

Minutes of a meeting of the Legal Services Board (LSB)

Date: 28 April 2017
Commencing: 10.00
Venue: Medical Research Council (MRC), L13 Conference Room, 13th Floor,
 One Kemble Street, London WC2B 4AN

Present: Sir Michael Pitt Chairman
(Members) Terry Babbs
 Jemima Coleman
 David Eveleigh
 Marina Gibbs
 Jeremy Mayhew
 Dr Helen Phillips
 Catharine Seddon
 Michael Smyth CBE QC (Hon)

In attendance: Nick Glockling Legal Director
 Edwin Josephs Director of Finance and Services
 Julie Myers Corporate Director
 Caroline Wallace Strategy Director
 Toni Whitby Corporate Governance Manager
 (minutes)
 Nicola Tysoe Legal Advisor

In attendance for specific agenda items:

Steve Brooker	Head of Research and Development
Paul Greening	Regulatory Associate
Dawn Reid	Head of Regulatory Performance and Operations
Bryony Sheldon	Regulatory Project Manager
Tom Peplow	Regulatory Project Manager
Jenny Prior	Business Planning Associate

Observers: Puja Vadgama, Regulatory Associate

External attendance: Julie Bishop, Director, Law Centres Network
 Alison Wedge, Deputy Director Head of ALB Governance and Claims
 Management Regulation Division, Ministry of Justice

Item 1 Welcome and apologies

1. There were no apologies. The Chairman welcomed Puja Vadgama who attended the meeting as an observer.

Item 2 Declarations of interests relevant to the business of the Board

2. There were no declarations of interest.

Item 3 LSB Strategy

3. Caroline Wallace outlined the current position in relation to the LSB three year strategy prior to Julie Bishop's strategy presentation as part of the LSB stakeholder outreach activity to inform the development of that strategy.

Item 4 Strategy Presentation | Julie Bishop Law Centres Network

Julie Bishop attended the meeting

4. The Board welcomed Julie Bishop, Director of Law Centres Network (LCN). Julie gave a presentation on issues in the legal services market from the LCN perspective. Julie referred to the key challenges facing law centre clients and the challenges for law centres in addressing these, along with suggestions for LSB priorities given this environment. The presentation was followed by a Q&A session.

Julie Bishop left the meeting

Item 5 LSB Annual Report and Accounts 2016/17 (the Report) | Paper (17) 23

Jenny Prior attended the meeting

5. A near final draft of the Report, which reflected comments from members was considered by the Board, noting that there were still proofing checks to be made and that the Audit and Risk Assurance Committee (ARAC), would consider a final version on 9 May. The Board noted that, as a result of purdah (pre-General Election guidance), laying and publication of the Report would now be delayed and it was unlikely to be laid before late June.
6. The Board considered the Report and noted:
 - The terminology of 'whistleblowing' should be changed to Public Interest Disclosure;
 - The LSB would be unable to report further on diversity for this year as the LSB's survey had just closed but would be reported in the next Report for 2017/18;
 - the tone and message within the 'Overview from the Chairman' and 'Statement from the Chief Executive' should be reviewed;
 - Drafting and typographical errors would be picked up in the proof-read of the final version
 - A number of additional drafting points were also proposed by members and were given to the Executive to consider.
7. **The Board:**
 - **Endorsed the draft LSB Annual Report and Accounts 2016/17, subject to any additional points being raised by the ARAC at its meeting in May and consideration of the late additional points; and**
 - **Delegated authority to the interim Chair and Chief Executive to approve submission of the Annual Report and Accounts 2016/17 to the Comptroller and Auditor General and Lord Chancellor, noting purdah restrictions in relation to publication.**

Jenny Prior left the meeting

Item 6 Committee on Standards in Public Life (CSPL) | Paper (17) 24

8. LSB colleagues had met the Committee and contributed to the evidence for the report entitled "*Striking the Balance Upholding the Seven Principles of Public Life in*

Regulation” published by the Committee on Standards in Public Life (CSPL). The report noted the unique role of oversight regulators such as the LSB. The Board considered the processes in place within the LSB to uphold the seven principles and the information provided to give assurance that it upholds high ethical standards. In discussion, the Board noted:

