

To:	Board
Date of Meeting:	30 November 2011
Item:	Paper 11(83)

Title:	Draft Strategy and Business Plan and budget proposal for 2012/13 (including draft Equality Act report and consultation)
Workstream(s):	All
Introduced by / Author:	Julie Myers , Corporate Director/ Edwin Josephs , Director of Finance and Services/ Crispin Passmore , Strategy Director Julie.myers@legalservicesboard.org.uk / 020 7271 0059 edwin.josephs@legalservicesboard.org.uk / 020 7271 0084 crispin.passmore@legalservicesboard.org.uk / 020 7271 0086 Paul Greening, Regulatory Associate (E&D paper author)
Status:	Restricted

Summary:
<p>The Board discussed its strategic direction for the period 2012/15 at its meeting in September 2011.</p> <p>Attached at Annex A, Board members will find a proposed draft of the document to outline the Board's priorities for 2012/15 and draft Business Plan for 2012/13. This remains work in progress in terms of proofing and finessing but is presented to the Board for discussion and approval in principle.</p> <p>The document also includes the budget proposal for 2012/13. This has been reviewed by the Audit and Risk Committee.</p> <p>Attached at Annex B is a document the executive would like to publish alongside the draft Strategy and Plan. This represents the proposed report to meet the Board's responsibility under the Equality Act 2010 to report on its progress to deliver the equality duty and proposes a set of equality objectives for consultation for 2012/13.</p>

Recommendation(s):
<p>The Board is invited to:</p> <ol style="list-style-type: none"> 1. review and discuss the draft Strategy and Plan document 2. delegate final approval of the document to be issued for consultation to the Chairman and Chief Executive 3. agree a draft budget for 2012/13 of £4,498k (2011/12 £4,931k) 4. approve the Equality Report and Proposed Objectives for consultation alongside the draft Plan

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
13	S36 - free and frank advice	N/A
Annex A and B	S22 - intended for future publication	N/A

LEGAL SERVICES BOARD

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Draft Strategy and Business Plan and budget proposal for 2012/13 (including draft Equality Act report and consultation)

Context

1. By the start of the new financial year, the LSB would have been operating for three years. This initial period required a style of operating which in some cases is not the same as those needed for an organisation in normal operating mode..
2. It is clear already from experience to date that our investment in „business as usual’ activity will not decline and may indeed increase. Whilst we have adopted processes that „front-load’ activity in such a way as to minimise the call on LSB’s resources, it is beyond question that the resource investment required to manage the flow of work associated with applications for alterations to Approved Regulators’ regulatory arrangements, performance oversight of the Office for Legal Complaints, and anticipated applications is significant.
3. The LSB will also be subject to a triennial review in 2012. It needs to continue to demonstrate that it is providing good value for money to the levy payers and that it is having a beneficial impact on the legal services market.

Planning assumptions

4. At its strategy session on 14 September, the Board focused on:
 - a. considering the three-year period April 2012 to March 2015
 - b. reviewing the environment
 - c. identifying new priorities
 - d. assessing effort to be given to existing priorities
 - e. reassessing the „how’.
5. The Board concluded that the LSB should focus on:
 - a. making markets work well for consumers
 - b. being explicit that we do not need more powers
 - c. developing constructive statements about working with the regulatory community
 - d. producing a strong narrative to explain the LSB’s vision and work programme to different audiences
 - e. determining when to use appropriate enforcement action.

6. It is probable that only the last of these, „taking enforcement’, would add significantly to staffing costs in the course of the year.

Proposed strategic priorities for 2012/15 and business plan 2012/13

7. Based on the papers presented to the Board at its strategy day in September, and the subsequent discussion, the executive has prepared the draft strategy and plan attached at **Annex A**. This outlines the focus the Board will adopt in delivering the regulatory objectives and delivering on its statutory remit over the next three years.
8. The proposed annual programme of work for the year ahead shows a direct continuation from the past three years whilst reflecting the increasing focus on ensuring regulatory performance from the approved regulators as we embed our approach to oversight.
9. The draft document has been submitted to the Minister for informal review in line with the requirements of our Framework Document. We have not yet received any comments. We are required to reflect any Ministerial comments in the document we issue for consultation. As soon as comments are received we will circulate them to the Board for review.
10. In order to ensure that a reasonable time is provided to stakeholders for comment we would ideally wish to publish the consultation in the week beginning 7 December.

Proposed annual budget

11. Based on the planning assumptions, we are recommending a total budget of £4,498k. This represents a reduction of almost 9% (£433k) against the current budget for 2011/12 (£4,931k).

