

Meeting: Legal Services Board

Date: 30 November 2021

Item: Paper (21) 58

Title: Draft business plan 2022/23 and budget 2022/23

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Status: Official

Purpose of the paper

1. To consider a draft business plan 2022/23 and proposed annual budget in advance of public consultation.

Recommendation

2. The Board is invited to:
 - **Discuss and agree** the draft business plan (Annex A) and draft consultation document (Annex B)
 - If any drafting changes are necessary as a result of the Board's discussions, **delegate authority** to the Chair and Chief Executive to approve the documents to be issued for consultation as soon as possible following this meeting
 - **Agree** to consult on the basis of a provisional annual budget for 2022/23 of £4.287m (an increase of £189k, or 4.6% on our 2021/22 budget of £4.098m).

Background

3. In March 2021, we published 'Reshaping Legal Services: A sector-wide strategy'¹. The golden thread of the strategy is the need to reshape legal services to better meet society's needs. We identify nine challenges facing the legal sector under three themes: fairer outcomes, stronger confidence, and better services.

¹ LSB, 'Reshaping Legal Services: A sector-wide strategy' (March 2021)
https://legalservicesboard.org.uk/wp-content/uploads/2021/03/Strategy_FINAL-For-Web2.pdf

4. The strategy identifies priority areas of focus over a three-year period and outlines where the LSB can directly contribute. Our 2021/22 business plan² was the first under the new strategy. Many activities contained in the 2021/22 business plan will continue into 2022/23. This reflects the complex nature of the challenges facing the legal sector, and that overcoming them expands beyond a single business plan year.
5. We are now at the stage where we need to consult on the draft business plan for 2022/23 and our associated financial plans.

Proposal

Draft business plan 2022/23

6. We have begun several areas of work in the 2021/22 business plan that will continue into 2022/23, including our work on:
 - Continuing to **discharge our statutory functions**, including monitoring regulators' performance, overseeing the SDT, and holding the OLC to account
 - Implementing recommendations from the CMA's report on legal services through our **consumer empowerment** project
 - Finalising our **review of the regulatory performance framework** and our **mapping of the unregulated sector**
 - Continuing our projects on **diversity and inclusion** and **technology and innovation**, and
 - Maintaining momentum and progress on the 'Reshaping Legal Services' strategy through our **curating the strategy** project.
7. In line with the priority areas we identify in the 'Reshaping Legal Services' strategy, and in response to wider developments within the sector, we are consulting on five additional workstreams in the draft business plan 2022/23:
 - **Financial protection arrangements (Professional Indemnity Insurance and compensation funds)**: building on evidence that we are currently gathering, this workstream will focus on ensuring that the right level of consumer protections exist, and that costs to professionals are at an affordable and sustainable level. It will help to improve transparency on the operation of the market so that we can identify solutions. Ultimately, this work will support public confidence in the legal sector
 - **Consumer redress**: this workstream will focus on delivering the best possible redress system for consumers, and it will encompass three strands. The first is continuing to oversee the OLC as part of our statutory duties. The second is exploring opportunities to expand consumer redress for those who use unregulated legal services. The third element is reviewing our 2016 rules and guidance on first-tier complaint handling to

² LSB, 'Business Plan 2021/22' (March 2021) <https://legalservicesboard.org.uk/our-work/ongoing-work/business-plan-2021-22>

ensure that they support good outcomes and reflect current thinking on best practice.

- **Disciplinary and enforcement processes:** building on our previous work on enforcement, we want to develop principles for enforcement that ensure transparency, consistency, quality, and timeliness of decisions. This will encompass elements that we are already considering as part of our regulatory performance framework review, and could also include an end-to-end review of regulators' enforcement approaches.
- **Review of LSB education and training guidance:** In line with our policy framework assessment work,³ we want to review our guidance on regulatory arrangements for education and training. This will help to ensure that legal professionals remain competent both upon qualification and throughout their careers. It is important that this guidance aligns with our ongoing competence policy work and remains current and appropriate, particularly given changes in the education and training market since the guidance was published in 2014.
- **Rule of law and regulation:** Supporting the constitutional principle of the rule of law is one of the regulatory objectives in the Legal Services Act 2007. Given increasing public criticism of legal professionals and the legal sector, and questions about professional ethics, this work will look to define the role of legal services regulation in supporting the rule of law, so that the essential role legal professionals play in the functioning of society continues to be valued and promoted.