- The important messages about independence of regulators in the Report;
- The LSB has a robust induction processes in place for new joiners and there may be merit in reinforcing certain policies and procedures annually and noting completion in individual's annual appraisal;
- Although the LSB only uses few suppliers the Executive should consider how best to ensure they understand the Board's ethical approach;
- The LSB does have a policy on managing conflicts during notice which is applied where necessary;
- Lay Board members could potentially take up a position within a law entity (such as an ABS) and that whilst Members were not required by MoJ to be subject to the Business Appointment rules, members do have clauses relating to conflicts in their terms and conditions and code of conduct;
- Potential for reputational risk and general risk issues would be considered when research was published and if any risk would be worked through;
- That the LSB does not have a single code of conduct covering all colleagues and Board members and there may be merit in exploring this although there were other more pragmatic and effective controls in place which need to be taken into account before deciding what to do;
- Board members declarations of interests are published on the LSB website. The Executive should consider whether colleagues declarations should also be published;
- The Executive should consider appointing ‘freedom to speak up’ champions for colleagues.
- That the Executive may have not emphasised sufficiently the important assurance that a matrix working approach for 32 staff gave to the Board in terms of high standard of controls across the organisation.
- That generally the standard of governance is good across the organisation and that a proportionate approach to improvements should be taken in light of the amount of work the organisation is already committed to doing.

9. **The Board NOTED the paper and the points made in discussion. It was AGREED that ARAC would consider the issue in due course and the paper would return to the Board at a future date. The Board agreed that it would be important to achieve the right balance and take a proportionate approach.**

Item 7 Legal Services Consumer Panel's response to the LSB's information remedies commission | Paper (17) 25

Tom Peplow and Steve Brooker attended the meeting.

10. The Board considered the Consumer Panel's report on “the development of information remedies in legal services” and noted:
- LSB should follow up on the need for better signposting of how to make a complaint;
 - The draft letter to the Chair of the Consumer Panel to clarify cost effectiveness, set out in the last paragraph;

- The Board would like to see lessons learned on effective information remedies and outcomes shared amongst all front line regulators;
- As an oversight regulator the first 'criterion for success' outlined in the report (the appropriateness of an information remedy) was something the LSB would particularly want to ensure frontline regulators had considered. The Board discussed that there may be circumstances where information remedies may not be appropriate but agreed that the nine key criteria for success were important when considering information remedies and the role of the oversight regulator is to provide assurance that frontline regulators have adequately considered these criteria.

11. **The Board AGREED the policy response to the report and the draft letter to the Chair of the Consumer Panel. Additionally the Board indicated that it would like the Executive to support sharing of information and insights on information remedy design amongst the frontline regulators.**

Tom Peplow and Steve Brooker left the meeting.

Item 8 ICAEW designation application | Paper (17) 26

Dawn Reid and Paul Greening attended the meeting.

12. The Board considered the two applications from ICAEW, to become an approved regulator and licensing authority for further reserved legal activities.

13. [REDACTED]

[FOIA exempt s36(2)(b)(i)]

Dawn Reid and Paul Greening left the meeting.

Jeremy Mayhew and David Eveleigh left the meeting.

– Coffee break –

Item 9 Tailored Review report

Alison Wedge Deputy Director Head of ALB Governance and Claims Management Regulation Division attended the meeting.

14. The Board welcomed Alison Wedge, who thanked the LSB for assisting her and her team as it undertook the Tailored Review. [REDACTED]

15. [REDACTED]

16. [REDACTED]

[REDACTED]

17. [REDACTED] [FOIA exempt s36(2)(b)(ii)]

18. The Board noted the change in assurance arrangements with the MoJ, which would now be led by Alison Wedge and her team. The Board also noted that the Framework Document between the MoJ and LSB would need to be updated and this work would be done by her team.

19. Work on the Tripartite Agreement between the MoJ, OLC and LSB would be concluded at a meeting between the three organisations in early May. Additionally, Alison Wedge would be meeting the Chief Executive and Corporate Director next week to consider LSB's risk profile and to consider the relationship OLC would have with both the MoJ and LSB, with the intention of streamlining engagement going forward.

20. **The Board thanked Alison Wedge and her team and NOTED the themes from the Tailored Review. The final published report, noting no publication date as yet, would be shared with the LSB.**

Alison Wedge left the meeting.

Item 10 Section 69 order to modify the functions of the General Council of the Bar | Paper (17) 27

Dawn Reid and Bryony Sheldon attended the meeting.

21. The Board considered the draft response document relating to a Section 69 order to modify functions of the Bar Council. The Board were happy with the proposals put forward in the paper, noting an out of board decision might be required before the May Board meeting.

22. **The Board NOTED the contents of the draft response document with an out of board decision to follow setting out a proposed recommendation to the Lord Chancellor.**

Dawn Reid and Nick Glockling left the meeting.

Item 11 Exploring consumer vulnerability in legal services | Paper (17) 28

Karen Naya, Bryony Sheldon and Steve Brooker attended the meeting.

