

To:	Legal Services Board	
Date of Meeting:	28 March 2012	Item: Paper (12) 19

Title:	Business Plan and budget 2012/13, equality objectives and research plan	
Workstream(s):	All	
Presented by:	Julie Myers, Corporate Director julie.myers@legalservicesboard.org.uk / 020 7271 0059	
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Status:	Protect	

Summary:

A number of linked decisions are required from the Board:

- To agree the Strategic Plan 2012-15 and Business Plan 2012/13
- To agree a budget of £4,498k to deliver the Plan for 2012/13;
- To agree the Board's Equality Duty Objectives for 2012/13;
- To agree the Board's Research Plan for 2012/13.

The Board consulted on its draft Strategic Plan for 2012-15 and Business Plan for 2012/13 in December 2011. The consultation closed in March and we received 16 responses. A summary of the responses and proposals for an LSB response to them can be found at **Annex A**. 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.

A tracked draft of the Final Strategy and Business Plan for 2012/13 can be found at **Annex B**. This document will be finalised for publication (on 3 April 2012) pending outcome of Board discussion and decision. It is still 'work in progress'. At **Annex C**, the Board will find the proposed operational budget and a cash flow forecast. The Audit and Risk Committee will have reviewed the budget in advance of the Board meeting and a report on their endorsement will be provided in the meeting.

Alongside the draft Plan, the Board also consulted on its Equality Duty Objectives for 2012/13. The consultation also ran until March and we received seven responses. These were both broadly supportive and constructive and the executive recommends some drafting changes as a result. The draft consultation response summary and revised Equality Duty Objectives for Board approval can be found at **Annex D**.

Finally, the executive also prepares, on an annual basis, a Research Plan to support delivery of the Business Plan. The Research Plan for 2012/13 is attached for the Board's approval at **Annex E**. This has been reviewed by the Board's Research Strategy Group (which also includes members from the approved regulators and independent academics).

Risks and mitigations	
Financial:	Formal budget delegation will still be needed from Ministry of Justice (MoJ). MoJ have verbally confirmed that we should work on the basis of having delegated authority for £4,498k for 2012/13 and that formal indicative budget delegation letters should be sent by the end of March 2012.
FoIA:	Annexes A-E exempt under Section 22
Legal:	N/A.
Reputational:	We undertook a public consultation on the draft Plan and equality objectives and received a variety of responses. A number of the approved regulator responses were critical of our approach to our role and the size of our budget reduction (not enough). The draft response document handles these claims robustly.
Resource:	As in previous years, our ability to deliver the Plan depends upon full budget sign-off. Any reduction in budget, or new work emerging in year, will require current planned activity to stop or be re-prioritised.

Consultation	Yes	No	Who / why?
Board Members:		✓	Timing
Consumer Panel:	✓		The draft Plan was presented to the Panel but no formal response was submitted

Others:	Audit and Risk Committee (' ARC ') reviewed the proposed budget for 2012/13 and will be considering in advance of the Board meeting.
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Recommendation(s):
<p>The Board is invited:</p> <ol style="list-style-type: none"> 1) to consider and discuss the responses to the draft Strategic Plan for 2012-15 and draft Business Plan for 2012/13 and agree in principle the proposed changes to the Plan; 2) to agree the proposed budget of £4,498k subject to formal MoJ approval; 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 2012; 4) to agree the equality objectives for 2012/13; 5) to agree the research plan for 2012/13.

LEGAL SERVICES BOARD

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Business Plan 2012/13 – response to consultation

Executive Summary

Recommendation(s)

The Board is invited:

- 1) to consider and discuss the responses to the draft Strategic Plan for 2012-15 and draft Business Plan for 2012/13 and agree in principle the proposed changes to the Plan;
- 2) to agree the proposed budget of £4,498k subject to formal MoJ approval;
- 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 2012;
- 4) to agree the equality objectives for 2012/13;
- 5) to agree the research plan for 2012/13.

