

To:	Legal Services Board	
Date of Meeting:	28 November 2012	Item: Paper 12 (73)

Title:	Draft LSB Business Plan and budget proposal for 2013/14	
Workstream(s):	All	
Introduced by / Author:	Julie Myers , Corporate Director Edwin Josephs , Director of Finance and Services Crispin Passmore , Strategy Director	
Status:	RESTRICTED	

Summary:
<p>The Board re-affirmed its strategic priorities and desired scope of work for 2013/14 at its meeting in September 2012.</p> <p>Attached at Annex A, Board Members will find a proposed draft Business Plan for 2013/14. This remains work in progress in terms of proofing and finessing but is presented to the Board for discussion and approval in principle. It includes a re-affirmation of our equality objectives.</p> <p>The document also includes the budget proposal for 2013/14. This has been reviewed by the Audit and Risk Committee.</p>

Recommendation(s):																
<p>The Board is invited to:</p> <ol style="list-style-type: none"> 1. review and discuss the draft 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 2013/14 of £4,448k (2012/13 £4,498k) 																
Risks and mitigations																
Financial: Draft budget requires approval from MoJ																
Legal: N/A																
Reputational: Narrative reinforces LSB role and addresses Triennial Review commentary																
Resource: Draft Plan highly ambitious within existing headcount																
<table border="1"> <thead> <tr> <th>Consultation</th> <th>Yes</th> <th>No</th> <th>Who / why?</th> </tr> </thead> <tbody> <tr> <td>Board Members:</td> <td></td> <td>x</td> <td>Precepts for draft Plan discussed at previous Board meetings and strategy day</td> </tr> <tr> <td>Consumer Panel:</td> <td>x</td> <td></td> <td>Proposal to make no new formal advice requests discussed with Consumer Panel Manager</td> </tr> <tr> <td>Others:</td> <td colspan="3">Early version of Plan sent to MoJ for informal comment and will be sent to Minister</td> </tr> </tbody> </table>	Consultation	Yes	No	Who / why?	Board Members:		x	Precepts for draft Plan discussed at previous Board meetings and strategy day	Consumer Panel:	x		Proposal to make no new formal advice requests discussed with Consumer Panel Manager	Others:	Early version of Plan sent to MoJ for informal comment and will be sent to Minister		
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Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
10-17 22-24 26a 28d 29 35	S.36 intended to promote a free and frank exchange of views for the purposes of deliberation by the Board	
Annex A	S.22 Draft Plan will be published	N/A

LEGAL SERVICES BOARD

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Draft LSB Business Plan and budget proposal for 2013/14

Context

1. At its September 2012 strategy session, the Board reviewed its strategic objectives for the 2012-15 period and the work programme implied by those priorities. The session confirmed direction of travel and the Board provided a clear steer on budget and resources.
2. The clear steer from the Board was to base the draft plan and budget on a „steady as she goes’ work-plan ie not to undertake initiatives in substantively new areas, but to focus on deepening performance challenge to regulators, following through on major work on scope and education and properly tackling the expanded number of major designation and other approval work expected in the year.

Proposed business plan 2013/14

3. Based on the papers presented to the Board at its strategy day in September, and the subsequent discussion, the executive has prepared the draft plan attached at **Annex A**.
4. The proposed annual programme of work for the year ahead is a clear continuation of the three year strategy published for 2012-15 and reiterates the Board’s focus on ensuring regulatory effectiveness, delivering our statutory obligations and maintaining a strategic view of the sector as a whole.
5. We have sought to marry that consistency of purpose with some change of emphasis in the overall “narrative” for our work, signalled in the foreword, which underlines the:
 - strong focus on regulatory performance
 - linkage between our model of performance and economic growth – and the distance some regulators still have to go to meet this
 - fact that we are backing off from detailed prescription in a number of areas – and expect to see regulators increasingly doing the same in respect of their areas of regulation.
6. Only one substantive new project is proposed – an investigation into the costs and complexity of regulation – as signalled in our response to the feedback on our Triennial Review. All other work is a continuation of programmes already underway. This reinforces our commitment to holding the regulators to deliver against their rhetoric, whilst maintaining our firm focus on seeing improvements in regulatory effectiveness delivered.
7. The executive also recommends that no new substantive advice requests are made of the Consumer Panel at this stage of the planning process. We have yet

to receive the first phase of the Panel's advice into appropriate regulatory activity to support „choosing and using' by consumers, and we anticipate that this will result in a „phase two' once we see the phase one advice (due March 2013). Bearing in mind the likely desire of the Panel to engage substantively in our work around general legal advice, we recommend that we do not add to the reactive work that the Panel will need to do to allow it space to develop what it sees as an appropriate proactive work programme. The Board will of course be sighted on the Panel's proposed work programme at a meeting later in the year.

8. The draft takes account of some helpful informal comments from Ministry of Justice officials on a "work in progress" version. By the time of the Board meeting it will have been submitted to the Minister for review in line with the requirements of our Framework Document. If any comments are received we will circulate them to the Board for review.
9. 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 10 December 2012, alongside the first assessments of regulator performance.