Budget assumptions

12. We know that based on the current staffing complement, approximately 87% of the planned running budget of LSB will be made up of “fixed” costs (Board, OLC Board, staffing, accommodation, depreciation, outsourced services) and that the remaining 13% will be accounted for by research, consultancy support and contracted out services, and office running costs etc. This 13% of costs will be determined largely by the activities that LSB will want to undertake in the 2012/13 year and will relate directly to the level of planned activity.

[REDACTED]

14. We will absorb all the increases on non-pay expenditure headings including for increased levels of activity and the contractual uplifts in the Service Level Agreements with the Competition Commission for the provision of IT, Finance and Facilities support.

Notes to the budget headings (see page 32 of Annex A for a budget breakdown)

15. Staffing:

- a) This is based on 100% of posts filled throughout the period.
- b) We have deliberately not sought to cost activity by project. We are a relatively small organisation and the effort and costs of trying to be more sophisticated fall far short of any benefits that could be derived from this. Although workable estimates could be produced, precise areas of staff deployment will be highly variable due to factors such as the level of cooperation obtained from stakeholders, the quality or otherwise of submissions under-pinning the „business as usual’ agenda and the need to divert into reactive „enforcement’ activities. There is also a high level of uncertainty about establishing in advance the extent to which the time of Corporate Support staff will be split between „pure’ corporate activity and identifiable „project/policy’ contributions. Measuring this during the course of the year would be an unnecessary administrative burden.

16. Accommodation:

- a) Victoria House is within the Business Improvement District (BID) Levy area of *In Midtown* – and is subject to a 1% surcharge.
- b) The Mayor of London also surcharges all businesses in London with a rateable value of more than £50k (an additional 2%) to help to pay for Crossrail.
- c) The rental amount is fixed until November 2013. This heading also includes utilities and Landlord service charges. The new owners of Victoria House are working with tenants to try to secure advantageous energy contracts and to plan the capital replacement works to avoid sudden spikes in the service charges.

17. IT/Finance/Facilities/HR: This is in line with the activities agreed.

18. Research Costs: This comprises the bulk of our discretionary spend.

19. Office Costs: This comprises the general office overhead costs – stationery, licences, travel, telephony, postage, media subscriptions, publishing costs and website, catering, etc. We are redesigning our website and introducing a „content management system’ which will allow LSB colleagues to upload documents without the need to purchase these services from the Competition Commission.

20. LSB Board: This is based on all Board Members being in post and the frequency of meetings as agreed by the Board.

21. Legal Reference and Support: This is based on subscriptions to legal databases and support.

22. Contracted Out Services: This includes internal and external audit, pensions advice and general consultancy support.

23. Consumer Panel: This comprises the costs of the Panel and the secretariat, as well as a small amount for specific research that will be managed on their behalf by the LSB Research Manager.

24. **Depreciation charges:** These are the costs of assets that we have purchased which are charged to the accounts over their useful life. Most of these purchases were IT-related and will have been fully depreciated prior to 1 April 2012.
25. **OLC Board Costs:** These are the fees that are paid to the OLC's Chair and Board and also include travel expenses.
26. **Judicial Reviews:** We have deliberately not made any provision for funding judicial review actions. MoJ has indicated that it will guarantee our cashflow in the event of the need to defend ourselves against such actions. However it is very unlikely that we would need to resort to this course of action if we do receive a Judicial Review as we receive a year's worth of funding in March of each year and would collect the next year's levy prior to paying our main costs in March (salaries and accommodation).

Draft Equality Report and Proposed Equality Objectives

27. Alongside our organisational commitment to integrate diversity and equality into our work and organisational culture, we have statutory obligations under the Equality Act 2010. The 2010 Act consolidated and harmonised all previous equalities legislation in England, Scotland and Wales. It places an Equality Duty on public bodies and others carrying out public functions and covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Under supporting regulations that came into force on 10 September 2011 - the Specific Duties Regulations - the LSB is amongst the list of public authorities that must publish information by 31 January 2012 to demonstrate compliance with the Equality Duty.
28. The Equality Duty has three aims. It requires public bodies, including the LSB, to have due regard to the need to:
 - Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010.
 - Advance equality of opportunity between people who share a protected characteristic and people who do not share it.
 - Foster good relations between people who share a protected characteristic and people who do not share it.
29. In addition, the LSB must prepare and publish no later than 6 April 2012 one or more specific, measurable equality objectives.
30. The document attached at **Annex B** is designed to meet our statutory obligations under the Equality Act 2010. Our intention is to consult on our proposed equality objectives, which support our work programme, and to reflect them, in April 2012 within our final Business Plan post-consultation.

Recommendations

31. The Board is invited to:
 1. review and discuss the draft Strategy and Plan document
 2. delegate final approval of the document to be issued for consultation to the Chairman and Chief Executive

3. agree a draft budget for 2012/13 of **£4,498k**
4. approve the Equality Report and Proposed Objectives for consultation alongside the draft Plan.