

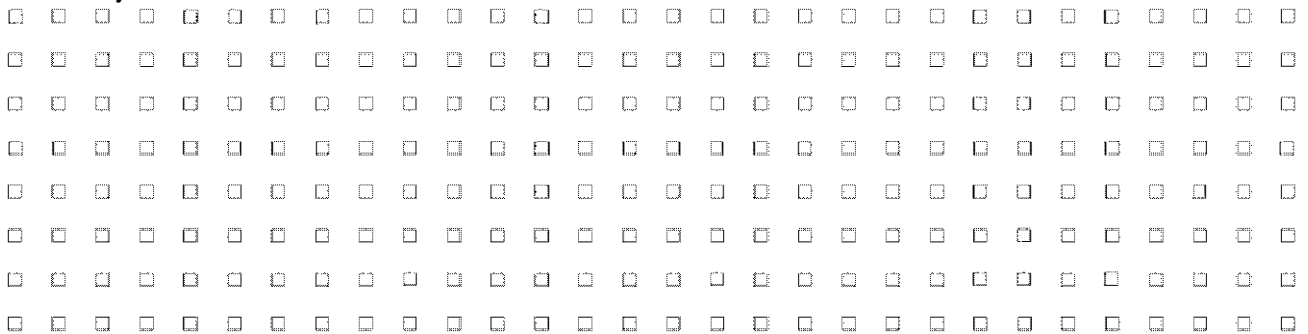


Ministry
of Justice

Framework Document

Agreement between the Ministry of Justice and the Office for Legal Complaints

January 2015



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Introduction

Purpose of the Framework Document

1. This framework document has been drawn up by the Ministry of Justice (MoJ) in consultation with the Office for Legal Complaints (OLC) and the Legal Services Board (LSB). It has also been shared with the LSB, in recognition of the governance relationship between the OLC and the LSB, as set out in the Legal Services Act 2007 (“the Act”), in particular in Part 6 of and Schedule 15 to the Act¹.
2. Subject to the Legal Services Act 2007, this document sets out the broad framework within which the OLC will operate and details the relationship between the MoJ and the OLC and their respective responsibilities. The document sets out how both parties will:
 - meet their responsibilities which are set out under the Act and in this framework document;
 - ensure regular contact and communicate with one another;
 - undertake proper planning and ensure accountability; and support each other in the discharge of their respective responsibilities
3. This document should not be interpreted as detracting in any way from the statutory operational independence of the Legal Ombudsman scheme, and the OLC has discretion especially around its policies, procedures, processes and decisions in the course of its casework.
4. This Framework document does not convey any legal powers or responsibilities and legislative provisions will take precedence over any part of the document.
5. It is signed and dated by the Ministry of Justice and the Office for Legal Complaints.
6. Copies of the document and any subsequent amendments have been placed in the Libraries of both houses of Parliament and made available to members of the public on the Office for Legal Complaints’ website.

Reviews and amendments

7. The MoJ also carries out an annual risk analysis to monitor the status of the OLC in terms of the appropriate sponsorship oversight, as required by the MoJ’s Arm’s Length Body Governance Division.
8. This framework document will be formally reviewed by the MoJ, in consultation with the OLC, and LSB, every three years. The next formal review will be in 2018.

¹ The MoJ has a separate Framework Document with the LSB. The OLC has a separate memorandum of understanding with the LSB.

9. Outside formal reviews, the MoJ or OLC may propose amendments to this document at any time. Any such proposals will be considered by both the MoJ and OLC in the light of evolving MoJ and OLC policy aims, operational factors and experience. The guiding principle will be that the OLC will have the flexibility and freedom within the context of wider government oversight, appropriate to its operational needs and the quality of its internal controls.
10. In consultation with the OLC, the MoJ will draft changes, as necessary, to the document. All changes will require approval by the OLC and MoJ. Significant variations will require the approval of the Principal Accounting Officer (PAO) and, in some cases, approval by HM Treasury. Revisions will be shared with the LSB.
11. In the event of questions arising in relation to the interpretation of this agreement, the MoJ OLC or LSB may require a meeting to clarify the matter and identify any necessary actions or external consultation. This meeting and subsequent action shall take place as soon as practicable after the initial request.

Note on drafting

12. To distinguish the OLC Board from the rest of the OLC the document will refer to the 'OLC Board'. The Legal Ombudsman scheme is provided for by Part 6 of the 2007 Act and administered by OLC in accordance with that Part. The Legal Ombudsman scheme is not a separate entity to the OLC.

Overview of the governance relationship between the Office for Legal Complaints, Legal Services Board and Ministry of Justice

13. The governance arrangement for the Office for Legal Complaints (OLC) is unusual and differs from most Arms Length Bodies' (ALBs) governance arrangements. The OLC was set up in statute by the Legal Services Act 2007 ("the Act"), as was the Legal Services Board (LSB). Under the Act, the LSB has a number of statutory responsibilities in relation to the governance and oversight of the OLC. However, the OLC and LSB are both ALBs of the Ministry of Justice (MoJ). As a statutory body, the OLC is part of the public sector financial regime and comes under the MoJ's departmental sponsorship. As such the MoJ also has a role in overseeing the OLC and in doing so, ensures value for money and provides assurance to the public, the legal profession and claims management sector.
14. The OLC recognises it has a dual accountability to the MoJ and LSB as set out in the Act.
15. The OLC came into being on 1 July 2009. It was established to set up and maintain an ombudsman scheme ('the Legal Ombudsman') that is independent in its decision making. It was created to be the first point of contact for all complaints relating to the service provided by 'authorised persons' (solicitors, barristers, legal executives and other professionals authorised under the Act to carry out a reserved legal activity). The purpose was to remove the previous uncertainty amongst consumers as to where or to whom they should address their complaint and create a simpler accessible system to provide a route of redress for consumers of legal services.
16. In January 2015 section 161 of the Legal Services Act 2007 was commenced to extend the Legal Ombudsman's remit to include complaints about claims management companies (CMCs) authorised by the Claims Management Regulator. Under the Act, it was intended that, as with the rest of the OLC's work, the costs associated with the Ombudsman dealing with complaints about CMCs would fall on the industry regulator (via the Act's section 173 levy rules). The Claims Management Regulator (CMR) would, in turn, recover the costs from authorised businesses. However, as no one is designated as the CMR under the Compensation Act 2006, and the Secretary of State carries out the function, the statutory levy powers at section 173 could not be used.
17. Alternative funding arrangements for claims management companies were put in place through provisions in the Financial Services (Banking Reform) Act 2013 (which amended the Legal Services Act 2007). These arrangements (where the Lord Chancellor meets the OLC's costs through grant-in-aid under section 172 of the Act and then recovers these directly from authorised CMCs) meant a new direct financial relationship between the MoJ and OLC. As a result additional governance arrangements, alongside the LSB's statutory responsibilities for the OLC, have been put in place (as set out in this framework document).
18. In brief, under the Act, the LSB oversees and is responsible for approving the OLC's budget, performance, setting targets and approving any Scheme Rules changes, irrespective of whether these relate to legal services or CMCs. However, additional to this, in recognition of the MoJ's direct financial relationship with the OLC, in relation to the Legal Ombudsman's claims management complaints remit (where funding is

