,281) |
| Adjustments for non-cash transactions | 3 | 379 | 477 |
| (Increase)/decrease in trade and other receivables | 8 | (9,796) | 154 |
| Increase/(decrease) in trade and other payables | 10 | 214 | (306) |
| Use of provisions | 11 | (27) | (12) |
| Interest receivable | | 64 | 26 |
| Taxation | | (12) | (5) |
| Net cash outflow from operating activities | | (10,438) | (947) |
| Purchase of property, plant and equipment | 5 | (69) | (68) |
| Purchase of intangible assets | 6 | (60) | (375) |
| Net cash outflow from investing activities | | (129) | (443) |
| Grants from sponsoring department | | 2,453 | 1,364 |
| Net financing | | - | - |
| Net increase/(decrease) in cash and cash equivalents in the year | 9 | (8,114) | (26) |
| Cash and cash equivalents at the beginning of the year | 9 | 16,708 | 16,734 |
| Cash and cash equivalents at the end of the year | 9 | 8,594 | 16,708 |

The notes on pages 50 to 59 are part of these financial statements.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ending 31 March 2019

The notes on pages 50 to 59 are part of these financial statements.

| | Total reserves £'000 |
|--|---------------------------------|
| Balance at 31 March 2017 | 16,387 |
| Changes in taxpayers' equity for 2017-18 | |
| Grants of sponsoring department | 1,364 |
| Net expenditure for the year after interest and taxation | (1,260) |
| Revaluation gains and losses/Transfer between reserves | 0 |
| Notional transfer to Consolidated Funds | (11,010) |
| Notional receipts from Sponsor | 11,010 |
| Balance at 31 March 2018 | 16,491 |
| Changes in taxpayers' equity for 2018-19 | |
| Grants of sponsoring department | 2,453 |
| Net expenditure for the year after interest and taxation | (1,208) |
| Revaluation gains and losses/Transfer between reserves | 0 |
| Notional transfer to Consolidated Funds | (11,970) |
| Notional receipts from Sponsor | 11,970 |
| Balance at 31 March 2019 | 17,736 |

Notes to the Office for Legal Complaints accounts

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy has been selected which is judged to be most appropriate to the particular circumstances of the OLC, for the purpose of giving a true and fair view. 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.

1.1.1 Accounting convention

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

1.1.2 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 2019, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2020. 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 CMC complaint-related activities and has fully funded the operation until 31 March 2019. From 1 April 2019 the responsibility for handling complaints for CMC-related activities transfers to the Financial Ombudsman Service and will no longer be the responsibility of the OLC.

1.1.3 Income

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

The Legal Services Act 2007 requires the Office for Legal Complaints to set charges (case fees) for all complaints we accept as being within the jurisdiction of the Legal Ombudsman scheme. However, a case fee may be waived in certain circumstances. These are where the complaint was abandoned or withdrawn; or settled, resolved or determined in favour of the authorised person; and an ombudsman is satisfied that the lawyer took all reasonable steps to try to resolve the complaint under their own procedure. Case fee income is recognised in the year that the case is resolved. Amounts charged in respect of case fees correspondingly reduce amounts due in respect of the levy due from Approved Regulators. In accordance with IFRS 15 no case fees are recognised where there are no chances of recovery.

The LSB, in conjunction with the MoJ and HM Treasury, is seeking to identify a suitable legislative vehicle to make an amendment to s175 of the Act. This is to confirm the current practice whereby the OLC retains all amounts received through the levy and any prescribed fees rather than passing this over to the Consolidated Fund and then having the same amounts returned to it by the MoJ. The LSB

and OLC believe that this was the intention of Parliament when debating the Bill to set up the LSB and OLC, although some of the drafting of s175 does not capture this intent correctly.

To comply with the requirements of s175 for the year ended 31 March 2019 the MoJ will be responsible for making a payment on behalf of the OLC to the Consolidated Fund equivalent to the income received by the OLC for the year from the levy and prescribed fees. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity. An equal amount is shown as a notional receipt from the sponsoring department.

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

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

The application of these steps has created no change in the measurement and recognition of the OLC's revenue compared to the previous standard IAS 18 revenue recognition.

1.1.4 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 2018-19 this was £1,208k (2017-18: £1,260k), and the payment for this was received in March 2019.

1.1.5 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 is shown as financing in the General Reserve, in line with FReM guidance.

1.1.6 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 to their residual value over their useful economic life in equal monthly instalments. The first instalments are charged in the month of bringing the asset into use and no charge is made in the month of disposal.

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

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

1.1.7 Intangible assets

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

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

1.1.8 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.

1.1.9 Leases

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

1.1.10 Value Added Tax

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

1.1.11 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.

1.1.12 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.

1.1.13 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.