Section A:

Strategic Plan 2012/15 and Business Plan 2012/13 – response to consultation

1. **Annex A** presents a comprehensive summary of the 16 responses to our consultation, which ran from 15 December 2011 to 9 March 2012. Seven of the responses were from approved regulators (either regulatory or representative arms (or both), six were from legal professional bodies or providers, one from a legal education charity, one from an academic body and one from a government body albeit the latter, from the Legal Services Commission, was simply an acknowledgement rather than a substantive response). One legal representative body, the Criminal Bar Association, sought only to align themselves with the Bar Council response. One legal representative body, The Tunbridge Wells, Tonbridge and District Law Society simply commented that the Plan did not address the key issues of customer freedom of choice and access to justice.
2. We had no responses from consumer organisations. As in previous years, our informal contact with some of these bodies suggests this remains because they are broadly content with our approach.
3. In line with our usual approach to consultation, we will publish the final consultation response summary alongside our final Plan.
4. Whilst Annex A addresses the full range of points made in responses, those with the most significant potential impact on the final Plan are summarised here. All of the consultation responses are available if Board members wish to review and they will be available at the Board meeting.
5. **Annex B** contains a ‘*work in progress*’ draft of the final Plan. Board members will see that there is still some work to be done to accommodate all of the points emerging from consultation including crosschecking of milestone dates etc. This will be finessed in time for publication before Easter.

Key points from responses

The LSB's role

6. As in previous years, a number of responses provided generic commentary on the way in which the Board undertakes its statutory functions, rather than the specifics of the Plan itself. The critical commentary can be simplified thus '*the Board does not understand its remit and as such exceeds it and micromanages*'. **The Board's attention is drawn to paragraphs 8 – 13 of Annex A** for a more detailed analysis of these criticisms and a proposed response to them. We do not intend to adjust our general approach in light of these comments. Indeed, we would contend that the responses underline the need for the Board to maintain its high level of ambition.

Areas for Consumer Panel advice

7. We had anticipated seeking Panel advice in three areas over the coming year: financial protection; extent to which consumer interests in regulators design and delivery; and extent to which regulators help consumers to choose and use legal services. In light of further thinking about work requirements since publication of the draft Plan, and in response to comments made by the Council for Licensed Conveyancers (CLC), we have concluded that we should ask for advice in only two areas. These are: whether current regulatory arrangements for financial protection for consumers are fit for purpose and the extent to which consumers should bear some responsibility for risk; and a broader request about the appropriate role for the regulatory system as a whole in consumer education and information. The precise wording for these requests will be firmed up during the course of the year.

Proposed strategic priorities

8. The three proposed priorities appeared to be broadly supported by respondents and, as a result, the executive does not recommend that they are altered although some of text describing them will be adjusted in the light of comment (see para 31 in Annex A).

Developing standards and performance

9. This strand of the regulatory performance and oversight workstream attracted a degree of commentary, reflecting in some respects the more general comments about the LSB's approach to oversight regulation. We do not propose to adjust the Plan in light of responses.

LSB becoming a licensing authority

10. A number of respondents commented that it was premature for the LSB to be undertaking detailed preparatory work to become a licensing authority for alternative business structures in the absence of any identified needs and the time limit open to the LSB once a need is identified. The executive agrees and proposes to clarify the Plan to confirm that our intention is only to work with MOJ make sure relevant provisions in the Act are switched on – not to undertake anything more onerous.

A consistent approach to Criminal Records Bureau checks

11. One respondent expressed support for proposed work in this area. However, in light of the clear Ministerial steer when the last Order on this topic was laid, and the general direction of travel regarding policy on rehabilitation of offenders, the

executive believes that 2012/13 would not be an appropriate time to pursue this work in the absence of a clear case being made by regulators. We therefore propose to remove it from the 2012/13 Plan.

Reviewing the scope of regulation

12. Some respondents were disappointed that the Board appeared to be taking a piece-meal approach to reviewing scope of reservation across the sector. We believe these points will be addressed by the forthcoming publication on our approach to scope of regulation and do not propose to amend the Plan.

Developing a changing workforce for a changing market

13. Some adverse comments on what appeared to be an unduly 'delivery-focused' approach by the LSB in relation to the education and training review were received and drafting will be amended to make clearer what our role is intended to be. One additional specific area where are happy to clarify drafting in light of responses relates to the work we will do around the diversity data being collated by regulators – where we can confirm that we will not duplicate regulator analysis.
14. One addition to the Plan recommended by the executive is the **addition of work to consider the issue of equal pay**, where there is evidence that the position for female lawyers as compared to male lawyers may be worse than in the wider labour market. During 2012/13 we will build our understanding of this issue and the evidence base (see para 64 of **Annex B**).