routed through grant-in-aid from MoJ and recouped by MoJ through Lord Chancellor Fees), the MoJ must agree the OLC's budget (grant-in-aid) and be consulted by OLC on performance, targets and any Scheme Rules changes, which may impact on agreed amounts of grant-in-aid (note Lord Chancellor powers with regard to grant-in-aid under section 172(2) of the Act).

19. The OLC will work with the Claims Management Regulator (CMR), as it does with the other Approved Regulators² to assist them in raising standards across the relevant sector and assist them in discharging their disciplinary functions.

Principle of the operational independence of the Legal Ombudsman Scheme

20. The OLC is the legal entity and non-executive board which oversees, establishes and maintains the Legal Ombudsman scheme. For the avoidance of doubt, in no circumstances will the OLC or the MoJ intervene or engage in correspondence on substantive issues in relation to the determination of an individual complaint by an Ombudsman, either at the stage of initial determination or if a complaint is made about the substance of a decision after the event.

² Approved Regulators under the Legal Services Act 2007 are the regulators of reserved legal activities. By virtue of s161 of the 2007 Act, the Claims Management Regulator is treated as an Approved Regulator, for the purposes of Part 6 of the 2007 Act.

Governance and accountability

Legal origins of OLC powers and duties

21. The OLC's powers and duties stem from Part 6, Part 7 and Schedule 15 of the Legal Services Act 2007 ("the Act"). The OLC is expected to also have statutory duties arising from the EU Directive on consumer Alternative Dispute Resolution³.

Ministerial responsibility

22. Under the Act, the Lord Chancellor is responsible for:

- laying the OLC's annual report and accounts before parliament (paragraph 26 of Schedule 15 to, and section 118 of, the Act);
- approving the appointment of the Chairman of the OLC(paragraph 1 of Schedule 15 to the Act);
- consenting to the case fee structure payable by complaint respondents as outlined under section 155(1)(b);
- paying the OLC such sums, through grant-in-aid, grant, or other funds, as he/she deems appropriate for meeting the OLC's expenditure and securing Parliamentary approval;
- considering and acting appropriately on advice and recommendations made by the OLC as set out in the Act;
- considering and acting appropriately on advice and recommendations made by the LSB, in relation to the OLC, as set out in the Act;

23. The Lord Chancellor or Justice Minister will account for OLC's business in Parliament.

MoJ's Principal Accounting Officer's specific accountabilities and responsibilities

24. The PAO of MoJ is responsible for designating the appropriate person as the OLC's Accounting Officer. (The respective responsibilities of a PAO and Accounting Officers for ALBs are set out in Chapter 3 of *Managing Public Money*⁴).

25. The PAO is accountable to Parliament for any grant-in-aid or other public funds given to the OLC and is also responsible for advising the Lord Chancellor on:

³ EU Directive 2013/11/EU, to be implemented from July 2015.

⁴ <https://www.gov.uk/government/publications/managing-public-money>

- The conditions under which any public grant funds are paid to the OLC (“public funds” include not only any funds granted to the OLC by Parliament but also any other funds generated by the levy and other approved activities).
- How the OLC’s objectives and targets fit with and contribute to the aims and requirements of the Act.
- An appropriate budget for the OLC. (In the context of agreeing the amount of levy and case fees with regard to the OLC’s legal services complaints remit⁵ and agreeing the amount of grant-in-aid and case fees with regard to the OLC’s claims management complaints remit).
- How well the OLC is achieving its strategic objectives and whether it is delivering value for money.

26. The PAO is also responsible for ensuring arrangements are in place in order to:

- Monitor the OLC’s activities (in accordance with the OLC’s status as a level 2 body in terms of departmental sponsorship).
- Address significant problems in the OLC, making such interventions as are judged necessary.
- Respond to requests for advice and assistance from the OLC.
- Periodically carry out an assessment of the risks both to the department and the OLC’s objectives and activities
- Inform the OLC of relevant government policy in a timely manner; and
- Bring concerns (raised by MoJ as a result of sponsorship responsibilities) about the activities of the OLC to the full OLC Board in consultation with the LSB, and, as appropriate, to the departmental board, requiring explanations and assurances that appropriate action has been taken.

27. In the MoJ, the Legal Services Policy team is the primary contact for the OLC. The Legal Services Policy team are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the OLC. They also support the PAO on his or her responsibilities towards the OLC.

Responsibilities of the OLC’s Accounting Officer

General

28. The Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the OLC and the Legal Ombudsman scheme. In addition, he or she should ensure that the OLC as a whole is run on the basis of the standards, in terms

⁵ As required by Rule 2(5) Legal Services Act 2007 (Levy) (No 2) Rules 2010

of governance, decision-making and financial management that are set out in Box 3.1 of *Managing Public Money*.

