

To:	Legal Services Board	
Date of Meeting:	23 November 2017	Item: Paper (17) 79

Title:	Draft LSB strategy, business plan and budget	
Workstream(s):	Strategy and business plan development	
Author / Introduced by:	Caroline Wallace, Strategy Director Julie Myers, Corporate Director Edwin Josephs, Director of Finance and Services Chris Nichols, Regulatory Project Manager Ian Wilson, Business Planning Associate	
Status:	Official	

Summary:

This Board approved its draft strategy 2018-21 for informal consultation in September. That process has now concluded.

At **Annex B**, the Board will find attached a draft consultation paper which includes a revised version of the draft strategy taking account of the Board's feedback in September and the feedback from informal consultation. The Annex also includes a draft business plan for 2018/19 and our proposed budget for the year.

The business plan is based on a proposed budget of £3,798k, which is a reduction of £50k compared to 2017/18, as previously agreed by the Board. This was scrutinised by the Board's Audit and Risk Assurance Committee (ARAC) in October and comes with their endorsement.

The intention is to launch the public consultation on our draft strategy, business plan and budget on 4 December. The consultation will run for 12 weeks and the Board will be asked to approve the final strategy and business plan at its March 2018 meeting.

Recommendation(s):

The Board is invited to:

- (a) review and discuss the draft strategy and business plan consultation document (**Annex B**)
- (b) note that the Chief Executive will approve the document to be issued for consultation
- (c) agree to consult on the basis of a draft budget for 2018/19 of £3,798k (2017/18 £3,848)
- (d) note the proposal for monitoring our impact under our new strategy

Risks and mitigations	
Financial:	Low - funding is guaranteed through the levy and the Executive and ARAC members are confident that the Business Plan can be delivered within the proposed resources
Legal:	Low - the draft strategy and business plan have been developed with input from our legal team. They are consistent with our powers under the Act.
Reputational:	Low – The project team has already engaged widely with stakeholders, through a round of initial meetings followed by informal consultation. Stakeholders are generally supportive of our strategy and we know the likely areas of contention.
Resource:	Medium – the business plan has been informed by high level resource planning for the proposed packages of work. In many cases it is difficult at this stage to predict the resource requirements with a high degree of confidence. Decisions on resource allocation will need to be continually reviewed throughout 2018/19.

Consultation	Yes	No	Who / why?
Board Members:	X		The Board was consulted through a strategy session at its July away day and approved a first draft of the strategy in September.
Consumer Panel:	X		The Consumer Panel has been involved through the development of the strategy, including the Panel's Chair participating in the Board's away day. Most recently, the Panel was involved in our informal consultation and the project team attended a Panel meeting to discuss its views.
Others:			The project team has engaged with a wide range of stakeholders, including regulators, representative bodies and LSB colleagues, in developing the draft strategy.

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Para 7	Section 41: information provided in confidence	
Para's 14 and 15	Section 36(2)(b)(ii): information likely to inhibit the exchange of views for purposes of deliberation	
Annex A, Para 6	Section 41: information provided in confidence	N/A
Annex B	s22 Document will be published in due course	N/A

LEGAL SERVICES BOARD

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Draft LSB strategy, business plan and budget

Background / context

1. At its September meeting, the Board approved a first draft of its strategy for 2018-21, for the purpose of informal consultation, which is now complete. A brief overview of the key points raised and the changes made to the strategy in response is set out below and at **Annex A**.
2. Since the September meeting, the executive has also developed a draft business plan for 2018/19, describing the work that we propose to pursue during the first year of this strategic period. This was informed by consultation with all colleagues.
3. We now need to consult publicly on the draft strategy and business plan. The Board is invited to review and discuss the draft strategy and business plan consultation document, which is included at **Annex B**.

Proposed strategy and business plan consultation

Consultation paper

4. Feedback on the slide-based presentation of the strategy has been very positive and as a result, a similar presentation has been adopted for the business plan. This means that the strategy and business plan now contain significantly less text than in previous years. As a result, the accompanying consultation paper contains further background, context and justification to supplement the draft strategy and business plan.

Draft strategy 2018-21

5. Stakeholders consulted informally reacted well to the draft strategy and there have only been minor revisions to reflect feedback received. Most of the revisions are to the background sections and the pages on drivers for change. The main substantive change is to clarify that under our first objective, our expectation is that all regulators should meet all of our performance standards.
6. The other addition to this draft of the strategy is the page on our equality objectives. As part of the development of this strategy, we have reviewed our equality objectives to ensure that they remain appropriate. Following this review, it is proposed that we revise our equality objectives to achieve greater alignment with the outcomes that we have set out for regulators in our 2017 guidance for regulators on encouraging a diverse workforce. We are proposing the objectives set out on page 18 of the strategy.