1.1.14 Impending application of newly issued accounting standards not yet effective

There are two new IFRS that are effective for the first time this year accounts, IFRS 9 and IFRS 15. We have completed an assessment and IFRS 9 and IFRS 15 have no impact on our financial statements.

New standards, amendments and interpretations issued, but not yet effective, are as follows:

| Standard | Standard to be adopted by government departments |
|----------------|--|
| IFRS 16 Leases | 1 April 2020 |

IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard is not yet effective for public sector reporting and HM Treasury has recommended deferral of implementation to years beginning on or after 1 April 2020. The full impact of IFRS 16 will therefore not be determined until it has been formally adopted for use in public sector by the FReM.

1.1.15 Financial instruments

The OLC does not hold any complex financial instruments. The only financial instruments included in the Accounts are receivables and payables (notes 11 and 13)

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

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

2. ANALYSIS OF NET EXPENDITURE BY SEGMENT

The OLC's principal operation is the provision of an independent and impartial ombudsman scheme to resolve consumers' disputes involving their lawyer or claims management company.

| | 2018-19 | | | 2017-18 | | |
|--|---------|-------------------|--------------|---------|-------------------|--------------|
| | Legal | Claims Management | Total | Legal | Claims Management | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross expenditure after interest and tax | 11,899 | 1,343 | 13,242 | 10,928 | 1,452 | 12,380 |
| Income | 11,899 | 135 | 12,034 | 10,928 | 192 | 11,120 |
| Net expenditure | - | 1,208 | 1,208 | - | 1,260 | 1,260 |

3. EXPENDITURE

Further analysis of staff costs is located in the Remuneration and Staff report on pages 38 to 40.

| | Note | 2018-19 £'000 | 2017-18 £'000 |
|---|------|------------------|------------------|
| Staff Costs | | | |
| Wages and salaries | | 8,799 | 7,732 |
| Social Security costs | | 840 | 776 |
| Other pension costs | | 618 | 607 |
| Exit costs | | 19 | 45 |
| Total Staff Costs | | 10,276 | 9,160 |
| IT and telecoms | | 1,285 | 1,261 |
| Uncollectible debts | | 65 | 109 |
| Facilities services | | 248 | 275 |
| External communications | | 108 | 172 |
| Staff wellbeing | | 91 | 78 |
| Legal and professional fees | | 53 | 18 |
| Rentals under operating leases | | 167 | 195 |
| Recruitment costs | | 129 | 119 |
| Premises costs | | 280 | 312 |
| Other running costs | | 27 | 31 |
| Training | | 91 | 89 |
| External audit fees | | 34 | 31 |
| Internal audit fees | | 47 | 38 |
| Travel and subsistence | | 14 | 36 |
| Total cash operating expenditure | | 2,639 | 2,764 |
| Total cash items | | 12,915 | 11,924 |
| Increase in dilapidations provision | | (43) | (7) |
| Increase in professional provisions | | 8 | 44 |
| Loss / Profit on disposal of assets | | - | 72 |
| Depreciation | 6 | 198 | 188 |
| Amortisation | 7 | 216 | 180 |
| Total non-cash items | | 379 | 477 |
| Total | | 13,294 | 12,401 |

4. INCOME

Levy income represents amounts due in respect of the annual levy due for Approved Regulators (see note 1.3). Case fee income represents amounts due in respect of case fees chargeable in respect of cases closed in 2018-19 (see note 1.3).

| | 2018-19 £'000 | 2017-18 £'000 |
|--|------------------|------------------|
| Levy income in respect of the Legal Ombudsman scheme | 10,697 | 10,034 |
| Case fee income | 1,161 | 1,078 |
| Other income | 176 | 8 |
| Total | 12,034 | 11,120 |

5. PROPERTY, PLANT AND EQUIPMENT

| 2018-19 | Information Technology £'000 | Leasehold improvements £'000 | Furniture and fittings £'000 | Payments on account assets under construction £'000 | Total £'000 |
|--|---------------------------------|---------------------------------|---------------------------------|--|----------------|
| Cost or valuation | | | | | |
| At 31 March 2018 | 530 | 654 | 488 | - | 1,672 |
| Additions | 66 | - | 3 | - | 69 |
| Disposals | (32) | - | - | - | (32) |
| Reclassifications | - | - | - | - | - |
| Transfer | - | - | - | - | - |
| At 31 March 2019 | 564 | 654 | 491 | - | 1,709 |
| Depreciation | | | | | |
| At 31 March 2018 | 372 | 206 | 383 | - | 961 |
| Charged in the year | 99 | 66 | 33 | - | 198 |
| Disposal depreciation charge | (32) | - | - | - | (32) |
| Reclassifications | - | - | - | - | - |
| Transfer | - | - | - | - | - |
| At 31 March 2019 | 439 | 272 | 416 | - | 1,127 |
| Net Book Value at 31 March 2019 | 125 | 382 | 75 | - | 582 |
| Net Book Value at 31 March 2018 | 158 | 448 | 105 | - | 711 |