23. A presentation was put to the Board setting out the key findings from the research undertaken in recognising and responding to consumer vulnerability related to mental health and dementia. The main message was that small changes can make a big difference for individuals. The Board considered it a good piece of work, noting however the limited sample size of the research. The Board considered:

- Many of the standards set out in the report should apply to all users of legal services not just vulnerable users;

- The findings were important and would benefit from being contextualised in terms of other LSB research findings relating to unmet legal need. The communications plan could set out clear practical steps for stakeholders. There would be merit in exploring new ways of presenting the research to provide wider stakeholder engagement, likely to be outside the legal sector. This would also raise the profile of the LSB;
- Positive communications around the research results should encourage rather than deter providers from taking on vulnerable consumers;
- the findings should be shared with the Consumer Panel for them to take forward when meeting with their stakeholders;
- Publication had been due to take place during Mental Health week but this had been delayed (Purdah); and
- Collating data on the extent of legal service provision to vulnerable consumers would provide valuable insight into this issue.

24. The Board would be holding a strategy session in July and all the themes emerging from the presentations to the Board (from Julie Bishop, Alison Wedge and on the vulnerable consumer research) would be considered and discussed.

25. **The Board NOTED the research findings and NOTED the plans for the associated impact work.**

Karen Naya and Bryony Sheldon left the meeting.

Item 12 Investment in legal services | Paper (17) 29

24. The Board considered the findings from the research into barriers to investment in legal services. 204 ABS out of total of 812 (24% of all ABS at the time of the survey) had responded to the consultation. The findings found that there were no significant barriers to investment arising from legal services regulation.

25. The Board considered:

- The findings would be interesting to a wider market, not just legal services. The Executive should consider how to publicise to a wider market;
- The importance of understanding the financial health of law firms and its impact on specific areas of law;
- The majority of lending to law firms was by banks rather than capital investment from other sources;
- The consequences of deregulation and the consolidation of legal services providers;
- The Board would benefit from inviting a financial advisor to provide some strategic insight.

26. **The Board NOTED the key messages from the research and NOTED that the Chief Executive would approve the final materials for publication. The communications plan dates would be amended to take account of Purdah.**

Steve Brooker left the meeting.

Item 13 Minutes of the previous meeting

27. The minutes of the meeting held on 23 March 2017 had already been approved via electronic correspondence and published on the website. The minutes would be signed by the Chairman as an accurate record.

Item 14 Action tracker

28. One action - to provide a set of metrics - remained outstanding.

29. **The Board noted the action tracker.**

Item 15 Chief Executive's progress report | Paper (17) 30

30. The Chief Executive presented the CEO progress report, covering the period February to March and highlighted the following items:

- the impact of Purdah on both publication dates and recruitment of a new Chair to the Board;
- the Tripartite Agreement between the MoJ, OLC and LSB would shortly be finalised and signed off;
- there had been an excellent response to the LSB's colleague diversity survey;
- briefing and general information from meetings held by the CEO with stakeholders would be shared with Board members;
- UKRN Annual Conference– Board members and Executive would be attending.

31. **The Board noted the contents of the Chief Executive's progress report.**

Catharine Seddon left the meeting.

Item 16 Q4 Performance Report | Paper (17) 31

Jenny Prior attended the meeting

32. **The Board noted the performance report for Q4.**

Jenny Prior left the meeting

Item 17 Finance report for March 2017 | Paper (17) 32

33. Edwin Josephs provided a financial report on LSB finances. The Board noted the finance report.

34. **The Board noted the contents of the finance report.**

Item 18 Annual Report – Audit and Risk Assurance Committee (ARAC) | Paper (17) 33

35. The chair of ARAC noted items considered by ARAC during the financial year 2016/17. LSB would need to consider the long standing issue of regularising its future income stream. ARAC would undertake both performance and financial reviews.

36. **The Board NOTED the annual ARAC report.**

Item 19 Annual Report – Remuneration and Nomination Committee (RNC) | Paper (17)34

37. The Chair of RNC noted items considered by RNC during the financial year 2016/17. The Chair considered RNC should review and revise as appropriate its terms of reference to better reflect the work RNC covered such as talent, succession planning and diversity.

38. **The Board NOTED the annual RNC report.**

Item 20 Any other business

The Board thanked Sir Michael Pitt for his commitment and contribution to legal service regulation during his tenure as Chairman. Sir Michael Pitt's term of office, as Chairman of the LSB Board, expired on 30 April 2017.

A presentation to the outgoing Chairman followed the Board meeting.

Dr Helen Philips has been appointed as Interim Chair of the LSB Board from 1 May, until such time as a permanent appointment of a Chair was made by the MoJ.

There being no further business the meeting closed at 1.20 pm.

Date of next meeting

The Board would next meet on 25 May 2017. The meeting will be held at the Office of Rail and Rail, 2nd Floor, One Kemble Street, London WC2B 4AN.

Signed as an accurate record of the meeting

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Date
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