

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	26 November 2015	<b>Item:</b> Paper (15) 66

<b>Title:</b>	LSB Governance Manual Review	
<b>Workstream(s):</b>	None	
<b>Author / Introduced by:</b>	Adewale Kadiri, Corporate Governance Manager <a href="mailto:Adewale.kadiri@legalservicesboard.org.uk">Adewale.kadiri@legalservicesboard.org.uk</a> 020 7271 0070 Terry Babbs, Chair Audit and Risk Committee	
<b>Status:</b>	Official	

### Summary:

In managing its affairs, the Board is obliged to 'have regard to such generally accepted principles of good corporate governance as it is reasonable to regard as applicable to it' (Section 5 of the Legal Services Act 2007).

The Board last reviewed and approved the LSB Governance Manual at its meeting on 26 November 2014. The Manual is published on the LSB [website](#).

This paper reports on the scheduled annual review of the LSB Governance Manual, and provides recommendations for a number of revisions to the constituent policies within the Manual, as endorsed by the Audit and Risk Committee at its meeting on 13 October. Most of the suggested changes are uncontentious, with the possible exception of the proposed change to the Policy on Colleagues' Expenses, to allow colleagues wishing to travel on LSB business by first class rail at their own expense to claim the standard fare equivalent, thus respecting individuals' personal choice, while ensuring that the organisation's focus on value for money is maintained. The LSB's internal and external whistleblowing policies have also been included in the Manual for the first time.

Subject to the Board's approval, the updated Governance Manual will be uploaded to the LSB website and circulated to members of the Office for Legal Complaints and Legal Services Consumer Panel to draw their attention to the changes.

### Recommendation:

The Board is invited to:

- consider the suggested areas for revision to the LSB Governance Manual as endorsed by the Audit and Risk Committee
- propose any further areas for revision
- agree the revised Manual prior to publication and circulation

### Risks and mitigations

**Financial:**

<b>Legal:</b>	Good corporate governance promotes accountability, transparency and the effective and efficient allocation of resources.
<b>Reputational:</b>	
<b>Resource:</b>	

<b>Consultation</b>	<b>Yes</b>	<b>No</b>	<b>Who / why?</b>
<b>Board Members:</b>	✓		Members of the Audit and Risk Assurance Committee.
<b>Consumer Panel:</b>		✓	N/A.
<b>Others:</b>	LSB colleagues and internal and external auditors.		

<b>Freedom of Information Act 2000 (Fol)</b>		
<b>Para ref</b>	<b>Fol exemption and summary</b>	<b>Expires</b>
N/A		

## LEGAL SERVICES BOARD

<b>To:</b>	Legal Services Board	
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### LSB Governance Manual – Annual Review

#### Background

1. In managing its affairs, the Board is obliged to ‘have regard to such generally accepted principles of good corporate governance as it is reasonable to regard as applicable to it’ (Section 5 of Legal Services Act 2007).
2. The Board last reviewed and approved the LSB Governance Manual at its meeting on 26 November 2014. The Manual is published on the LSB website<sup>1</sup>:
3. This paper reports on the scheduled annual review of the LSB Governance Manual, and provides recommendations for revisions following the Audit and Risk Assurance Committee’s detailed review of the Manual at its 13 October meeting. The Audit and Risk Assurance Committee formally submits the Manual to the Board for approval and adoption.
4. This year, the review of the Governance Manual was informed by the following:
  - a. Compliance with the **UK Corporate Governance Code and Corporate Governance in central government departments: Code of Good Practice 2011**
  - b. **Consultation** with LSB colleagues, including members of the Senior Leadership Team
  - c. Responses to the 2014/15 Board evaluation exercise
  - d. **Lessons learned** from the day-to-day operation of the Manual
  - e. **Engagement** with colleagues from other organisations on their approaches to the areas covered in the Governance Manual.