| 2017-18 | Information Technology £'000 | Leasehold improvements £'000 | Furniture and fittings £'000 | Payments on account assets under construction £'000 | Total £'000 |
|--|---------------------------------|---------------------------------|---------------------------------|--|----------------|
| Cost or valuation | | | | | |
| At 31 March 2017 | 697 | 654 | 541 | - | 1,892 |
| Additions | 66 | - | 2 | - | 68 |
| Disposals | (233) | - | (55) | - | (288) |
| Reclassifications | - | - | - | - | - |
| Transfer | - | - | - | - | - |
| At 31 March 2018 | 530 | 654 | 488 | - | 1,672 |
| Depreciation | | | | | |
| At 31 March 2017 | 527 | 142 | 353 | - | 1,022 |
| Charged in the year | 76 | 64 | 48 | - | 188 |
| Disposal depreciation charge | (231) | - | (18) | - | (249) |
| Reclassifications | - | - | - | - | - |
| Transfer | - | - | - | - | - |
| At 31 March 2018 | 372 | 206 | 383 | - | 961 |
| Net Book Value at 31 March 2018 | 158 | 448 | 105 | - | 711 |
| Net Book Value at 31 March 2017 | 170 | 512 | 188 | - | 870 |

6. INTANGIBLE ASSETS

| 2018-19 | Information Technology £'000 | Software Licenses £'000 | Payments on account assets under construction £'000 | Total £'000 |
|--|---------------------------------|----------------------------|--|----------------|
| Cost or valuation | | | | |
| At 31 March 2018 | 661 | 596 | 553 | 1,810 |
| Additions | 60 | - | - | 60 |
| Disposals | - | - | - | - |
| Reclassifications | 553 | - | (553) | - |
| Transfer | - | - | - | - |
| At 31 March 2019 | 1,274 | 596 | - | 1,870 |
| Depreciation | | | | |
| At 31 March 2018 | 636 | 569 | - | 1,205 |
| Charged in the year | 212 | 4 | - | 216 |
| Disposal depreciation charge | - | - | - | - |
| Reclassifications | - | - | - | - |
| Transfer | - | - | - | - |
| At 31 March 2019 | 848 | 573 | - | 1,421 |
| Net Book Value at 31 March 2019 | 426 | 23 | - | 449 |
| Net Book Value at 31 March 2018 | 25 | 27 | 553 | 605 |

| 2017-18 | Information Technology £'000 | Software Licenses £'000 | Payments on account assets under construction £'000 | Total £'000 |
|--|---------------------------------|----------------------------|--|----------------|
| Cost or valuation | | | | |
| At 31 March 2017 | 1,106 | 1,187 | 196 | 2,489 |
| Additions | 18 | - | 357 | 375 |
| Disposals | (463) | (591) | - | (1,054) |
| Reclassifications | - | - | - | - |
| Transfer | - | - | - | - |
| At 31 March 2018 | 661 | 596 | 553 | 1,810 |
| Depreciation | | | | |
| At 31 March 2017 | 897 | 1,149 | - | 2,046 |
| Charged in the year | 169 | 11 | - | 180 |
| Disposal depreciation charge | (430) | (591) | - | (1,021) |
| Reclassifications | - | - | - | - |
| -Transfer | - | - | - | - |
| At 31 March 2018 | 636 | 569 | - | 1,205 |
| Net Book Value at 31 March 2018 | 25 | 27 | 553 | 605 |
| Net Book Value at 31 March 2017 | 209 | 38 | 196 | 443 |

7. IMPAIRMENTS

There were no Impairments in 2018-19 (2017-18: none).

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

| Amounts falling due within one year: | As at 31 March 2019 £'000 | As at 31 March 2018 £'000 |
|--------------------------------------|---------------------------------|---------------------------------|
| Case fee receivables | 172 | 70 |
| Other contract receivables | 9,749 | 0 |
| Other receivables | 27 | 9 |
| Prepayments | 200 | 236 |
| Accrued income | 0 | 37 |
| Total | 10,148 | 352 |

9. CASH AND CASH EQUIVALENTS

| | As at 31 March 2019 £'000 | As at 31 March 2018 £'000 |
|---|---------------------------------|---------------------------------|
| Opening balance | 16,708 | 16,734 |
| Net change in cash and cash equivalent balances | (8,114) | (26) |
| Closing balance | 8,594 | 16,708 |
| The following balances at 31 March were held at: | | |
| Government Banking Services | 8,594 | 16,708 |
| Closing balance | 8,594 | 16,708 |

10. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

| Amounts falling due within one year: | As at 31 March 2019 £'000 | As at 31 March 2018 £'000 |
|---|---------------------------------|---------------------------------|
| Trade payables | 482 | 192 |
| Other payables | 175 | 94 |
| Trade and other payables | 657 | 286 |
| Intra-government balances – other taxation and social security | 223 | 204 |
| Intra-government balances – Ministry of Justice | 18 | 49 |
| Accruals | 646 | 574 |
| Deferred Income | 72 | 289 |
| Other liabilities | 959 | 1,116 |
| Total | 1,616 | 1,402 |

11. PROVISIONS FOR LIABILITIES AND CHARGES

| | Other £'000 | Leasehold dilapidations £'000 | Total provisions £'000 |
|---|----------------|-------------------------------------|---------------------------|
| Balance as at 1 April 2018 | 86 | 397 | 483 |
| Provided in the year | 72 | - | 72 |
| Provisions not required written back | (64) | - | (64) |
| Provisions utilised in the year | (27) | - | (27) |
| Unwinding of discount | - | (43) | (43) |
| Balance as at 31 March 2019 | 67 | 354 | 421 |
| Expected timing of cash flows | | | |
| Not later than one year | 67 | 100 | 167 |
| Later than one year and not later than five years | - | 254 | 254 |
| Later than five years | - | - | - |
| Balance as at 31 March 2019 | 67 | 354 | 421 |

12. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2019 not otherwise included in these financial statements amounted to nil (2017-18: nil).

13. COMMITMENTS UNDER LEASES

| Obligations under operating leases for the following periods comprise | 2018-19 £'000 | 2017-18 £'000 |
|---|------------------|------------------|
| Buildings | | |
| Not later than one year | 119 | 248 |
| Later than one year and not later than five years | 952 | 62 |
| Later than five Year years | 59 | 0 |
| Total | 1,130 | 310 |

| Obligations under operating leases for the following periods comprise | 2018-19 £'000 | 2017-18 £'000 |
|---|------------------|------------------|
| Equipment | | |
| Not later than one year | 1 | 2 |
| Later than one year and not later than five years | - | 1 |
| Total | 1 | 3 |

14. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

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

15. RELATED-PARTY TRANSACTIONS

The OLC has a direct relationship with the LSB. The LSB has certain oversight responsibilities in relation to the OLC and its responsibilities to administer the scheme. Under the Legal Services Act 2007 the LSB is responsible for appointing and paying the salaries and expenses of the OLC Board members, which for the whole reporting period amounted to £119k (2017-18: £121k). The payment for salaries of the OLC Board members for 2018-19 was £112k (2017-18: £113k).

The Ministry of Justice (MoJ) is the OLC's parent body and provides working capital financing to the OLC through Grant in Aid. During the year to 31 March 2019, £2,453k was received (2017-18: £1,364k).

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

16. EVENTS AFTER THE REPORTING PERIOD

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

There were no post-reporting period events.

APPENDIX 1:

REGULATORY OBJECTIVES

The table below lists the eight regulatory objectives, as outlined in Section 1(1) of the Legal Services Act 2007, and how the Office for Legal Complaints has contributed to them during 2018-19.

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

APPENDIX 2:

SERVICE COMPLAINT ADJUDICATOR'S REPORT

ROLE OF THE SERVICE COMPLAINT ADJUDICATOR

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

WORKLOAD

Service complaints received in 2018-19

| | Stage 1 | Stage 2 | Stage 3 |
|----------------------|---------|---------|---------|
| Number of complaints | 183 | 45 | 28 |

At Stage 1 the complaint is considered by our Customer Experience Specialist and at Stage 2 it is considered by a senior manager.

I considered 25 complaints about the Legal Ombudsman's service this business year, which included 258 individual issues of complaint that were within my remit.

I supported 35 individual issues of complaint (13.5%) in 16 cases I looked at. That is a slight reduction of 1.5% on the year end position last year (15%).

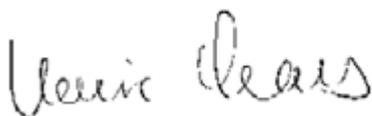
AREAS FOR SERVICE IMPROVEMENT

The OLC has agreed to all my recommendations for service improvement as set out in my report to its Board.

CONCLUSION

As in previous years, 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 16 of the cases I have seen, overall the decisions and explanations provided at the first two stages of the complaints process are appropriate. There is some room for improvement at Stage 2 and recommendations have been adopted to take those forward.

I am again pleased that where I have had concerns about the service provided, the OLC has apologised for that and have agreed to the remedies I recommended. I am also very pleased that the OLC has continued to be receptive to the service improvements I have suggested and have taken or are taking those forward.



Claire Evans

Service Complaint Adjudicator

The above is a summary of the Service Complaint Adjudicator's annual report. The full report can be found on the Legal Ombudsman's website.