8. Flexibility will continue to be an important part of our work approach so that we can respond to changes within the sector, and in the external environment. We have seen the benefit of this approach recently when we prioritised some initial scoping work on financial protection arrangements to support our proposed work in 2022/23.
9. One area that we are seeking stakeholders' views on is on a statutory review of reserved legal activities. We do not think that 2022/23 is the optimal time to carry out a review given our existing commitments and wider developments in the market. Our scope of regulation project, which involves building a better understanding of the unregulated market, will continue into 2022/23 and the outputs of this work will inform our view on the scope and timing of a statutory review of the reserved legal activities.

Budget proposal 2022/23

10. The budget has been developed in two stages. In September 2021, the Board and ARAC considered an initial, high-level 2022/23 budget proposal and asked for further work to develop more detailed budget scenarios.
11. The executive then undertook a rigorous exercise to develop detailed projections of 2022/23 proposed costs, reflecting the intention of ongoing business planning

³ As included in the 2021/22 business plan, and which involved reviewing our policy framework to ensure that it addresses the core strategic challenges facing the legal sector.

activity, headcount resource requirement, changes to business operations and other opportunities for efficiency savings.

12. This has resulted in a 2022/23 expenditure budget of **£4.287m**, which was considered in detail and approved at an ARAC meeting held on 5 November 2021. This would represent an increase of 4.6%, or 189k, on last year's budget (2021/22 £4.098m) and equates to a £1 increase on practising certificate fees paid by authorised persons. Adjusting for inflation, this would bring us in line with our budget for 2017/18, and remains lower than our 2015/16 and 2016/17 budgets.
13. We are mindful of the economic pressures on some parts of the sector, and the ongoing impacts of the Covid-19 pandemic. At the same time, the challenges facing the legal sector are considerable, as made clear in our State of Legal Sector 2020 report and the 'Reshaping Legal Services' strategy. The work outlined in our draft business plan can help to overcome these challenges, and to deliver real benefits to the public and to professionals, such as improved access to redress and financial protection arrangements that carry public confidence while at a cost which is sustainable and affordable for the profession. To deliver these benefits, we require additional resources for our activities. However, if this investment enables more consumers to use legal services, and better regulation, consumers, society and the wider sector will benefit.

Next steps

14. The intention is to consult publicly on our draft business plan for an 8-week period from w/c 6 December. As usual, we will hold a stakeholder event during the consultation period.
15. The budget will require Ministry of Justice approval and we are liaising with officials so they are aware of our budgetary requirement of £4.287m for inclusion in their departmental submission. We have agreed that the final business plan and budget will be submitted to Ministers after consultation has concluded in February 2022. Whilst Ministers do not approve the LSB's business plan, authority to raise the levy (to meet the budget) is by consent of the Lord Chancellor.
16. Following public consultation, a consultation response document, and the final business plan will be prepared and presented to the Board in March 2022. The new plans will come into force from the start of April 2022.

Risks and mitigations	
Financial:	Funding is guaranteed through the levy and the Executive and ARAC members believe, based on information currently available, that the Business Plan can be delivered within the proposed resources.

Legal:	The documents have been developed with input from our legal team. They are consistent with our powers under the Act.
Communications and engagement:	It will be important to justify the proposed budget increase and set out clearly how resources will be used, and the benefits we expect to deliver for society.
Equality and diversity:	Several proposed workstreams will advance equality and diversity objectives; this is summarised in the consultation document.
Resource:	The draft business plan has been informed by a resource planning exercise for the proposed packages of work.

Annexes

Annex A – Draft business plan 2022/23

Annex B – Draft consultation document

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Annexes A & B	Section 22: intended for future publication	N/A