#### Governance Manual

5. The Governance Manual comprises the following documents (hard copies will be available at the meeting):

[LSB Code of practice for Board Members](#)

[LSB Rules of Procedure](#)

[LSB Schedule of Matters reserved to the Board](#)

[LSB Scheme of Delegations](#)

[LSB Audit and Risk Assurance Committee Terms of Reference](#)

[LSB Remuneration and Nomination Committee Terms of Reference](#)

[LSB Policy on Colleagues’ Expenses](#)

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<sup>1</sup> [http://www.legalservicesboard.org.uk/about\\_us/our\\_board/board\\_code\\_of\\_practice/index.htm](http://www.legalservicesboard.org.uk/about_us/our_board/board_code_of_practice/index.htm)

[LSB Policy on Gifts and Hospitality](#)  
[LSB Policy on Colleagues' Interests](#)  
[Complaints and Disciplinary Process for Individual Members](#)  
[LSB Framework Document](#)  
[LSB Finance Regulations](#)

***UK Corporate Governance Code and Corporate Governance in central government departments: Code of Good Practice 2011***

6. The Executive continues to have regard to provisions of the UK *Corporate Governance Code* and *Corporate Governance in central government departments: Code of Good Practice 2011* ('the Code'). Although the Code is specifically aimed at central government departments, and many of its detailed provisions are not relevant to the LSB, the requirement to 'comply or explain' also applies to any other bodies within the scope of *Managing Public Money*, including the LSB.
7. Code 5.9 states that at least one, but preferably more, of (the ARAC) members should have recent and relevant financial experience. The size of the LSB's Board, and the skill requirements on Board members set out in the Legal Services Act makes this stipulation too onerous. There are presently no ARAC or indeed Board members with relevant financial experience. Until his contract with the LSB expired in May 2015, Philip Lindsell, a chartered accountant, had provided appropriate technical and expert support to the ARAC. A new adviser has now been identified, and he will be available to provide the necessary support to the Committee with effect from their next meeting in March 2016.
8. There were no other departures from the Code requiring disclosure or explanation.

**Approach for the 2015 review**

9. In light of the above, it is not considered that a wholesale review of the Manual is required, but instead specific revisions are proposed for individual elements of the Manual, as set out below:

Code of Practice for Board Members

10. Two additions have been made to the list of Board members' individual responsibilities at para 16 as follows:
  - Contributing, as necessary, to the early stages of policy formulation and project development in collaboration with LSB colleagues
  - Representing the LSB externally as required.

Both clauses reflect the outcome of earlier Board discussions, as well as proposals arising from the Board evaluation exercise. The following text is to be added at the end of para 37:

*“...but other Board Members may also be required, from time to time, to act in this capacity”*

This is to reflect the possibility that Members other than the Chairman and Chief Executive may also be called upon to act as spokespersons for the LSB.

11. In addition, a number of presentational changes are to be made as follows:

- The fourth bullet point under para 11 should read: “encouraging high standards of propriety, and ensuring compliance with the Seven Principles of Public Life across the organisation”
- Bullet point 5 under para 15 should read: “ensuring that a fair and effective remuneration policy and performance management system is in place”
- The final bullet point of the same paragraph should read: “participating in the annual Board *evaluation* and Board Member appraisal processes”
- The words “on all matters affecting them” to be added to the end of bullet point 6 of para 15
- Bullet point 8 of para 15 is to read: “ensuring that LSB colleagues (including Board Members) have appropriate access to expert advice and training and development opportunities to enable them to exercise their responsibilities effectively.”
- First bullet point of para 16 to read: “attending and participating fully at meetings, thereby contributing to the formulation of strategy and policy, including providing constructive challenge to the Executive”
- The word “decisions” had been omitted from the sentence headed “Openness” in The Seven Principles of Public Life, and this has now been corrected.

### Rules of Procedure

12. The LSB’s senior management structure has been reorganised, with the previous Executive Team and Gateway Group being replaced by a single Senior Leadership Team. This change is reflected at para 1.1 of the Rules of Procedure. A further reference at para 4.10 has also been replaced by the words: “the Corporate Director, Strategy Director or both...”

13. Para 3.6.4 has been redrafted to reflect feedback from the Board evaluation exercise that Members who are unable to attend meetings should, as a matter of course, submit comments on the papers to be discussed. This paragraph now reads: “In the event that a Board Member is unable to attend a meeting, he or she will provide written comments on the agenda items ahead of the meeting. These will be read out at the appropriate point in the meeting by the Chairman or the Corporate Governance Manager.”

