

Meeting: Legal Services Board

Date: 22 March 2022

Item: Paper (22) 11

Title: Final LSB Business Plan and Budget

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Status: Official

Purpose of the paper

1. The paper summarises responses to LSB's consultation on the draft business plan and budget 2022/23, and seeks approval for the publication of the final business plan and consultation response document by the end of March 2022.

Recommendation:

2. The Board is invited to:
 - **Agree** the budget for 2022/23 of **£4.287m**, as endorsed by ARAC at its meeting on 8 March 2022;
 - **Discuss and agree** the consultation response document (Annex A), the proposed final Business Plan 2022/23 (Annex B) and the activity schedule (Annex C);
 - 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 published before 31 March 2022.

Background

3. At its 30 November 2021 meeting, the Board agreed to consult on a draft business plan for 2022/23, and an indicative budget for 2022/23 of **£4.287m**. These were the subject of an 8-week consultation from December to February 2022.

4. This is the second business plan under the 'Reshaping Legal Services' strategy and builds on the progress we have already made against the strategy.

Summary of consultation responses and key changes proposed

5. At Annex A, the Board will find a draft consultation response document summarising stakeholder feedback on our proposed business plan and our proposed response. Annex B contains the proposed final business plan for 2022/23.
6. As in previous years, the final business plan includes a quarterly activity schedule, which we will publish online and update quarterly. This will ensure that our stakeholders remain informed on the progress against our planned activities. Flexibility will continue to underpin our work approach in 2022/23.
7. There were 12 written responses to the consultation. We also hosted a consultation roundtable in January 2022 to gather feedback. The written responses to the consultation will be published on our website alongside the consultation response document, final business plan and quarterly activity schedule. The responses are also available on the VRB for Board members to read in more detail, if they so wish.
8. The key themes of responses were as follows:
 - There was support for the business plan activities, with some regulatory bodies expressing some concern about the potential impact upon their resources and workload
 - There was a clear appetite for increased collaboration and coordination across activities, particularly in relation to diversity and inclusion, and technology and innovation
 - The importance of the Legal Ombudsman improving its performance was highlighted by many, and there was some concern about any potential extension of redress to unregulated providers
 - There was widespread support for not undertaking a statutory review of reserved legal activities in 2022/23, with many expressing an interest in the outcome of our scope of regulation work
 - Most respondents were neutral towards the proposed budget increase – see paragraph 11 below.
9. In response to feedback, we have re-evaluated the proposed business plan. We consider that the core programme of activities remains right, and we do not propose making any substantive changes to the final business plan. We will actively consider the points raised by stakeholders as we progress our activities in 2022/23. We will continue to be flexible in our work approach so that we can respond to urgent issues as they emerge. We will also continue to update stakeholders on our work activities throughout the year, including through the activity schedule and through regular relationship management meetings.

The proposed budget for 2022/23

10. In line with previous years, the budget proposal is also submitted to Ministers for approval. The Lord Chancellor is required to approve the amount we collect via the levy each year. While the Business Plan is not subject to Lord Chancellor approval, it does provide the basis for his decision-making. The LSB are engaging with the Ministry of Justice's 2022/23 allocation process and a provisional budget submission has been made to the Ministry of Justice through their strategic planning process.
11. Responses received on the 2022/23 provisional budget were broadly neutral, with similar levels of positive responses to our 2021/22 consultation, but significantly fewer negative responses (one response explicitly opposing the budget in 2022/23 compared to ten in 2021/22). There were requests for greater transparency on our budgetary cost analysis, and we will look to further increase transparency on the budget for next year's Business Plan.
12. The Audit and Risk Assurance Committee met on 8 March 2022 and reviewed the budget proposal, considering consultation feedback. The Committee discussed the impact of historic and future increases in the rate of inflation on the budget and asked how the executive have taken these into account during the budget setting process. With consideration of the budget discussion, ARAC were able to endorse the budget proposal of £4.287m to the Board.
13. Since the 2022/23 provisional budget was submitted to the Board on 30 November, there has been a material increase in the rate of inflation. The provisional budget was prepared using the September 2021 CPI figure of 3.1%. However, the latest CPI figure from January 2022 shows CPI is now 5.5%, an increase of 2.4%.
14. We have updated the final budget to reflect this increased rate of inflation on the pay and non-pay items which we believe would be materially impacted. This has included uplifting the 2022 pay award to 2%, in line with conversations with the MoJ. We have managed to absorb these inflationary pressures, for example by utilising the pay contingency budget, to come within the provisional budget envelope of £4.287m.
15. We plan to strengthen our approaches to demonstrating progress, impact and value for money as follows:
 - We plan on publishing a State of Legal Services style report every five years using a range of indicators. As an interim step, we are currently developing a selection of metrics from the State of Legal Services 2020 Report into an interactive dashboard so that we can track and report on progress across the sector as new evidence becomes available.
 - As part of our Curating the Strategy project, we are developing a Reshaping Legal Services microsite that will be a platform for stakeholders to demonstrate how their work aligns with the strategy.
 - We will further increase transparency on our non-pay costs as part of future business planning processes.

Next steps

16. Our next steps are to finalise the draft documents so that the final versions can be published on our website for the start of the new financial year.

Risks and mitigations	
Financial:	Funding is guaranteed through the levy and the Executive and ARAC members believe that the Business Plan can be delivered within the proposed resources. There is a risk that the MoJ will not have formally delegated permission to LSB to spend by the Board meeting. This will be mitigated by the provision of an interim “letter of authority” from the MoJ to cover the period from 1 April 2022. There is a risk that Ministers will not make a decision on the budget in time for the Board March meeting. There is also a relatively small risk that Ministers may not approve the current budget proposal and seek reductions. If this risk materialises, it will be addressed through a combination of negotiation and budget rationalisation. The Executive has provided all of the information requested by the MoJ to assist with Minister’s decision-making.
Legal:	The documents have been developed with input from our legal team. They are consistent with our powers under the Act.
Communications and engagement:	We have consulted with stakeholders and taken their views into account while developing our plans. Proposals for substantive work were broadly supported, but there was concern about the potential impact of our activities on regulatory bodies, and in the context of ongoing impacts of Covid-19 on the legal sector.
Equality and diversity:	Several proposed workstreams will advance equality and diversity objectives, as summarised in the consultation document. The consultation included a specific question on equality and diversity impacts, which highlighted the important work already underway, and opportunities for collaboration.
Resource:	The proposed final business plan has been informed by a resource planning exercise for the proposed packages of work.

Annexes

Annex A – Draft consultation response document

Annex B – Draft final business plan

Annex C – Draft quarterly activity schedule

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Annexes, A, B, C	S22 – future publication	N/A