

Elisabeth Davies
Chair
Office for Legal Complaints
Sent by email only



Legal Services Board
3rd Floor, The Rookery
2 Dyott Street
London
WC1A 1DE

T 020 7271 0050

www.legalservicesboard.org.uk

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OLC in-year budget variation application: decision letter

Dear Elisabeth

The Board held an extraordinary meeting on 20 November to consider the OLC's request to increase its 2020-21 budget by 2.7% (£344,315).

The Board approved the request but with the following observations.

Schedule 15, para 23(1) of the Legal Services Act 2007 permits the OLC to seek an in-year variation to its budget. The Board recognised the exceptional circumstances that contributed to the request this year. However, it emphasised that this provision should only be used rarely, not least to avoid causing uncertainty for levy payers.

The Board is mindful of the financial pressures facing the sector due to Covid-19. However, the Board was satisfied the specific request was rational, proportionate, and that alternatives had been considered. It considered the areas of additional spend, especially in relation to strengthening the Legal Ombudsman's leadership, were a necessary investment to address performance issues. Equally, the Board's decision should not imply support for the significant additional investment that, subject to public consultation, the OLC intends to seek for 2021-22. The Board will shortly consider the OLC's draft application for 2021-22 and is clear that further investment must be clearly justified against the LSB's acceptance criteria. These criteria include consideration of stakeholder views on the budget application.

In the context of Covid-19, the Board shares the OLC's frustration that it was unable to access its reserves to fund the sum requested. The Board noted that OLC's total reserves greatly exceed the level of funds that would be required to wind-down the

organisation. It is imperative that together we will continue to explore this issue with government officials.

The Board was disappointed that a significant proportion of the amount requested relates to calculation errors in the original 2020-21 budget application. It took some assurance from hearing that the errors were discovered due to more robust controls. The annex to the application sets out the reasons for the errors being made and the measures put in place to seek to ensure these will not be repeated.

The Board noted a risk that the new chief ombudsman and chief operating officer may wish to pursue an alternative staffing structure. However, it noted that the proposal to recruit to new senior positions carries the OLC Board's endorsement.

On some specific line items:

- “Cost associated with accrued annual leave and providing for staff to carry over additional leave” – executive colleagues have clarified that OLC plans to accrue this amount at year end. Notwithstanding the unusual circumstances created by Covid-19, the Board was concerned that a policy allowing staff to carry over higher than normal amounts of leave could have knock-on consequences (potentially deferring a problem for delivery into next year, but also due to the benefits of taking annual leave for maintaining productivity and wellbeing in the current year).
- More generally in relation to Covid-19 related costs, the Board wished to understand if any savings had been made (e.g. travel and other overheads).
- “One off high performance pay rewards” – the Board was surprised to note the quantum given the current performance situation.

Since the Lord Chancellor must approve the amount to be raised by way of the levy, approval from the Ministry of Justice as well as the Board is required. Executive colleagues have advised officials of the Board's decision. Subject to this approval, the additional budget is due to be invoiced in March 2022.

This decision letter will be published on the LSB's website.

Yours sincerely

A handwritten signature in black ink that reads "Helen Phillips". The signature is written in a cursive, flowing style.

Dr Helen Phillips
Chair