

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	26 March 2014	<b>Item:</b> Paper (14) 13

<b>Title:</b>	Final LSB Business Plan and budget 2014/15
<b>Workstream(s):</b>	All
<b>Presented by:</b>	Edwin Josephs, Director of Finance and Services Julie Myers, Corporate Director Chris Kenny, Chief Executive
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<b>Status:</b>	Protect

<b>Summary:</b>
<p>The Board is asked:</p> <ul style="list-style-type: none"> <li>- to agree the Business Plan 2014/15 (including research plan);</li> <li>- to agree a budget of £4,298k to deliver the Plan for 2014/15.</li> </ul> <p>The Board consulted on its draft Business Plan for 2014/15 in December 2013. The consultation closed on 31 January and we received 11 responses. A draft summary of the responses and proposals for an LSB response to them can be found at <b>Annex A</b>. The executive recommends that a small number of changes to the draft Plan be made, because of both the consultation responses and work undertaken internally since the consultation was published. This includes within it an explanation of how the thematic reviews were prioritised.</p> <p>A tracked draft of the Final Business Plan for 2014/15 can be found at <b>Annex B</b>. This document will be finalised for publication (on 3 April 2014) pending outcome of Board discussion and decision. It is still very much 'work in progress'.</p> <p>At <b>Annex C</b>, the Board will find the proposed operational budget and a cash flow forecast. The Audit and Risk Committee (ARC) endorsed this budget at their meeting on 13 March.</p> <p>Finally, the executive also prepares, on an annual basis, a Research Plan to support delivery of the Business Plan. The Research Plan for 2014/15 is contained within the Final Business Plan.</p>

<b>Risks and mitigations</b>	
<b>Financial:</b>	Formal budget delegation will still be needed from Ministry of Justice ( <b>MoJ</b> ).
<b>FoIA:</b>	Annexes A-B – Section 22 – information intended for future publication
<b>Legal:</b>	N/A.
<b>Reputational:</b>	We undertook a public consultation on the draft Plan and received a variety of responses. The draft response document addresses responses made.

<b>Resource:</b>	The executive's assessment is that the current work programme, although manageable, stretches the limits of the LSB's proposed budget bearing in mind the complexity of some activities and operational pressures arising from recent accommodation and forthcoming necessary IT changes. In-year pressures may therefore call for significant reprioritisation.
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Consultation	Yes	No	Who / why?
<b>Board Members:</b>	✓		<b>ARC</b> has endorsed the proposed budget of £4,298k for 2014/15
<b>Consumer Panel:</b>		✓	The draft Plan was sent to the Panel but no formal response was submitted. The Panel have indicated that they are content with the proposed advice request contained within the Plan.

<b>Others:</b>	
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<b>Recommendation(s):</b>
<p>The Board is invited:</p> <ol style="list-style-type: none"> <li>1) to consider and discuss the responses to the draft Business Plan for 2014/15 and agree in principle the proposed changes to the Plan and the request to the Consumer Panel;</li> <li>2) to agree the proposed budget of £4,298k;</li> <li>3) to delegate authority to approve the sign-off of the Plan to the Chairman and the Chief Executive in order to allow publication, ideally on 3 April 2014;</li> <li>4) to agree the research plan for 2014/15.</li> </ol>

## LEGAL SERVICES BOARD

<b>To:</b>	Legal Services Board		
<b>Date of Meeting:</b>	26 March 2014	<b>Item:</b>	Paper (14) 13

### Business Plan 2014/15 – response to consultation

#### Executive Summary

#### Recommendation(s)

The Board is invited:

- 1) to consider and discuss the responses to the draft Business Plan for 2014/15 and agree in principle the proposed changes to the Plan and the request to the Consumer Panel;
- 2) to agree the proposed budget of £4,298k;
- 3) to delegate authority to approve the sign-off of the Plan to the Chairman and the Chief Executive in order to allow publication ideally on 3 April 2014;
- 4) to agree the research plan for 2014/15.