Recommendation 1

The Board is invited to consider and discuss the responses to the draft Strategic Plan for 2012-15 and draft Business Plan for 2012/13 and agree in principle the proposed changes to the Plan

Section B:

Budget recommendation for 2012/13

15. The draft Plan outlined a proposed budget of **£4,498k** – a reduction of almost 9% from 2011/12. Whilst it was not explicit in the draft Plan, because changes were being worked through, we will be able to be clear in the final Plan that this includes a staffing headcount reduction from 34 to 31. Whilst the budget reduction was welcomed, for some commentators it was not enough (Bar Council, BSB, Chartered Institute of Patent Attorneys, Guildhall Chambers and The Law Society). A number of these referenced cut rates of 20 – 25% in line with cross-Whitehall savings. Both the Bar Council and BSB sought more information on where the reductions came from.
16. In the executive's view, neither the consultation exercise nor the internal review of the work planned for the year ahead suggests that the budget proposal should be altered.
17. The budget proposal is due be considered by the Audit and Risk Committee ('**ARC**') before the March Board meeting (the February meeting was too soon to factor in consultation responses) and its recommendation will be made clear to the Board at the March meeting. Pending ARC views, the following paragraphs

will be included in our consultation response document to illustrate how our budget is derived.

18. We will also share the Plan and budget proposals with MoJ before the Board meeting. We do not expect any adverse comment – the draft Plan and budget was reviewed by them before issuing for consultation – but we will want to be sure that they are aware of responses and that our proposal has not altered. In any event, it is unlikely that we would receive formal budget allocation before publication.

Proposed annual budget

19. **Annex C** shows the proposed operational budget and cash flow forecast for 2012/13.

20. The table below shows our proposed budget for 2012/13 in more detail. It reflects the move from start-up and development work to delivering our core responsibility of overseeing regulation, although things will never be routine.

	2012/13	2011/12	Change
Staff	2,650	2,864	-214
Accommodation	565	585	-20
Research and Professional Services	300	300	0
IT/Facilities/Finance	251	251	0
LSB Board	194	210	-16
Consumer Panel	44	48	-4
Office Costs	122	153	-31
Depreciation	16	143	-127
Governance and Support Services	96	127	-31
Legal Reference/Support	84	84	0
TOTAL excl OLC Board	4,322	4,765	-443
OLC Board	176	166	10
Total inc OLC Board	4,498	4,931	-433

Staffing

21. The LSB has now been operating more for just over three years. This initial period required discrete skills from colleagues, which in some cases were not the same as those needed for an organisation in normal operating mode. The Chief Executive, in consultation with the Board, reassessed the skills and roles that the LSB needed going forward and has made changes to the previous staffing complement.
22. This has led to a reduction in headcount and a reallocation of some responsibilities between other posts. We have also taken advantage of colleagues moving on to achieve a structure capable of delivering the strategy for the next three years.
23. 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 (OLC), and anticipated applications is significant.

24. These changes have resulted in the largest change to our budget going forward, £214k.

Accommodation and related services

25. Although a small tenant in a large building we have been heavily involved with landlord/tenants meeting and are continuing to hold the new managing agents to account for what they propose to spend. Even though most costs under this heading are fixed (rent, rates, service charges) we have been able to take full advantage of bulk buying power and receive the benefit of favourable fixed utilities contracts. This heading has been reduced by £20k.

LSB Board

26. We have taken full advantage of the opportunity provided by the 'end of term of appointment' for LSB Board members and recommended to the Lord Chancellor that we reduce the complement by one post. This has now been implemented. We have also reorganised the schedule of both Board and Committee meetings and agreed a reduction in travel costs. The overall expected reduction is £16k.

Office costs and related services

27. This comprises the general office overhead costs – stationery, licences, travel, telephony, postage, media subscriptions, publishing costs and website, etc. We plan to redesign our website and introduce a 'content management system' which will allow LSB colleagues to upload documents without the need to purchase these services from our current provider. In line with our Publication Scheme we publish a large volume of documents including Board Papers. This heading has been reduced by £31k.

Governance and support services

28. This includes internal and external audit as well as general recruitment costs and professional advice. We do not engage consultants on an interim basis and have been able to set this budget at £31k less than 2011/12.

Depreciation charges

29. 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. We have delayed any planned replacement programme of equipment and have consequently reduced this heading by £127k.