Responsibilities for Accounting to Parliament

29. The accountabilities include:

- signing the annual report and accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the OLC and Legal Ombudsman scheme are established and made widely known;
- acting in accordance with the terms of this document, *Managing Public Money* and other instructions and guidance issued from time to time by the MoJ, the Treasury and the Cabinet Office;
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on the OLC's stewardship of public funds.

Responsibilities to the MoJ

30. Particular responsibilities to the MoJ include:

- establishing, in consultation with the MoJ and the LSB, the OLC's business and strategic plans, and related budgets;
- informing the MoJ of how resources are being used to achieve the OLC's objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the MoJ; that the MoJ is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the MoJ in a timely fashion.

Responsibilities to the OLC Board

31. The OLC Accounting Officer is responsible for:

- advising the OLC Board on the discharge of the OLC Board's responsibilities as set out in this document, in the 2007 Act and in any other relevant instructions and guidance from the MoJ, HM Treasury, Cabinet Office or any other relevant source, that may be issued from time to time;

- ensuring that financial considerations are taken fully into account by the OLC Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.8.6 of *Managing Public Money* if the OLC Board, or its Chairman, is contemplating a course of action involving a transaction, which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical, then his or her reservations should be made clear, preferably in writing;
- having taken the action set out in paragraphs 3.8.6, acting on any subsequent Direction of the OLC Board, notwithstanding the AO's clearly stated reservations.

The OLC Board Responsibilities

32. The OLC Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The OLC Board must set up an Audit and Risk Committee chaired by an independent non-executive member to provide independent advice. The OLC Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

33. The OLC Board as a whole is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of the OLC and Legal Ombudsman scheme consistent with its overall strategic direction and within the policy and resources framework determined by Ministers;
- ensuring that Ministers are kept informed of any changes which are likely to impact on the strategic direction of the OLC Board or Legal Ombudsman scheme or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the OLC Board operates within the limits of its statutory authority and any delegated financial authority agreed with the MoJ, and in accordance with any other conditions relating to the use of public funds and that, in reaching decisions, the OLC Board takes into account guidance issued by the sponsor, MoJ or HM Treasury;
- ensuring that the OLC Board receives and reviews regular financial information concerning the management of the OLC and Legal Ombudsman scheme; is informed in a timely manner about any concerns about the activities of the OLC and Legal Ombudsman scheme; and provides positive assurance to the MoJ and LSB that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the OLC Board to address key financial and other risks;

- appointing a Chief Ombudsman and one or more other persons to act as assistant ombudsmen with the consent of the Chief Ombudsman;
- Setting performance objectives and remuneration terms, linked to the objectives, for the Chief Executive. In particular, when the Chief Executive is expected to be designated as Accounting Officer, these should give due weight to the proper management and use and utilization of public resources;
- ensuring that, as per the Act, terms and conditions of an Ombudsman’s appointment (including terms as to the duration and termination of a person’s appointment and as to remuneration) are such as the OLC considers consistent with ensuring the independence of the person appointed and otherwise appropriate; and
- ensuring that the OLC is compliant with the requirements of the EU Directive on Consumer ADR⁶ and the legislation incorporating the Directive in to UK law.

The Chairman’s personal responsibilities

34. The Chairman is accountable to the LSB and to the Lord Chancellor.

35. Communications between the OLC Board and the Lord Chancellor should normally be through the Chairman. He or she is responsible for ensuring that the OLC’s affairs are conducted with probity.

36. In addition, the Chairman has the following leadership responsibilities:

- ensuring that the OLC has a properly formulated strategy;
- ensuring that the OLC Board, in reaching decisions, takes proper account of guidance provided by the Lord Chancellor or the MoJ;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the OLC Board and the Legal Ombudsman scheme to the general public.

37. The Chairman also has an obligation to ensure that:

- The work of the OLC Board and its members are reviewed and are working effectively;
- The LSB is advised of OLC needs when OLC Board vacancies arise, such that the OLC Board has a balance of skills appropriate to directing the OLC

⁶ EU Directive 2013/11/EU, from July 2015.

business, as set out in the *Government Code of Good Practice on Corporate Governance*⁷;

- OLC Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- He or she, together with the other OLC Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- He or she records an annual assessment of the performance of individual Board members and ensures they are available to the LSB if individuals are being considered for re-appointment;
- There is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the *Government Code of Good Practice for Corporate Governance*.⁸
- There is a code of practice for OLC Board members in place, consistent with the Cabinet Office *Code of Conduct for Board Members of Public Bodies*.⁹

Individual OLC Board Members' Responsibility

38. Individual OLC Board members should:

- comply at all times with the Board members Code of Practice and with the rules set out in government guidance relating to the use of public funds and to conflicts of interest;
- (non-Executive Board members) comply with the principles set out in the Cabinet Office's *Code of Conduct for Board Members of Public Bodies*;¹⁰
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the OLC Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the OLC.

⁷https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf

⁸https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf

⁹ <http://www.bl.uk/aboutus/governance/blboard/BoardCodeofPractice2011.pdf>

¹⁰ <http://www.bl.uk/aboutus/governance/blboard/BoardCodeofPractice2011.pdf>

Annual report and accounts

39. Under the Act the OLC Board must prepare an Annual Report for each financial year, detailing the discharge of the functions of the OLC and the extent to which, in the OLC's opinion, the OLC has met the regulatory objectives set out in the Act. The Annual Report must include a copy of the report prepared by the Chief Ombudsman.¹¹
40. The OLC Board must give a copy of the Annual Report to the LSB and the LSB must give a copy to the Lord Chancellor. In accordance with Part 6 of the Act, section 118(2) the report will outline the OLC's main activities and performance during the previous financial year and such other matters as from time to time the LSB may direct.
41. Under the Act, the OLC must also keep proper accounts and proper records in relation to the accounts and prepare in respect of each financial year a statement of accounts. Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the MoJ, under s26(2) of Schedule 15 to the Act, as well as the HM Treasury *Financial Reporting manual* (FReM).
42. The OLC must give a copy of each statement of accounts to the LSB Board. It is the LSB's responsibility to give a copy of each statement received to the Comptroller & Auditor General and the Lord Chancellor. The Lord Chancellor will lay the OLC's Annual Report and Accounts in Parliament. The Annual Report and Accounts should also be made available on the Legal Ombudsman's website, in accordance with the guidance in the FReM, on the same day that Annual Report and Accounts are laid in Parliament.
43. The OLC accounts sit within the Department's resource accounts boundary and they are consolidated in the Department's Annual Report and Accounts (DARA). OLC shall provide a draft and final version of the OLC's accounts to the MoJ Corporate Finance team in charge of preparing the DARA in accordance with the MoJ Corporate Finance team's accounts production timetable.

