

To:	Legal Services Board	
Date of Meeting:	27 November 2013	Item: Paper (13) 87

Title:	LSB Governance Manual Review	
Workstream(s):	None	
Author / Introduced by:	Adewale Kadiri, Corporate Governance Manager Adewale.kadiri@legalservicesboard.org.uk/ Steve Green	
Status:	Unrestricted	

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 28 November 2012. 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 minor revisions endorsed by the Audit and Risk Committee at its meeting on 23 October.

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

Consultation	Yes	No	Who / why?
Board Members:	✓		Audit and Risk Committee
Consumer Panel:		✓	N/A

Others:	Internal and external auditors, and colleagues.
----------------	---

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

LEGAL SERVICES BOARD

To:	Legal Services Board		
Date of Meeting:	27 November 2013	Item:	Paper (13) 87

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 30 November 2011. The Manual is published on the LSB website¹:
3. This paper reports on the scheduled annual review of the LSB Governance Manual and provides recommendations for revisions and following the Audit and Risk Committee's detailed review of the Manual at its 15 October meeting. The Audit and Risk Committee formally submits the Manual to the Board for approval and adoption.
4. This year, the scheduled annual review of the Governance Manual has been informed by the following:
 - a. KPMG's Internal Audit report on the LSB's statutory decision making, and its annual report and opinion for 2012/13
 - b. Compliance with the **UK Corporate Governance Code and Corporate Governance in central government departments: Code of Good Practice 2011**
 - c. The annual **Board Evaluation and Review** exercise conducted in summer 2013
 - d. **Consultation** with Executive colleagues, including some members of the Gateway Group and Project Managers
 - e. **Lessons learned** from the day-to-day operation of the 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](#)

¹ http://www.legalservicesboard.org.uk/about_us/our_board/board_code_of_practice/index.htm

[LSB Audit and Risk Committee – Terms of Reference](#)
[LSB Remuneration and Nomination Committee – Terms of Reference](#)
[LSB Policy on Colleagues' Expenses](#)
[LSB Policy on Gifts and Hospitality](#)
[LSB Policy on Colleagues' Interests](#)
[Complaints and Disciplinary Process for Individual Members](#)
[LSB Framework Document](#)
[LSB Financial Regulations](#)

Internal Audit findings

6. As part of their Internal Audit service to the LSB during 2012/13, KPMG carried out a review in February 2013 of statutory decision making. They found the arrangements in place to be acceptable and that the LSB was complying with its own internal processes and the provisions of the Act. Two Performance Improvement Observations (PIOs) were made, one low risk and the other medium, neither of which is of relevance to the governance manual review.

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

7. 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'). Whilst the Code is specifically designed for central government departments, the requirement to 'comply or explain' also applies to any other bodies within the scope of *Managing Public Money*, including the LSB.
8. Code 5.9 states that at least one, but preferably more, of the Audit and Remuneration Committee (ARC) members should have recent and relevant financial experience. Philip Lindsell, a chartered accountant, provides support to the ARC on the basis that none of the three Board Members currently serving on the Committee have recent or relevant financial experience.
9. There were no other departures from the Code requiring disclosure or explanation

Annual Board Evaluation and Review exercise conducted in summer 2013

10. Board Members' feedback to the annual Board Evaluation and Review exercise conducted in the summer of 2013 was generally positive and there were no specific issues that arose that suggested amendments to the Governance Manual were required.

Approach for 2013 review

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

Code of Practice for Board Members

12. The Committee on Standards in Public Life have recently amended the wording of the Seven Principles of Public Life. This amended wording has been attached as **Annex A**.

13. One minor grammatical amendment:

- Para 14, bullet point 5 – insert the word “manage” after to

Rules of Procedure

14. No substantive changes are proposed at this time. Two minor amendments are recommended as follows:

- Under Definitions (1.1) the entry relating to Board Secretary should read: *“Board Secretary means the person appointed as Corporate Governance Manager who acts as secretary to the Board”*
- The second and third sentences under para 3.7.2 should read: *“In exceptional circumstances, meetings might be convened wholly or partly by telephone or video-conferencing, and decisions may also be made or ratified following a suitable exchange of correspondence, either electronically or in hard copy. In such circumstances, participating Board members shall be deemed to be present at the meeting.”*

Schedule of matters reserved to the Board

15. No amendments are proposed

Scheme of Delegations

16. The following amendments are proposed:

Under the Regulatory activity section, the Head of Statutory Decisions (HSD) is to be added as a consultee to use of the following power: “Approving alterations to regulatory arrangements (including requests to be exempted from approval requirements)

- The notes to the same power to be amended to read as follows: *The Board has delegated to the Chief Executive (30/11/09) authority to determine the handling of rule change applications on a case by case basis following an assessment of significance, impact and risk; save that regulatory arrangements related to designation applications are approved by the Board as part of the decision on the designation application*
- The notes relating to the power to approve approved regulator practising fees to read as follows: *Significant decisions to be referred to the Board*
- The HSD is to be added as a consultee to “Agreeing to recommend the approval of applications for designation as an AR/LA to the Board”. The words “as above” are to be deleted.