OLC Board

30. We have increased the number of members on the OLC Board by one and this has resulted in an increase of £10k.

Recommendation 2:

The Board is invited to agree the proposed budget of £4,498k subject to ARC endorsement and MoJ comment

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 2012

Section D:

Proposed Equality Duty Objectives

31. The Board consulted on its proposed Equality Duty Objectives alongside the draft Business Plan. Seven responses were received. Board members will find the consultation response summary including draft responses to key points raised at **Annex D**. The Board is required to publish its equality objectives before 6 April 2012 (by virtue of the Equality Act 2010).
32. Responses were broadly supportive, although some took the opportunity to re-state objections or criticisms to our work requiring regulators to gather and evaluate firm-level diversity data (which forms a key component of our equality and diversity agenda for the year ahead). The Board has already reached conclusions on this initiative and this consultation exercise has not revealed any reason to unpick those decisions.
33. On the whole, the responses were broadly supportive of our wide aims in respect of equality and diversity, even though individual respondents might not agree with some individual aspects of our proposals. Even those contributions with a degree of critical commentary were helpful and we would draw the Board's attention in particular to that of the Tunbridge Wells, Tonbridge and District Law Society (TWLS). This contained a careful and considered analysis of the proposed objectives and has provided us with useful suggestions for drafting improvements for which we are grateful.
34. The Board's attention is drawn to the comprehensive analysis of responses at **Annex D** (which is not- re-stated here). This has led the executive to recommend some drafting changes to the proposed equality objectives as follows:

Objective 1: Through our regulatory oversight role, encourage and work with the approved regulators to promote equality and diversity, including developing a diverse workforce across the legal sector at all levels, by:

- Assessing ~~approved~~ regulators' implementation plans to gather and evaluate diversity data.
- Reviewing and monitoring the progress made by ~~approved~~ regulators in delivering their implementation plans.
- Continuing to engage with approved regulators and others on how best to enhance a more diverse workforce across the legal sector.

Objective 2: Ensure our ~~Make decisions~~ take account of relevant equality and diversity information, including in respect of consumers ~~based on information that takes equality into account including input from relevant consumer and interest groups where possible~~ by:

- Factoring equalities and diversity into our research.

- Undertaking Equality Impact Assessment Screening (now called Equality Analysis,) where appropriate, when developing our programme and policies for consultation.
- Reviewing and developing the consumer toolkit that helps LSB staff identify and analyse consumer groups and their needs, including, in particular, consumers who might be vulnerable.
- Engaging with diversity groups and organisations.
- Continuing to encourage the Consumer Panel to develop a wide range of contacts and to incorporate diversity and equality into its consideration of consumer issues.

Objective 3: To ensure that the LSB's own practices and policies, in cluding relation to its internal staff and external stakeholder engagement ~~staff/stakeholder communication~~ and focus on equalities' issues through our entire work programme, and are examples of the approach we promote to others. We will do this by:

- Ensuring that our publications are available in all a variety of formats on request.
- Monitoring and publishing the diversity profile of our staff and responding to the results (bearing in mind the size of our organisation).
- When tendering for services, ~~we will~~ work with firms who can demonstrate that they have a commitment to equality and diversity.
- Applying recruitment processes that are in line with our Equality Duty.

35. We plan to publish our final Equality Objectives alongside the final Strategic Plan for 2012/15 and Business Plan 2012/13. Our next steps will then be to develop an Action Plan to support the delivery of the objectives and to ensure we track and measure our progress in achieving them.

Recommendation 4:

The Board is asked to agree the equality objectives for 2012/13

Section E:

Proposed Research Plan 2012/13

36. The Board will find attached at Annex E, our proposed Research Plan for 2012/13. This has been developed to support delivery of the Board's Business Plan for the same period, including to supplement our work on evaluation.
37. The Plan has been circulated to the Board's Research Strategy Group, which includes Nicole Smith as a representative of the Board, LSB colleagues, research staff from approved regulators (The Law Society, SRA, Bar Council), a representative from the Consumer Panel and a number of academics. No comments were received from members of the Group about the proposals.

Recommendation 5:

The Board is asked agree the research plan for 2012/13

Next steps

38. Pending approval by the Board, the Executive will make the necessary amendments to the suite of documents presented today.
39. We plan to publish the documents alongside the baseline evaluation report on 3 April 2012. As stated above, 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

40. The Board is invited:
- 1) to consider and discuss the responses to the draft Strategic Plan for 2012-15 and draft Business Plan for 2012/13 and agree in principle the proposed changes to the Plan;
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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 2012;
 - 4) to agree the equality objectives for 2012/13;
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21.03.2012