Internal Audit

44. The OLC shall:
- establish and maintain arrangements for internal audit in accordance with the Treasury's *Public Sector Internal Audit Standards* (PSIAS)¹²
 - ensure the MoJ is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;

¹¹ Sections 118 and 123 of the Legal Services Act 2007.

¹² <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

- set up an audit committee of the OLC Board in accordance with the Cabinet Office's *Code of Practice for Corporate Governance* and the *Audit and Risk Assurance Committee Handbook*¹³;
- forward the audit strategy, periodic audit plans and annual audit report, including the OLC Head of Internal Audit opinion on risk management, control and governance on request to the MoJ; and
- keep records of, and prepare and forward to the MoJ an annual report on fraud and theft suffered by the OLC and the Legal Ombudsman scheme and notify the MoJ of any unusual or major incidents as soon as possible.

45. The MoJ's internal audit service has a right of access to all documents prepared by the OLC internal auditor, including where the service is contracted out.

External Audit

46. The Comptroller & Auditor General (C&AG) audits the OLC annual accounts and they are laid before Parliament by the Lord Chancellor, together with the C&AG's report.

47. The C&AG:

- will consult the MoJ and the OLC on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the OLC;
- will share with the MoJ sponsor team information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the MoJ's responsibilities in relation to financial systems within the OLC;
- will, where asked, provide MoJ and other relevant bodies with Regulatory Compliance Reports and other similar reports which MoJ may request at the commencement of the audit and which are compatible with the independent auditor's role.

48. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the OLC has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the OLC shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

¹³ <https://www.gov.uk/government/publications/audit-committee-handbook>

Right of Access

49. The MoJ will have right of access to all the OLC's records and personnel as required to discharge the obligations of the MoJ and PAO. Should data protection or other concerns arise in relation to access to records and personnel, the OLC and MoJ will consider on a case-by-case basis.

Management and financial responsibilities

Managing Public Money and other government-wide corporate guidance and instructions

50. The OLC should be transparent, efficient and effective in controlling their costs and must be prepared to explain in a transparent manner how costs and hence their 'leviable expenditure' (as defined in s173(7) of the Act), grant-in-aid requests and fees have been calculated.
51. Unless otherwise agreed by the MoJ and, as necessary, HM Treasury, the OLC shall adhere to the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or the proposed case for exceptions to the MoJ Sponsor team in the first instance. A list of guidance and instructions with which the OLC should comply is in Annex B. However, notwithstanding this broad compliance requirement, and any other reference to finance in this document, the OLC should note the subsequent paragraphs in this section.
52. Once the OLC and LSB have agreed the OLC's budget requirements with the MoJ (directly in respect of the OLC's CMC complaints remit, with approval for the amount of grant-in-aid and in respect of the OLC's legal services remit, MoJ have agreed the amount of levy with the LSB) and the budget requirement has been approved by the LSB, subject to any restrictions imposed by wider spending controls, the OLC will have authority to incur expenditure as agreed without further reference to the LSB or MoJ, on the following conditions:
- Expenditure plans are in line with the amount agreed by the Lord Chancellor as recoverable through the levy on approved regulators, or through the annual fee on CMCs.
 - Indirect expenditure is apportioned in line with 'cost apportionment methodology' agreed by the OLC, MoJ and LSB, which set out how the costs of 'shared resources' will be divided between the OLC's legal services and claims management remits.
 - Grant-in-aid provided for the purposes of the Legal Ombudsman's claims management remit will only be used for that purpose.
 - The OLC's delegated thresholds and Financial Transactional Limits (FTL) are set out in the prevailing Budget Version (BV) letter and its annexes. The OLC shall obtain the MoJ's prior written approval before exceeding or varying any of its delegated thresholds or FTL's.
 - The OLC will comply with the delegated thresholds set out in the prevailing FTL matrix, which cannot be altered or exceeded without MoJ approval, although the OLC can, at any time, put a case for amendment to the MoJ sponsor team.
 - The OLC will comply with the requirements of *Managing Public Money* regarding novel, contentious or repercussive proposals and special payments.

- The inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal MoJ approval where any proposed expenditure is outside the OLC's delegated limits or is for new OLC schemes not previously agreed.
- The OLC will provide the MoJ with such information about its operations, performance of individual projects or other expenditure as MoJ may require. In particular with regard to the statutory responsibility of the Lord Chancellor to report to Parliament on the activities of the OLC and enabling with MoJ to carry out its departmental sponsorship of the OLC effectively. The MoJ recognises, however, the OLC's operational independence in relation to the resolution of individual disputes and its policy and practices on complaints handling, and also the confidentiality of individual case information.

Delegated Authorities

53. The OLC's delegated financial thresholds and details about obtaining MoJ's approval before taking any specific decisions on expenditure are set out in the FTL document. The OLC shall obtain the MoJ's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the financial delegations or which is not provided for in the OLC's annual budget as approved by the LSB, in consultation with the MoJ, including the claims management related budget;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the MoJ;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

54. On receipt of any OLC business cases where rapid consideration and approval is necessary for urgent expenditure, MoJ will consider the business case, and notify OLC of the response, as early as possible.

