

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	18 March 2013	<b>Item:</b> Paper (13) 14

<b>Title:</b>	OLC budget 2013/14 for approval	
<b>Workstream(s):</b>	N/A	
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<b>Status:</b>	Restricted	

<b>Summary:</b>
<p>The Legal Services Act 2007 requires the LSB to approve the annual budget of the OLC. At its 30 January 2013 meeting, the Board agreed the criteria that the OLC Board should be asked to address in seeking budget approval from the LSB. This paper presents the OLC's budget submission for financial year 2013/14 (see <b>Annex A</b>). Please note that we have <u>not</u> received the OLC's final Business Plan - <u>only</u> the budget submission.</p> <p>Karen Silcock, OLC Board member, will attend to present this item.</p>

<b>Recommendation(s):</b>
<p>The Board is invited to:</p> <ul style="list-style-type: none"> <li>(1) Review the OLC's submission on its budget for 2013/14;</li> <li>(2) Agree the budget.</li> </ul>

<b>Risks and mitigations</b>	
<b>Financial:</b>	OLC has its own Accounting Officer and is required to comply with Managing Public Money requirements.
<b>Legal:</b>	N/A
<b>Reputational:</b>	N/A
<b>Resource:</b>	N/A

Consultation	Yes	No	Who / why?
<b>Board Members:</b>	✓		Steve Green, Barbara Saunders and Andrew Whittaker were invited to comment on the submission
<b>Consumer Panel:</b>		x	
<b>Others:</b>	Who / why?		

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

## LEGAL SERVICES BOARD

<b>To:</b>	Legal Services Board		
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### OLC budget 2013/14 for approval

#### Introduction

1. Part 6 and Schedule 15 of the Legal Services Act 2007 (**the Act**) describe the arrangements for the handling of complaints about legal services professionals and provide the framework for the relationships between LSB and OLC. Within the framework is the requirement that the LSB must approve the OLC's budget.
2. Whilst the LSB has a statutory responsibility to approve the OLC's budget, it has made clear in all years to date that it does not want to duplicate the work properly done by the OLC Board in scrutinising the basis on which the budget has been developed. As such, an approval process was designed to provide adequate assurance to the Board about the robustness of the OLC process rather than seeing the LSB conduct a de novo analysis. To assist with this, the Board provided OLC with a suite of criteria to address in its budget
3. The OLC are proposing a budget of £16,994,000 for 2013/14. This is the same level as 2012/13 however a larger proportion of the budget will be funded through an increase in case fee income and therefore they have been able to decrease their planned leviable expenditure by £581,000.

#### Statutory requirements

4. Para 23 of Schedule 15 to the Act concerns the OLC's budget and states:
  - (1) The OLC must, before the start of each financial year, adopt an annual budget which has been approved by the Board (LSB).
  - (2) The OLC may, with the approval of the Board, vary the budget for a financial year at any time after its adoption.
  - (3) The annual budget must include an indication of –
    - i. The distribution of resources deployed in the operation of the ombudsman scheme, and
    - ii. The amounts of income of the OLC arising or expected to arise from the operation of the scheme.
5. The Act also prohibits the OLC from borrowing money without the consent of the LSB (or in accordance with a general authorisation given by the Board) and requires the OLC to give the LSB its statement of accounts for presenting to the Lord Chancellor and Comptroller and Auditor General on its behalf.

6. As an independent NDPB, the OLC also has its own Accounting Officer, Adam Sampson, and Audit and Risk Committee. It has also its own independent sponsor-body/sponsor relationship with the MoJ in accordance with Managing Public Money. Hence, while the LSB approves the *level* of the budget, we do not have any responsibility in relation to in-year financial control issues (unless these cause the budget to be varied) nor in relation to the propriety of spend.