7. [REDACTED]

Draft business plan 2018/19

8. The Board has already committed publicly to a number of areas of work that will be progressed during 2018/19. These activities build on work undertaken in this strategic planning period. The main commitments include:
- (a) implementing our new approach to regulatory performance assessment
 - (b) implementing the outcomes of our review of our Internal Governance Rules
 - (c) finalising our end-to-end review of the enforcement processes of the Bar Standards Board (BSB) and the Solicitors Regulation Authority (SRA)
 - (d) assessing regulators' progress on their Competition and Markets Authority (CMA) action plans
 - (e) undertaking our third individual legal needs survey
 - (f) reviewing regulators' progress against our new diversity guidance
 - (g) publishing the report on our second innovation survey
9. We are also anticipating a busy year for statutory decisions, which is likely to include the outcomes of the SRA's Handbook review, BSB education and training rule changes and considering rule changes flowing from CMA action plans and European Union (EU) exit.
10. Based on high level resource planning for the above work (and the proposed budget set out below), it is estimated that we will have sufficient resources to undertake between one and three additional projects during 2018/19, depending on scale.
11. The executive recommends that we include four new areas of work in our draft business plan for 2018/19 and consult on these. Feedback from the consultation will then help us to prioritise which work we progress – there is no assumption that we will necessarily be able to undertake all four of these new areas of work. We have taken a similar approach in previous business plan consultations.
12. The areas we propose to include for consultation are:
- (a) technology and regulation
 - (b) small business legal needs follow up work
 - (c) consumer segmentation

(d) EU exit planning

13. These projects would provide for a good spread of work across all three strategic objectives. There is further detail on the justification and high level scope of each package of work in the consultation paper.

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Assessing our impact

16. The draft strategy has been structured around evidence on the current problems in the market. For each objective, we set out the evidence on the current position, what we will do in the area and indicators of success.

17. We will use the indicators of success identified in the strategy to monitor our impact. These indicators are mainly market outcomes that may not necessarily show significant movement on an annual basis. Therefore we will also update our existing Theory of Change model to align with the new strategic objectives. This will involve identifying intermediate outcomes and measures of success, which should allow us to measure progress on a shorter term. It is important to recognise that factors outside our control will have an influence on some of these indicators, but it is nonetheless important to have some mechanisms in place (which can be refined in the light of experience) with the aim of gauging our and the sector's progress.
18. To provide assurance to the Board on the delivery of the strategy we propose to report on progress to the Board annually. We will develop our reporting approach in consultation with the Board, initially by selecting a defined area of work to test our approach. The aim is to capture specific work we have done, initiatives by a core group of external stakeholders and market/survey data, related to the intermediate outcomes from our Theory of Change and the indicators of success set out in the strategy. We are clear that it will rarely be possible to demonstrate direct cause and effect between our work and improved market outcomes. Nevertheless this work could help us to review the level of focus and direction of travel in core areas of interest and thus inform our annual refresh of the strategy.
19. The proposals in the paper on communicating market intelligence that the Board is also considering in November should also help the Board gain assurance on progress towards our strategic objectives. In that paper, it is proposed that the Board be provided with ready access to the most up-to-date data in relation to many of our indicators of success. In addition, approximately mid-way through this strategic period we will produce our next triennial market evaluation, which will provide a detailed assessment of progress.

Next steps

20. The intention is to consult publicly on our draft strategy and business plan from 4 December to 16 February.
21. The budget will require MoJ approval and we have agreed that the draft business plan and budget will be submitted to Ministers after consultation has concluded in February. Whilst Ministers do not approve the LSB's business plan or strategy, authority to raise the levy (to meet the budget) is by consent of the Lord Chancellor.
22. Following public consultation, an LSB response to the consultation and final strategy and business plans will be prepared and presented to the Board in March. The new strategy and business plan will need to come into force from the start of April 2018.

10.11.2017

Key points from informal consultation

1. During October, the project team shared the draft strategy with representative bodies, regulators and other key stakeholders. Views were specifically sought on the presentation of the strategy, the proposed strategic objectives and wider content and whether they would be open to providing a public endorsement of any aspect of our strategy.
2. We received fifteen responses to this informal consultation, including responses from five regulators and four representative bodies. The key points raised in responses to this informal consultation and the changes made to the strategy to reflect these, are detailed below.

Presentation

3. There was consistent praise for the clarity and accessibility of the document and strong endorsement for the new approach.

Content

4. Responses were generally supportive of the three objectives and the overall strategic focus. There were a number of suggestions for additions to the pages on trends and drivers for change and also some requests for drafting amendments to the background material on roles and powers.

Response: Most of these suggestions have been accommodated in the strategy itself or in the consultation paper.

5. There were also some more substantive concerns and recommendations made, including:
 - (a) A request for the strategy to be up front about what the LSB is aiming for in terms of regulators' performance, particularly whether it is acceptable for underperformance to endure and whether the LSB would be satisfied when minimum standards are met or would expect ongoing improvement.
Response: To reflect this point, the strategy now makes clear on pages 10 and 11 that we expect all regulators to be meet the minimum level on all performance standards. For those who are meeting the standards, we will expect them to learn and adapt their approach to meet future challenges.
 - (b) There was an anticipated difference in view on whether it was appropriate for the LSB to be acting as an agent for change. On the one hand, some respondents felt that we were not bold enough in this regard and the focus on partnership and collaborative working could be strengthened to a more proactive leadership role. On the other hand, some stakeholders expressed the view that the LSB should focus on its core functions of

overseeing the regulators and should not be focussing resources on seeking market changes, which is beyond our strict statutory remit.

Response: The Board has been clear that it wishes to retain a focus on acting as an agent for change and this is crucial to making progress on our second and third objectives. We have strengthened some of the language around this to reflect the fact that we will be proactive in seeking to lead market change.

- (c) Some of the representative bodies felt that the strategy unfairly overplayed the problems in the sector.

Response: The strategy presents evidence from our own research and it is this which demonstrates the problems. We have not made any significant changes to seek to downplay the problems highlighted by our evidence.

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