Corporate Governance

Board appointments – the chairman and other Board members

55. Under the Act, the OLC Chairman is appointed by the LSB with the approval of the Lord Chancellor and must be a lay person. Separate to the provisions in the Act, as the role of the Chairman plays a significant role in protecting the public's rights, the appointment is subject to a pre-appointment hearing before the Justice Select Committee. The committee's views are non-binding but the Lord Chancellor will consider any relevant conclusions and recommendations before finalising the appointment.

56. The other OLC Board members are appointed by the LSB after consultation with the OLC Chairman.
57. The OLC Board members (public appointees) are remunerated according to the terms and conditions agreed by the LSB at the time of their appointment; this is an explicit agreement and any subsequent changes require the further explicit approval of the LSB and it is expected that such proposals will have been benchmarked across the MoJ and wider to encompass any specific issues pertaining to the selection criteria of their appointment. Travel expenses of OLC members will be tied to the rates allowed to colleagues of the LSB and included in an expenses policy.
58. The OLC Board may appoint a Chief Executive.
59. The convention is that the MoJ's PAO is consulted on the terms and conditions for appointments such as a Chief Executive. In particular, in the context of the Government's mandated requirements to seek approval for specific salary levels, and the consequent need to benchmark against the wider public sector.

Appointment of the Chief Ombudsman

60. In line with section 122 of the Act, the Chief Ombudsman is appointed by the OLC, the Chief Ombudsman must be a lay person. As outlined above, it is MoJ convention that the OLC consults MoJ's PAO on terms and conditions for appointments such as a Chief Ombudsman, including their salary.

Composition of the OLC Board

61. In line with the requirements of the Act, the OLC will consist of a Chairman and at least six and not more than eight other members that have a balance of skills and experience appropriate to directing the OLC's business. The requirements for membership of the OLC Board are set out in paragraphs 1-4 of Schedule 15 to the Act.
62. The LSB sets the selection criteria and qualities in accordance with the Act.

Risk Management

63. The OLC shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: Principles and Concepts*¹⁴ It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: *Managing the Risk of Fraud*¹⁵. It should also take all reasonable

¹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220647/orange_book.pdf

¹⁵ http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf

steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

Business and Strategic Plans

64. The OLC will clearly describe what it intends to achieve and deliver in performing its duties through its business planning and performance framework. The OLC will consult the Minister informally through the MoJ Sponsor Team on the draft business and strategic plans (including the indicative budget). Accordingly, (following LSB agreement to the draft plans) the OLC shall submit annually to the MoJ a draft of its business and strategic plan covering one year ahead for the business plan and three years ahead for strategic planning. The sections of the business plan (including budget) relating to the OLC's CMC remit should be submitted by 1 October. The Business and Strategic Plan should otherwise be submitted by mid November.
65. The OLC will, so far as reasonably practicable, harmonise its annual business planning cycle with that of the MoJ. The OLC's planning timetable should allow sufficient time for Ministerial comment on draft plans - a minimum of two weeks. If the Minister is unlikely to be available to comment within this timeframe the MoJ will give the earliest possible notice to the OLC and will agree with OLC any revised time frame required.
66. The OLC will consider the outcome of the consultation with the Minister on the draft plan and whether any changes are needed. The OLC will discuss any such proposed changes and the impact, if any, that they have on the budget proposals with the LSB and the Minister before the OLC makes a final decision on the content of the plan and publishes it for formal consultation with other stakeholders.
67. In addition, prior to publication, Ministerial agreement is required for the proposed amount of grant-in-aid to meet expenditure on handling complaints about CMCs (as included in the plan) and, under the Act, the OLC budget (as included in the plan) requires LSB approval (See following section 'Budgeting Procedures'). As a matter of courtesy the OLC will send to the Minister, for information, a copy of the final budget approved by the LSB.
68. Subject to any commercial considerations, a digest of the business and strategic plan should be published by the OLC on its website and separately made available to staff.

Overview of content

69. The plan shall reflect the OLC's statutory and other duties. The OLC's aims will reflect the regulatory objectives under the Act and the plan shall demonstrate how the OLC contributes to the achievement of the MoJ's objectives.
70. The business plan shall include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the MoJ.
71. Section 121 of the Act gives the LSB power to set or direct the setting of targets relating to the performance by OLC of any of its functions, including in relation to its claims management complaints jurisdiction. Any such performance targets will be set by the LSB, in consultation with the MoJ.

72. The following key matters should be included in the plans:

- Key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- Key non-financial performance targets;
- A review of performance in the preceding financial year, together with comparable outturns for the previous 2-5years, and an estimate of performance in the current year;
- Alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- Other matters as agreed between the LSB and the OLC.

Budgeting procedures

73. The OLC is financed, in relation to legal services, by an annual levy upon the approved regulators of the legal profession (whilst remaining wholly independent of them), levied by the LSB. In addition, the OLC is financed, in relation to claims management services, through grant-in-aid from the MoJ. This grant-in-aid is included in the department's Supply Estimates and is subject to parliamentary control. The MoJ will recover the costs through imposing fees on claims management companies. These fees are set through Lord Chancellor Fee Regulations, which are also subject to Parliamentary control.

74. The LSB is responsible for the statutory approval of the OLC's budget, and will involve the MoJ at an early stage in their preparation. The OLC and the LSB will further agree with the Lord Chancellor an amount of levy and case fees which are appropriate for the recovery of the estimated costs of the OLC in relation to legal services.

75. As a condition of providing the grant-in-aid to the OLC in respect of the CMC remit, the Lord Chancellor must approve the OLC's expenditure budget in relation to CMC complaints, alongside the LSB's approval of the OLC's whole budget. The OLC will agree with the MoJ an amount of grant-in-aid and case fees which are appropriate for the recovery of the estimated costs of the OLC in relation to claims management services.