14. A number of other changes are proposed as follows:

- In para 3.5.2, the word “elected” is to be replaced by “nominated”

- References to Approved Regulator and Licensing Authority are now in lower case (here and in other policies)
- The words “Including a lay majority” to be added to the end of para 6.5.

### Schedule of matters reserved to the Board

15. The following changes are recommended to this policy:

- The words in brackets at the end of Para 1.5 have been deleted as it is considered that the Board should be made aware of legal proceedings at an earlier stage than when papers are served in court
- The words “and amending” are to be added after “approving” at para 2.1
- Para 2.8 has been amended to allow each Board Committee to appoint its advisers, in turn leaving the Board to appoint its own advisers. The new para will read: “Appointing, removing and approving the terms and conditions of appointment of special advisers to the Board.”
- A new para 5.4(i) has been added as follows: “the designation of the Board as a licensing authority”
- In paras 7.2 and 7.3, the word “considering” is to be replaced by “receiving”.

### Scheme of Delegations

16. The majority of the amendments to this policy are to replace references to the Executive Group (EG) and Gateway Group (GG) with Senior Leadership Team (SLT). Also references to “relevant Director” have in a number of instances been replaced by “relevant SLT member”. The following specific changes are also recommended:

- The first line of para 1 now reads “LSB’s Rules of Procedure (‘Rules’) states:”
- The role of Communications Manager (CM) has been added at page 8 as a consultee for agreeing press releases, statements etc. Other consultees on the use of this power are the relevant SLT member and the project manager
- Reference to EG on page 3, in terms of agreeing and amending remuneration policies, is to be replaced by CD, SD, LD
- DRP (an errant reference to a departed colleague) at page 4, on agreeing next steps following Board approval of the exercise of enforcement powers, is to be replaced by HROP
- Reference to the senior executives’ Succession Strategy in terms of chairing SLT meetings, is to be removed as this is a private document
- ARAC is to be added at page 6 as a consultee with regard to the commissioning and oversight of external audit activity

- SD,CD and LD are to replace “Relevant Director” as approvers in respect of changing individual reporting lines
- References to the CEO’s note of 09/02/10 in the first two lines on page 8 have been removed as this is now out of date.

### Committee Terms of Reference

17. The Terms of Reference of the RNC have not been reviewed at this stage, to give the new Chair of this Committee the opportunity to consider its future role and composition. With regard to the ARAC, no amendments were recommended to the Board in May 2015, when the Committee’s annual report was presented. Two relatively minor amendments are now recommended:

- Under para 2(a), Statement on Internal Control is replaced by Governance Statement, and
- A new para 3(d) is to be inserted to read “to appoint, remove and approve the terms and conditions of appointment of professional advisers to the Committee.

### Policy on Colleagues’ Expenses

18. In July 2015, the Executive raised with members of the ARAC a proposed amendment to this policy that sought to broaden the section on train travel, by enabling colleagues who wish, at their own expense, to travel first class while on LSB business to do so, provided that they only claim for the equivalent standard class fare. It was also proposed at that time that where first class travel can be shown to be cheaper than the equivalent standard class fare, the LSB will reimburse the colleague at the first class rate. The thinking behind these proposals was to accommodate colleagues’ personal choices, while also ensuring that the commitment to ensure value for money remained clear.

19. Committee members were however unconvinced by the argument in favour of the latter proposal, and this has consequently been abandoned. The ARAC at their recent meeting in October, have however supported the proposal to allow those wishing to travel first class to claim the equivalent standard fare for the identical journey, on the basis that the position would be no different from that in which a colleague who has bought a standard class ticket decides to upgrade at his or her expense on the day. A new para 13 is therefore proposed as follows:

*13. In line with wider public sector policy, the LSB will reimburse colleagues for travelling by train on journeys incurred wholly, exclusively and necessarily in the course of their duties, and colleagues should make sure they obtain the best value they can. In this regard, all colleagues should be aware of the following:*