Committee Terms of Reference

17. The Terms of Reference of the ARC were reviewed in light of the annual report of the ARC in May 2013, and no substantive amendments were recommended at that time. A few minor amendments are now recommended:

- Para 8 is to be amended to read as follows: *“The quorum for a meeting...or in exceptional circumstances, by telephone or video-conferencing facility, and decisions may also be made or ratified following a suitable exchange of correspondence, either electronically or in hard copy.”*
- Amend para 12 to read *“The Corporate Governance Manager, in the capacity of Board Secretary, will be secretary to the Committee.”*

18. The following minor changes are recommended to the RNC Terms of Reference:

- Under section 3, the second bullet point under the heading Office of Legal Complaints, add a comma after “approve”, and remove the comma after “on”. The same applies to the second bullet point under Legal Services Consumer Panel
- Under section 4 Sub-para (iii) under the first bullet point, change “an” to “a”
- Under section 4, heading “Membership, quorum, independence, objectivity and understanding, the third sentence of the third paragraph should read: *“The quorum of the Committee shall be at least three members... in exceptional circumstances, by telephone or video-conferencing facility, and decisions may also be made or ratified following a suitable exchange of correspondence, either electronically or in hard copy.”*
- Barbara Saunders to be substituted for Nicole Smith within Current members and other attendees
- In the second line of the final paragraph on page 6, “produced” should be changed to “produce”

Policy on Colleagues’ Expenses

19. The following amendments are recommended:

- The first sentence of para 16 should be amended to read: *“Tickets should always be purchased in advance, except where this is either impossible or impracticable.”*

20. The Executive has noted that a number of public sector organisations will not reimburse claims relating to the purchase of alcoholic beverages. **The Board’s view is sought on the desirability of adding a sentence to para 26 to the effect either that no claims for the consumption of alcoholic beverages would be paid, or that such claims would only be allowable where the beverages in question were consumed as part of a meal.** The Board should note that the ARC was not persuaded of the need for such an amendment but agreed that it should be put to the Board for consideration. The suggested sentences, to be added to the end of para 26 are:

- a. "No claims for alcoholic beverages, whether consumed with a meal or not, will be paid" **or**
- b. "Claims for alcoholic beverages will only be paid if consumed as part of a meal, and an identifiable business need for such entertainment is established."

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 Audit and Risk Committee.
22. The current rates are attached at **Annex 2**. The figures have been checked against the HMRC rates for employee vehicles (mileage payments for business travel) and these remain as for 2011 therefore no increase is required. The Board is invited to consider whether any further amendments should be made to the rates set out at the Annex at this time.

Policy on Gifts and Hospitality

23. No substantive changes are proposed at this time. However, in the event that the Board decides to disallow the payment of claims for alcohol, this policy will need to be amended to explicitly disallow the giving of hospitality that includes alcohol as expenses claims will not be permitted to cover it.
24. One minor amendment is recommended as follows:

- The words "so which" to be deleted from the first sentence under the first bullet point in para 6

Policy on Colleagues' Interests

25. No substantive changes are proposed at this time. One minor amendment is recommended as follows:
- The word "Corporate" to be inserted before "Governance" in para 3.3

Complaints and Disciplinary Process for Individual Members

26. No substantive changes are proposed at this time. However, the first sentence under para 2 should read: *This disciplinary procedure is to be used in the event of an allegation of personal misconduct or impropriety by a Member, a Member of the Office of Legal Complaints (OLC) or a Member of the Legal Services Consumer Panel.*

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. In the case of the OLC, this will need to specify that it is a statutory body under Cabinet Office classification, rather than an NDPB. The review process will allow for reflection of the wider findings from the Triennial Review.

28. We accepted this recommendation and have received some proposed amendments from the Ministry of Justice. These appear to be minor and are being considered.

LSB Finance Regulations

29. Detailed changes have been made to the LSB Finance Regulations and these have been captured within paper (13) 18.

Next steps

30. The Board is invited to agree the recommendations set out in this paper.

31. 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.

The seven principles of public life (as now revised)

Selflessness

Holders of public office should act solely in terms of the public interest. .

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias..

Accountability

Holders of public office are accountable to the public for their decisions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

Current Rates of Travelling and Subsistence (27 November 2013)

This Annex may be re-issued, from time to time, to reflect any alterations in the rates paid.

1. Travel

- a) By car: rates *per mile* (in a tax year):
 - **First 10,000 miles** 45p
 - **Over 10,000 miles** 25p
- b) Motorcycle allowance: 24p per mile

2. Subsistence (based on actual receipts)

a) Day

- Lunch - up to £5
- Evening Meal - up to £15

b) Night Subsistence per night

In the event that it is necessary, to fulfil LSB business, to stay overnight in a hotel, authority must be obtained in advance from a member of the Gateway Group (or, in the case of Board or Consumer Panel Members, the Corporate Governance Manager).

Hotels in London

Actual expenditure up to a ceiling of £120 for bed and breakfast costs plus if away for at least 24 hours up to £21 for lunch and evening meal unless this is provided.

Hotels elsewhere

Actual expenditure up to a ceiling of £100 for bed and breakfast costs plus if away for at least 24 hours up to £21 for lunch and evening meal unless this is provided.