76. Each year, in consultation with the MoJ, the OLC shall set out its estimated costs and expected case fee income, in relation to dealing with complaints about claims management companies for the following financial year. The OLC will involve the MoJ in the preparation of the budget for CMC complaints at an early stage and, following consultation with MoJ on its development, the OLC will provide the MoJ with its finalised budget for CMCs by 1 October each year for approval, or at such times as the MoJ may require. This is in order that the MoJ can ensure the passage through Parliament of the necessary Fee Regulations (to recover the costs from the claims management industry) by 1 February.

77. The approved annual business plan will take account both of approved funding provision, where this applies, and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and

of draw-down of any departmental funding and /or other income over the year. These elements form part of the approved business plan for the year in question.

78. Each year, in the light of discussions by the MoJ and LSB on the draft business plan and budgets, the MoJ will send to the OLC before the start of the following financial year:
- A formal statement of the annual budgetary provision in relation to the OLC's CMC remit that is allocated by the department in the light of forecast expenditure and income approved by the department; and
 - A statement of any planned change in policies affecting the OLC.
79. Budget variation (BV) letters will be sent to the OLC in April, September and February each year
80. Once approval of the OLC's budget has been given by the LSB a copy of the OLC's approved budget will be published on its website
81. Subject to the necessary evidence of need, the MoJ will provide any additional cash funding (grant-in-aid) for exceptional items e.g. to finance the discrete extra costs of defending a Judicial Review or other legal action until such time as these costs can be recouped via the Levy. With regard to such costs related to claims management companies, the MoJ will recover these through the annual fee on claims management companies.

In year changes to agreed budgets

82. If the actual costs and case fee income related to complaints about claims management companies varies from that estimated prior to the start of the year, and on which basis the grant-in-aid allocation was agreed, the OLC and MoJ will jointly consider what steps might need to be taken to align income with expenditure, in year.
83. If the monthly data pattern¹⁶ suggests that the OLC's actual costs, in respect of CMC case volume and type, is greater than estimated, or CMC case fee income is lower than estimated in a given year, the OLC and MoJ will consider what steps might be taken to align CMC expenditure and income. As part of this:
- The OLC will take steps to manage higher than anticipated demand, on a short term basis. In addition, the OLC will undertake to review the efficiency of their CMC case-management process, and whether costs can be reduced over a longer term period. This may include the following;
 - OLC revising their targets for case resolution times (in discussion with MoJ and LSB as necessary).
 - OLC improving operational efficiency

¹⁶ See section on reporting for details of collection and sharing of expenditure against forecast, in this document.

- The OLC will consider, in light of the above, whether additional funding is required to enable case resolution times to be met in the context of higher than anticipated demand. In this case, the OLC would provide an evidenced business case for MoJ to consider an increase to the agreed grant-in-aid budget. MoJ will consider the business case, including the extent to which the increase income could realistically be recovered from claims management companies through the cost-recovery fees mechanism.
- The OLC would provide the revised budget to LSB for approval, in line with paragraph 23(2) of schedule 15 to the Act.
- Any consequent variance from the annual budget (and delegations as appropriate) will be set out in a revised budget provision letters.

Grant-in-aid and any ring-fenced grants

84. Any grant-in-aid provided by the MoJ for the year in question will be voted in the MoJ's Supply Estimate and be subject to Parliamentary control.

85. The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The OLC will submit its requests for grant-in-aid (agreed in the budget), on the basis of need, on a monthly basis in good time before it is required. The OLC will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the OLC. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the MoJ will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

86. In the event that the department provides the OLC with separate grants for specific (ring-fenced) purposes, it would issue the grant as and when the OLC needed it on the basis of a written request. The OLC would provide evidence that the grant was used for the purposes authorised by the department. The OLC shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

Cash Holding

87. The MoJ will carry out a check of the OLC's cash holding at the end of each financial year, and in the event of it being significantly greater than its annual expenditure, will discuss with the OLC whether all or in part ought to be surrendered. Any bank interest received shall be paid over to the MoJ for payment to the Consolidated Fund.

Capital

88. Any requirement for capital expenditure must be identified and secured against the MoJ's capital allocation. Any case for investment above the capital delegation limit will require a business case and consideration by the Financial Management Committee and, in some cases, the Executive Committee of the MoJ. Agreed grant-in-aid to fund capital expenditure will be given to the OLC when required and is included in the MoJ's Supply Estimate and be subject to Parliamentary control. Capital asset construction and development expenditure will be recorded in the accounts of MoJ.

The live asset will be transferred to the accounts of OLC once it has been brought into use. Capital expenditure is recovered from the levy on legal services regulators on the basis of a monthly straight-line depreciation charge spanning the useful life of the asset.

89. Assets acquired for use exclusively on work relating to complaints about claims management companies are subject to regime specified in paragraph 86 of this framework document, however the cost of these assets will not be recovered from the OLC's levy on the legal services industry. MoJ will allocate OLC with a ring-fenced DEL depreciation budget for these specific assets.

Procurement

90. The OLC shall:

- Ensure its procurement policies are consistent with the HM Treasury, (Annex 4.6 of *Managing Public Money*) and the MoJ's Commercial and Contract Management (CCM) Directorate guidelines and policies; comply with all legal obligations including those under the European Communities' Procurement rules and other international agreements;
- ensure that its staff are fully aware of relevant Procurement, policies, guidance, and, in particular, relevant delegations;
- put in place a procurement framework which sets out its procurement structure, organisation, processes and control mechanisms;
- The MoJ will provide OLC with a statement of delegated authority for general procurement; and periodically and wherever practicable undertake benchmarking against best practice elsewhere;
- The NAO and the Internal Auditors will carry out procurement audit and inspection;
- The Internal Auditors will have recourse to MoJ procurement as required to properly fulfil their functions on behalf of OLC.

Reporting performance to the department

91. The OLC shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the business plan. The OLC shall inform the sponsor team in MoJ of any changes that make achievement of objectives more or less difficult.