#### Section A:

#### Business Plan 2014/15 – response to consultation

1. **Annex A** presents a comprehensive summary of the responses to our consultation and addresses the full range of points made. We received 11 responses to the draft which itself had been informed by a pre-consultation workshop attended by 18 individuals from 16 organisations. Responses primarily focused on specific aspects of the work programme.
2. In line with our usual approach to consultation, we will publish the final consultation response summary alongside our final Plan. The response document also includes an explanation of how the proposed list of thematic reviews was prioritised.
3. All of the consultation responses are available if Board members wish to review and they will be available at the Board meeting.
4. **Annex B** contains a ‘work in progress’ draft of the final Plan. Board members are cautioned that the executive intends to finalise the Plan informed by this Board discussion and that as a consequence there is still considerable work to be done to this version. In particular, the Chairman and Chief Executive’s forward has not yet been prepared, not least because late change may be needed to reflect the outcome of the MoJ call for evidence exercise if our intelligence about publication proves correct – see paragraph 9 below. **We would welcome final drafting comments by Board members outside of the meeting.** We anticipate finalising the document in time for publication shortly after the Board meeting (circa 3

April).

## Key points from responses

### *Blueprint for regulatory reform*

5. The draft Plan outlined a programme of work that was informed, in part, by the proposals we put forward in our ***Blueprint for regulatory reform***. The Law Society and ILEX Professional Standards both urged caution in respect of this work, asserting that the “Blueprint” represents only one view of the future of regulation and that it is therefore essential that if we do take forward any of its ideas that it should be only after a full consultation. They urged that the LSB must be careful not to stray too far from its obligations in the Legal Services Act 2007 (the Act).

### *Regulatory reform*

6. Most of the respondents commented on our plans to focus on a number of areas relating to regulatory costs as well as conducting a series of thematic reviews on issues identified during our work on regulatory performance. In the main, the comments were supportive of the work however, they also requested more information about the rationale for each piece of work, how we intend to prioritise them and whether there will be any resource implication on the regulators. This has been included in the response document.

### *Areas for Consumer Panel advice*

7. The Board left open the question of the area(s) on which it should seek Consumer Panel advice in 2014/15 and no suggestions were made by respondents. The Executive has given some thought to this issue during and post consultation and recommends that the Board asks the Legal Services Consumer Panel to respond to the following advice request to inform the development of our 2015-18 strategy:

*“In the light of developments in the legal services market in particular, but also in the wider economy and society, what risks to consumers of legal services might arise in the period to 2020 and how might the LSB and approved regulators react appropriately to them ?”*

The Consumer Panel have indicated that they would be interested and willing to undertake this request. **Are the Board content with this request?**

## Proposed content for final Plan

8. The changes we propose to make in the final Plan (not all of which are yet fully reflected in the version at Annex B) are primarily to provide certainty and clarity on areas of work that were necessarily vague or in need of prioritisation at the time the draft was published. Most notably, this includes firming up the areas identified for thematic review. We have sought to prioritise work which clearly relates to the “Blueprint” agenda, is entirely or largely within our remit to pursue

and can be pushed forward irrespective of Ministerial decisions on the overall framework. It would be possible for the Solicitors Regulation Authority, in particular, to make headway on some issues without us having to take the lead and there are signs that this may happen in some areas. We have also identified candidates which can be brought forward if this turns out to be the case, but we would not propose to drop what is currently proposed unless and until their plans become significantly more specific.

9. At the time of preparing this Board paper, the 'known unknown' remains the outcome to the MoJ's call for evidence on legal services regulation and thus it remains possible that some areas will need to flex accordingly if this emerges before the Board meeting.
10. The majority of amendments are therefore evolutionary development rather than fundamental change.

### **Recommendation 1**

**The Board is invited to consider and discuss the responses to the draft Business Plan for 2014/15 and agree in principle the proposed changes to the Plan and the request to the Consumer Panel**

### **Section B:**

#### **Budget recommendation for 2014/15**

11. The draft Plan outlined a proposed budget of £4,298k – a reduction of £150k from 2013/14, and it formed part of the Plan consultation. Annex C provides more detail on the budget.
12. The Executive reviewed the budget proposal in light of the following and concluded that the level remained appropriate:
  - the tenor of responses to the consultation
  - intelligence gathered around the MoJ review of legal services regulation
  - changes in the regulatory environment generally including at the LSB.
13. The budget proposal was considered by the ARC at its 13 March meeting, and it was endorsed. The key points considered by the ARC are below.
14. The Plan and budget proposals have also been shared with MoJ and whilst we do not expect any adverse comment, we are aware that, unlike in previous years, the draft Plan was not reviewed by Ministers before consultation. We understand that there was nothing sinister in this, merely lack of time. We will report any further MoJ comment at the meeting. Ministers will need to endorse the final budget before publication.