Proposed budget 2013/15

Steer from the Board

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MoJ and stakeholder attitudes

18. Our starting point has always been that, as an independent regulator, while the LSB's costs should be scrutinised, it should nevertheless set its own budget within the parameters of the Act and with the safeguard of MoJ scrutiny, to prevent any attempt to „gold plate' services. Both the MoJ and the LSB have, in every year, come under lobbying from the two largest approved regulators to drive budget reductions further. Stakeholders talk about savings „*more closely in line with those required of other public bodies*'. In practice, however, there are very few public bodies who have absorbed the scale of cash reduction which the LSB did last year and even fewer who have absorbed the cost of staff restructuring from within existing resources. The LSB's direct costs compare favourably with those of the bodies it oversees, (although stakeholders would assert that much of the increase in their costs arises from activity which the LSB

triggers). The challenge, and possible public „noise’, is unlikely to diminish, however. Hence the focus on looking at regulatory costs in their full complexity in the new “Costs and complexities of regulation” project.

Proposed annual budget

19. Based on the planning assumptions, we are recommending a total budget of **£4,448k**. This represents a reduction of more than 1% (£50k) and approximately 4% in real terms against the current budget for 2012/13 (£4,498k). It is totally consistent with the plans set out in the 2011/12 plan.

Budget assumptions

20. Based on the current staffing complement, approximately 90% of the planned running budget of LSB will be made up of „fixed’ costs (Board, OLC Board, staffing, accommodation, depreciation, outsourced services) and the remaining 10% will be accounted for by research, legal services support and office running costs etc. This 10% of costs will be determined largely by the activities that LSB will want to undertake in the 2013/14 year.

21. The staffing complement is currently 31 posts, including a vacant administrative post. The Executive does not consider that scope exists for any further reduction within the current workplan: the number of expected designation applications is very high in 13/14 and hence the agenda, even when limited to performance, costs and the other existing commitments is already constrained with little or no scope to respond to in-year pressures without jeopardising delivery dates.

22. [Redacted]

[Redacted]

[Redacted]

[REDACTED]

25. The LSB 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. This could equate to an efficiency gain of 3.5% depending on the final CC increases.

26. Other key assumptions are:

- a. [REDACTED];
- b. recruitment of OLC Chair, two OLC Members and potentially four Consumer Panel Members
- c. the LSB remains at Victoria House for the whole period and CC or CMA are able to continue to provide corporate services. There is a risk that Service Level Agreements will not be renewed after 31 December 2013.

The table on the second page of **Annex B** gives an analysis of both expenditure and budget for the years 2010 to 2014.

Notes to key budget headings

27. **Staffing:**

- a) This is based on 100% of posts filled throughout the period. The 3% pay increase would be financed through savings from vacant posts and other salary related costs - it is not proposed to increase the overall size of the staffing budget. Given the lack of 'slack' in staffing, it would not, in the CEO's judgement, be prudent to reduce the budget by allowing for 'frictional vacancy' savings, as these are likely to be needed to cover the ideal staffing complement.

28. **Accommodation:**

- a) Victoria House is within the Business Improvement District (BID) Levy area of *In Midtown* – and is subject to a 1% surcharge of current rateable value. 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.
- b) The rental amount is fixed until October 2013; after this period the rent will increase and the negotiated rent free periods will cease resulting in overall

¹ http://www.hm-treasury.gov.uk/press_136_11.htm

costs increasing by more than £45k. Previously the LSB enjoyed almost two months rent free each year.

c) This heading also includes utilities and Landlord service charges. The current owners of Victoria House are working with tenants to try to secure advantageous energy contracts and to plan any capital replacement works to avoid sudden spikes in the service charges.

d) [REDACTED]

[REDACTED]

30. **Research and evaluation costs:** This comprises the bulk of the LSB's discretionary spend. In line with the Board's steer, this has been reduced by one sixth (16.67%) from £300k to £250k.

31. **LSB Board costs:** This is based on all Board Members being in post and the frequency of meetings as agreed by the Board. Expenses can be managed as long as Members purchase tickets in advance rather than buy tickets for long train journeys on the day. There is also uncertainty surrounding the level of expenses that may be claimed by new Members - where they might be geographically based and whether any may have mobility issues requiring different travel arrangements.

32. **Legal reference and support:** The Legal Director is currently in the process of inviting firms to submit proposals to participate in the LSB's legal panel of advisers. As legal work increases in both volume and complexity, there is general upward pressure on this cost line.

33. **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 would have been fully depreciated prior to 1 April 2013 had the LSB not strictly applied the provisions of IAS 16, Property, Plant and Equipment. This requires organisations to fully reflect the economic benefit of any capital assets they are still using. For the LSB this will be PCs, servers and software, which are more than four and half years old, but which are still in use. Website costs in 2012/13 will be capitalised as intangible assets and the same will apply to 2013/14². The LSB will need to obtain capital DEL budget to cover

² 2012_13 FReM 5.4.40

these items - even though no MoJ cash will be needed to purchase them and the depreciation costs will be recouped as part of the levy on approved regulators. This budget heading will be increased from the originally published figure for the 2012/13 budget.

34. **OLC Board costs:** These are the fees that are paid to the OLC's Chair and Board and also include travel expenses. This budget heading was increased in 2012/13 to take account of the appointment of a new member.

35. [REDACTED]

Recommendations

36. The Board is invited to:

1. review and discuss the draft 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 2013/14 of **£4,448k**