92. The OLC shall report financial and non-financial performance and the achievement of key objectives to the MoJ regularly:

- The OLC will provide monthly financial reports to the MoJ to enable in year monitoring and reporting within MoJ.
- The OLC will submit monthly statistical reports on complaints handling activities to MoJ.

93. The Lord Chancellor or relevant Minister will meet the Chairman (the Chief Executive, Chief Ombudsman and/or Accounting Officer may also be required to attend) at least twice formally each year to discuss the OLC's current and future activities and policy developments relevant to those activities in the context of the business plan and annual report.
94. During the first six months of the operation of the Legal Ombudsman scheme's claims management remit, the MoJ will hold monthly meetings with the OLC to discuss complaints volume, expenditure, performance, achievements, risks and future plans. The necessary frequency of these meetings will be reassessed at the six month point.

Providing monitoring information to the department

95. As a minimum, the OLC shall provide the MoJ with information monthly that will enable the MoJ to monitor satisfactorily:
- the OLC's cash management;
 - its draw-down grant-in-aid;
 - forecast outturn by resource headings;
 - other data required for the Online System for Central Accounting and Reporting (OSCAR).

OLC/MoJ working level liaison arrangements

96. Officials of the Legal Services Policy team in the MoJ will liaise regularly and meet on a quarterly basis (in respect of MoJ sponsorship of the OLC) with OLC staff to review financial performance against plans, achievement against targets and expenditure against its DEL and AME allocations. The Legal Services Policy team will also take the opportunity to explain wider policy developments that might have an impact on the OLC.
97. The OLC will also take the opportunity to share with the policy team developments it is seeing in the work of the sector and across the ombudsman community.

Complaints

98. The MoJ will refer all complaints from members of the public about providers of legal services and CMCs to the Legal Ombudsman scheme.
99. The OLC will have a published policy for the handling of complaints about the OLC, the Chief Ombudsman, the Chief Executive and members of LeO staff, and set out where LSB is responsible for considering complaints about Board members under its policy.
100. Where complaints are received about any OLC staff, the MoJ Sponsor Team and/or LSB will refer these to the OLC to deal with directly under the terms of the policy.
101. Complaints about the Chairman or members of the OLC will be referred to the LSB, in line with the prevailing complaints about Members policy.

Staff

Broad responsibilities for staff

102. Within the arrangements set out in the Act, the OLC will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- The rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on the grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- The level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- The performance of its staff at all levels is satisfactorily appraised and OLC performance measurement systems are reviewed from time to time;
- Its staff are encouraged to acquire appropriate professional, management and other expertise as necessary to achieve the OLC's objectives;
- Proper consultation with staff takes place on key issues affecting them;
- Adequate grievance and disciplinary procedures are in place;
- Whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place;
- A code of conduct for staff is in place based on the Cabinet Office's *Model Code for Staff of Executive Non-departmental Public Bodies*¹⁷

Staff costs

103. Subject to its delegated authorities, the OLC will ensure the creation of any additional posts does not incur forward commitments that will exceed its anticipated ability to pay for them.

Pay and conditions of service

104. The OLC Board together with the Chief Executive of the OLC will determine the pay and grading structure and terms and conditions of service for other staff employed by the OLC but should be cognisant of the current year HMT Pay Remit guidance¹⁸. The MoJ may seek assurance that this has occurred. The Pay Strategy will be

¹⁷https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf

¹⁸<https://www.gov.uk/government/publications/civil-service-pay-guidance-2014-15>

determined by OLC and benchmarked against appropriate, similar organisations including relevant public sector organisations.

105. The OLC's staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by the sponsor department and the Treasury. The OLC has delegated power to amend these terms and conditions, subject to MPM provisions.
106. Staff terms and conditions should be set out in an Employee handbook, which should be provided to the department together with subsequent amendments.
107. The OLC shall operate a performance-related pay scheme that shall form part of the annual aggregate pay remit approved by the department or the general pay structure approved by the department and the Treasury, whichever is applicable.
108. The OLC shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less favourable Treatment) Regulations.

Pensions, redundancies and compensation

109. OLC staff shall normally be eligible for a pension. Staff may opt out of the occupational pension scheme provided by the OLC, but that employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.
110. Staff working for the OLC, shall be eligible for membership of any pension arrangements OLC may make as part of their pay strategy. However this membership will not be made available for Board members (public appointees).
111. Any proposal by the OLC to move from the existing pension arrangements, or to pay any non-contractual redundancy or compensation for loss of office, requires the approval of the MoJ and possibly HMT. Proposals on severance must comply with the rules in chapter 4 of *Managing Public Money*.

Review of the OLC's status (winding up arrangements)

112. Periodically, subject to Cabinet Office guidance, the MoJ will conduct a review to examine whether the functions the OLC carries out are still needed and, if so, whether they should continue to exist in their current form.

Arrangements in the event that the OLC is wound up

113. In the event that the OLC is wound up, The MoJ shall put in place arrangements to ensure the orderly winding up of the OLC, which will require primary legislation. In particular it should ensure that the assets and liabilities of the OLC are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the MoJ). To this end, the department shall:
 - Ensure that procedures are in place in the OLC to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body

- Specify the basis for the valuation and accounting treatment of the OLC's assets and liabilities.
- Ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts
- arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the MoJ's PAO should sign.

114. The OLC shall provide the department with full details of all agreements where the OLC or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to the OLC.

Freedom of Information and Data Protection

115. The OLC will maintain a central monitoring record of FOI and DPA requests received and dealt with. The MoJ may require this information for inclusion in the departmental statistics. The Lord Chancellor authorises the Chairman and Chief Executive of the OLC to act as a "qualified person" as required in section 36(5)(o)(iii) of the Freedom of Information Act 2000. This power resides with the Chairman and Chief Executive and cannot be delegated. In the role as qualified person and where the OLC has deemed an exemption to disclosure applies the qualified person must take into account before applying any exemption the general right of access to information held by public authorities. Under section 36 of the Act, information can be withheld where – in the reasonable opinion of a 'qualified person' – disclosure of that information would, or would be likely to, give rise to one or more of a number of specified prejudices – for example, where disclosure could prejudice the effective conduct of public affairs. Reliance on this exemption is subject to a public interest test, meaning that the public authority in question must demonstrate why the balance of the public interest favours non-disclosure in any given case.