- a. Colleagues will normally only be reimbursed for standard class travel*

- b. Any colleague with a disability may request approval to travel first class travel as part of reasonable adjustments to carrying out their duties, but approval must be obtained in advance of the journey. (A 'standard permission' may be granted depending on the nature of the adjustment required). The Corporate Governance Manager should be contacted in the first instance to discuss the request and he will advise the appropriate mechanism for obtaining approval to travel first class in these circumstances.*
- c. Colleagues who wish to travel first class at their own expense (i.e. are content to pay the first class supplement as part of the original ticket rather than a separate payment), and claim the (lower) standard fare for the journey, are required to submit their tickets, as well as written confirmation of the cost of the equivalent standard class journeys (such as a screen shot from the booking page). In determining the cost of the equivalent standard class journeys, the same discounts, such as gold card, senior or young person's rail card should be applied at the same time as the first class ticket was purchased. Colleagues will be reimbursed at the standard rate, provided that this is less than the cost of the first class ticket purchased.*

20. The following more minor amendments are also recommended:

- "Board secretary" in para 3 should read "Corporate Governance Manager"
- "Unlikely" in para 14 is to be replaced by "rare"
- After "home address" in para 19, the following words are to be added: "(or hotel if they are away from their primary residence on LSB business)"

21. The Annex to the Policy sets out LSB's current rates for reimbursing expenses related to travel and subsistence. It provides that the Annex may be re-issued, from time-to-time, to reflect alterations in the rates, subject to the approval of the ARAC. The Executive are currently considering one suggested change to the subsistence rates, and this will in due course be presented to the ARAC for their advice.

22. The current mileage rates are set out in the Annex, and have been checked against the HMRC rates for employee vehicles (mileage payments for business travel). These remain as for 2011, and therefore no increase is required. The Board is invited to consider whether any further amendments should be made to the rates at this time.

23. The Board will be notified during the course of its meeting of emergency spending restrictions that have now been imposed by MoJ on all of its NDPBs, including the LSB. One of these is that CEO approval must now be sought for all staff travel deemed business critical. All colleagues have been notified of the



process for gaining such approval, and it has therefore not been deemed necessary to reflect this in the policy.

#### Policy on Gifts and Hospitality

24. Two relatively minor amendments to this policy are to be made as follows:

- The following new sentence is to be added at the end of para 7: “The monetary value of any corporate hospitality provided by the LSB should be included in the declaration.”
- Para 8 should now read: “Gifts of more than £10 and up to £25 may be retained, subject to the consent of the Chief Executive or their direct report, and the Corporate Governance Manager will be advised of this.”

#### Policy on Colleagues’ Interests

25. This policy is to be amended to reflect the fact that an LSB policy on the handling of price sensitive information is shortly to be introduced. A sentence is to be added at the end of para 2.3 as follows: “For guidance on handling price sensitive information, colleagues are referred to the LSB’s policy on this subject.”

#### Complaints and Disciplinary Process for Individual Members

26. No amendments are proposed to this policy.

#### LSB Framework Document

27. In May 2012, the MoJ made a recommendation in respect of the Framework Agreement as part of the Stage 2 Triennial Review, as follows:

*Both the LSB and the OLC need to have their Framework Agreements with the MoJ updated to reflect changes which have occurred since they were drafted.*

28. Work to revise this Framework Agreement will be led by the MoJ and their timing for this is awaited.

#### LSB Finance Regulations

29. No changes are proposed to this policy.

#### **Proposal to add other LSB policies to the Governance Manual**

30. As part of the 2014 Governance Manual review, the ARAC suggested that the LSB’s Internal Whistleblowing policy, and the Reporting and Investigation Scheme (under which individuals who are external to the LSB may raise allegations of fraud, corruption or serious misbehaviour), should also be part of

the Governance Manual, as together they form an essential element of good corporate governance. It is proposed that they now be added to the Manual.

**Next steps**

31. The Board is invited to agree the recommendations set out in this paper.
32. Once approved, the updated Governance Manual will be circulated to Board Members, colleagues, and Members of Office for Legal Complaints and Legal Services Consumer Panel. The revised Manual will also be uploaded to the LSB website.