## **Acceptance Criteria**

7. At its January Board meeting, the LSB agreed that the OLC should be asked to address the following areas in its submission:
  - A summary of the key risks to delivering the Plan for 2013/14 and mitigation proposed.
  - The volumes predicted for the year along with a sensitivity analysis illustrating the organisation's response should volumes fluctuate.
  - In accordance with the Act, an indication of the distribution of resources deployed in the operation of the ombudsman scheme and the amounts of income OLC expect to arise from the operation of the scheme. OLC were also requested to explicitly include within this breakdown staff costs and numbers broken down by function – for instance: enquiries; investigations; ombudsman team; corporate; others.
  - A summary of where the Plan and budget has changed in response to stakeholder responses which should explicitly include the outcome of discussions with MoJ and the extent to which the final Plan and budget takes account of their input.
  - The OLC Board's current thinking on funding for take-on of any new jurisdiction – in particular the funding of planning and establishment work (albeit small) in advance of the take-on of any new jurisdiction bearing in mind that current work is being funded from the current approved regulator levy.

## **Review of assurances provided by the OLC board**

### **Summary of the key risks to delivering the Plan for 2013/14 and mitigation proposed**

8. Section 6 (page 13 - 14) of the submission describes the biggest risks to the achievement of the budgeted expenditure limit over the 2013/14 period (rather than to delivery of the Plan itself) and describes the mitigation. These are:
  - Variations from planned contact and case volume
  - Planned investigator efficiency is not met
  - Staff turnover varies significantly from plan
  - Large legal costs associated with judicial reviews.

9. The submission does not include an indication of the likelihood of these risks occurring but does detail the mitigations planned.

**The volumes predicted for the year along with a sensitivity analysis illustrating the organisation's response should volumes fluctuate.**

10. Section 5 (pages 8-13) outlines the OLC's assumptions around anticipated volumes, case fees, pay and depreciation as well as a sensitivity analysis . It does not include a risk to meeting operational KPI's as a result of volume fluctuations but it is assumed that by taking the actions indicated in the paper the impact would be mitigated.
11. They have anticipated that the number of cases resolved will rise by 13.3% in 2013/14 due to the changes in Scheme Rules that are expected to lead to an increase in case volume by around 10%, generating an additional 750 cases per annum, and more proactive follow up of premature complainants which has, so far resulted in a 4% increase in cases being accepted.

**Distribution of resources deployed in the operation of the ombudsman scheme and the amounts of income OLC expect to arise from the operation of the scheme.**

12. Section 2.2 (page 6) sets out the breakdown of the OLC's costs by expenditure type and functional area. In section 5.2 (pages 9) a breakdown of anticipated average headcount for the year and the budgeted figures for each functional area. This is also supported by the summary budget, showing income and expenditure for the year in section 1.2 (page 5).

**A summary of where the Plan and budget has changed in response to stakeholder responses which should explicitly include the outcome of discussions with MoJ and the extent to which the final Plan and budget takes account of their input.**

13. A summary of how the consultation was conducted and how the plan has changed as a result of stakeholder and MoJ feedback is set out in section 4 (page 7). The feedback received did not result in any material change to either the plan or budget and was largely supportive of the approach being taken by the OLC.
14. A note of the OLC's consultation event is provided at **Annex B**.
15. The submission did not include any detailed feedback from MoJ but asserts that they were content with the assumptions of the draft paper provided to them.

**The OLC Board's current thinking on funding for take-on of any new jurisdiction – in particular the funding of planning and establishment work (albeit small) in advance of the take-on of any new jurisdiction bearing in mind that current work is being funded from the current approved regulator levy.**

16. The OLC provide their current thinking on funding for taking on any new jurisdiction on page 4 section 1.1.1. To date all activity around new

jurisdictions has been resourced from existing headcount. There continues to be uncertainty around the timings and mechanism for implementation of Claims management and therefore it is not included in this budget.

17. It is planned that any costs identified in 2013/14 for new jurisdiction will be cross charged to MoJ and recovered through the agreed funding mechanism.

### **Recommendation**

18. The Board is invited to:

- (1) Review the OLC's submission on its budget for 2013/14;
- (2) Agree the budget.