Parliamentary Business

Parliamentary Questions

116. MoJ Ministers are responsible for answering Parliamentary Questions about the OLC. In discharging this responsibility, the relevant Minister or Departmental officials may seek advice and information from the OLC. When replying to a Parliamentary Question or speaking in a Parliamentary debate on an issue that falls within the remit of the OLC, the Minister will make it clear that they are answering on behalf of the OLC and on the basis of information supplied by the OLC. The OLC will provide such information and, where necessary, advice in a timely manner and to the best of its ability.

Ministerial correspondence

117. Members of Parliament shall be encouraged to write directly to the Chairman about specific activities and the administration of the OLC. They shall also be encouraged to write directly to the Chief Ombudsman about casework issues. When Ministers receive correspondence from Members of Parliament on these matters, they shall normally ask the Chairman to reply (sending a copy of the reply to the relevant sponsorship team). Where a Minister decides to reply personally, for example, where the correspondence involves wider policy considerations, advice may be sought from the Chairman or other OLC staff on aspects relating to the activities or administration of the OLC.

Parliamentary Select Committees

118. Where a Select Committee decides to take evidence on the specific activities of the OLC, the Lord Chancellor, or other responsible Justice Minister may decide to nominate the Chairman or Chief Executive or a representative of the OLC to attend the hearings. Where a representative of the OLC has been called to give evidence, Ministers may also wish to attend or to require MoJ officials to do so. In all cases it is entirely at the discretion of the Select Committee to decide from whom they shall hear evidence. The Accounting Officer may be required to give evidence to the PAC, normally with the Principal Accounting Officer, on the stewardship and use of public funds by the OLC.

LIST OF ANNEXES

Annex A- The operation of the levy in respect of legal services and surrendering income to the consolidated fund

Annex B - Compliance with government-wide corporate guidance and instructions

Annex C - Financial Memorandum


Signed



Date: 27 January 2015

Steve Green, Chairman of the OLC

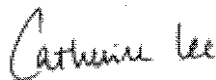
Signed



Date: 27 January 2015

Accounting Officer, OLC

Signed



Date: 27 January 2015

Catherine Lee, Director General Law and Access to Justice, on behalf of the MoJ

Annex A – The operation of the levy in respect of legal services and surrendering income to the consolidated fund

1. In accordance with the Legal Services Act 2007 the LSB is required to recoup the costs of the OLC from the Approved Regulators of reserved legal activities by means of an annual levy and miscellaneous fees.
2. Under the 2007 Act, the levy, fee and other income has to be surrendered to the Consolidated Fund.¹⁹ The NAO have taken the view that the netting off of the fees and levy payable to the Consolidated Fund against the subsequent drawn-down of funding is not consistent with law as written. It was agreed that MoJ, LSB and OLC would try to identify a suitable legislative vehicle to enable netting off to be re-instated.
3. An interim procedure was put in place, as outlined below. This will be kept under review by MOJ, OLC and LSB.
4. The interim procedure is that MoJ will pay the fees and levy over to the Consolidated Fund on behalf of OLC. This transaction will be recorded as a payment of grant-in-aid to OLC in the books of MoJ. OLC will record this transaction as a notional receipt (credit) and an equal and opposite notional CFER (debit) within the general reserves in accordance with the FReM.

¹⁹ Section 175, Legal Services Act 2007

Annex B – Compliance with government-wide corporate guidance and instructions

The Body shall comply with the following general guidance documents and instructions:

- this document;
- Appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice*
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>;
- *Code of Conduct for Board Members of Public Bodies*
http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf
- *Code of Practice for Ministerial Appointments to Public Bodies*
<http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
- *Managing Public Money (MPM)*;
- *Public Sector Internal Audit Standards*,
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;
- *Management of Risk: Principles and Concepts* ;
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud,
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf ;
- Government Financial Reporting Manual (FReM),
<https://www.gov.uk/government/publications/government-financial-reporting-manual>;
- Fees and Charges Guide, Chapter 6 of *Managing Public Money*;
- Departmental Banking: A Manual for Government Departments, annex 5.6 of *Managing Public Money*;
- relevant *Dear Accounting Officer* letters;
- Regularity, Propriety and Value for Money,
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm;
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration <http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples> ;
- Consolidation Officer Memorandum, and relevant DCO letters;
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office)
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf;

- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the ALB.

Annex C - Financial Memorandum

The OLC, though not required to comply with Governmental policies and guidelines to the same extent as the MoJ itself, is strongly encouraged to regard such policies and guidelines as best practice, and endeavour to observe them where possible.

In addition, the MoJ requires the OLC to observe and comply with its own policies, where relevant to the OLC and its activities, in particular in the following areas:

Finance Policy

Please see the material available on the MoJ intranet under finance (<http://intranet.justice.gsi.gov.uk/guidance-support/finance/>), especially – The chart of accounts, the Financial Controls & Restrictions, the Process Library and the Finance management guide.

HR

Please see the material available on the MoJ intranet under HR (<http://intranet.justice.gsi.gov.uk/guidance-support/my-services/>), especially – Pay, Recruitment and Conduct and Behaviour.

Procurement

Please see the material available on the MoJ intranet under Procurement (<http://intranet.justice.gsi.gov.uk/guidance-support/procurement/index.htm>), especially – How to obtain goods and services and the Procurement guide.

Risk Management

Please see the material available on the MoJ intranet under risk (<http://intranet.justice.gsi.gov.uk/guidance-support/risk-management/>), especially the Risk handbook and the risk reporting structure.

Should access to the MoJ intranet be an issue for the OLC, the finance governance team would be happy to forward electronic copies of any document required. Please email MoJFinanceQueries@justice.gsi.gov.uk

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