## **Consultation responses**

15. Three respondents referred specifically to the budget. Their comments were to ask that a breakdown against activity headings be provided and that more narrative be provided to explain changes in budget and any capital expenditure.
16. Additionally, a small number of respondents noted the proposed reduction in budget. The Law Society in particular welcomed this but observed that it amounted to a saving of less than £1 per regulated individual. Conversely, ILEX PS indicated informally that they were concerned that the proposed level of cost reductions might threaten LSB performance, especially in the core area of rule approval.
17. Whilst we remain of the view that it is not feasible to allocate costs to activity, bearing in mind the matrix nature of LSB working and the likelihood that any such allocation would be almost wholly arbitrary, we do accept that more narrative can be provided about the change in budget lines and we have incorporated this into the response document.

## **Intelligence gathered around the MoJ review of legal services regulation**

18. The “known unknowns” at this stage of the planning process remains the MoJ response to its review of legal services regulation and the findings of the Jeffery review of criminal advocacy – both of which have the potential to impact on the LSB’s programme. As noted above, it is possible that by the time the Board meets, the outcome of the first of these will be known. That said, our understanding to date is that there are unlikely to be any radical proposals for reform as a consequence of the review in the short term and, as such, our work programme is unlikely to require significant adjustment.

## **Changes in the regulatory environment generally including at the LSB**

19. Since the draft Plan was published there has been change in senior executive personnel at both the SRA and the LSB with additional significant non-executive change also due in the immediate short-term at LSB and in the course of 2014/15 at SRA, BSB and most other regulators. SRA changes in particular may have the potential to provide a more fertile environment for progress on regulatory reform and we have adjusted our work priorities around thematic reviews as a consequence.
20. It does remain the case however, that the LSB will need to maintain focus on regulatory performance during the year ahead: the danger of short-term disruption during the changes is just as great as the likelihood of beneficial change in the longer-term.

## **Impact**

21. Taken together, these changes suggest that our initial budget planning assumptions were appropriate. Although cost pressures will remain in the 2014/15 budget, the proposed saving of £150k remains achievable. Indeed, the successful outcome of the QASA JR may have lessened the pressure for an increase in legal costs (although we still, of course, await the decision of the Court of Appeal on the appellants' application for leave to renew the case).
22. As always, however, we may need to invite the Board to slim down or slip elements of the policy programme if the outcome of the MoJ review and /or regulatory challenges add major unavoidable items of work at a time when new senior staff are bedding in and resources are under pressure.

### **Budget conclusion**

23. Taking all the previous factors into consideration, the Executive's assessment is that, although challenging, keeping the budget at the overall level proposed in the consultation is manageable and spending prioritisation can be made later in the year particularly as:
- whilst the room for manoeuvre is very limited, we are still to see the full impact of long-term savings emerging from the move which may be positive and, as in 13/14, there is a likelihood of some "frictional" savings emerging in-year;
  - the final outcome of the QASA legal case may influence the propensity for litigation;
  - assessment that the environment we are operating in means we will be facing higher levels of risk and uncertainty.

24. This view was endorsed by the ARC.

### **Recommendation 2:**

**The Board is invited to agree the proposed budget of £4,298k.**

### **Recommendation 3:**

**The Board is asked to delegate authority to approve the sign-off of the Plan to the Chairman and the Chief Executive in order to allow publication on 3 April 2014**

### **Section C:**

#### **Proposed Research Plan 2014/15**

25. The Board will find included within the Business Plan, our proposed Research Plan for 2014/15. This has been developed to support delivery of the Board's

Business Plan for the same period, including supplementing proposed work on cost and complexity of regulation.

**Recommendation 4:**

**The Board is asked agree the research plan for 2014/15**

**Next steps**

26. Pending approval by the Board, the Executive will make the necessary amendments to the suite of documents presented today.
27. We plan to publish the documents on 3 April 2014. Whilst we do not expect to have a formal budget delegation letter by that date (an identical situation to previous years), we do expect to have budget approval in principle. Key points arising from the consultation have been passed to MoJ in advance of this meeting and we will provide an oral update at the meeting if we have had any response.

**Matters for the Board**

28. The Board is invited:
- 1) to consider and discuss the responses to the draft Business Plan for 2014/15 and agree in principle the proposed changes to the Plan and the request to the Consumer Panel;
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  - 3) to delegate authority to approve the sign-off of the Plan to the Chairman and the Chief Executive in order to allow publication on 3 April 2014;
  - 4) to agree the research plan for 2014/15.

18.03.2014