

To:	Legal Services Board	Agenda Item: 7
Date of Meeting:	23 March 2017	Item: Paper (17) 13

Title:	Business Plan and budget 2017/18
Workstream(s):	Corporate
Author / Introduced by:	Neil Buckley, Chief Executive Edwin Josephs, Director of Finance and Services Julie Myers, Corporate Director Jenny Prior, Business Planning Associate
Status:	Official

Summary:

This paper presents the Business Plan and budget for 2017/18 for the Board's discussion and in principle approval. Both have been subject to consultation and the paper also includes a draft consultation response document.

At the time of drafting (15 March 2017), we have had positive feedback that Ministers see alignment in our draft Plan with Ministry of Justice strategic aims. We have not yet had Ministerial approval for the budget but are advised that this is due imminently. We will provide an update at the meeting if this situation has changed.

The Board will find attached:

1. the proposed Business Plan and budget 2017/18 (Annex A).
2. a work in progress draft summary of responses to consultation which will be finalised once the budget position is clear and final decisions on the work programme can be made (Annex B).

The Board are asked to note that both annexes are **work in progress drafts** and remain subject to internal review, proofing and polishing.

One specific decision is also needed in relation to the decision to postpone work on reviewing the transitional protections for special bodies in the Legal Services Act 2007 (the Act) (see paragraph 14 in this paper).

Recommendation(s):

The Board is invited to:

- a) Note the latest position on budget for 2017/18
- b) Discuss and agree the proposed adjustments to the work programme for 2017/18 and delegate to the Chairman and CEO final drafting and publication of the Business Plan 2017/18 and response to consultation
- c) Agree to defer work on transitional protections for special bodies.

Risks and mitigations

Financial:	There is a risk that Ministers will not make a decision on the Board's budget in time for the Board's 23 March meeting. There is also a relatively small risk that Ministers may not approve the current budget proposal and seek further reductions. The Executive has provided all of the information requested by the MoJ to assist with Minister's decision-making.
Legal:	The LSB needs to have 'authority to incur expenditure' from 1 April 2017 and this should be provided by approval of the budget submission. In 2016/17, the MoJ provided a written authority to incur expenditure without approval of the budget in March. We expect this to be the case again for 2017/18.
Reputational:	Some respondents to the Business Plan consultation expressed concern at LSB keeping the level of primary research spend at £100k. Additionally we have made it clear that the overall budget reduction has arisen from cost savings, bringing some functions in-house and that this should not affect our ability to fulfil our statutory duties.
Resource:	The budget currently before Ministers will create a more pressured resource envelope in 2017/18 and beyond although we have the opportunity to update our <i>Medium Term Financial Plans</i> (MTFP) at least three times a year to take into account any new developments, which might impact our ability to fulfil our statutory role.

Consultation	Yes	No	Who / why?
Board Members:	X		The Audit and Risk Assurance Committee reviewed and endorsed the budget proposal at its March meeting.
Consumer Panel:		X	
Others:			
Freedom of Information Act 2000 (Fol)			
Para ref	Fol exemption and summary		Expires
Para 4	Section 36(2)(b)(ii): information likely to inhibit the exchange of views for purposes of deliberation		
Annexes A and B	Section 22: information intended for future publication		

LEGAL SERVICES BOARD

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Business Plan and budget 2017/18

Summary

1. At its 24 November 2016 meeting, the Board agreed to consult on a draft Business Plan for 2017/18 and to include an indicative budget for 2017/18 of **£3.848k** (£3,998k 2016/17). The draft Plan was the subject of consultation from December to February.
2. In line with previous years, the budget proposal was also submitted to Ministers for approval. The Lord Chancellor is required to approve the amount we collect via the levy each year. Whilst the Business Plan is not subject to Lord Chancellor approval, it does provide the basis for her decision-making.
3. Typically, LSB would receive approval 'in principle' from the Minister before consultation on the draft Plan. In view of the tougher public spending environment and pressure on overall MoJ budget, the MoJ introduced a new cross-MoJ process for budget approval in 2015/16, which meant that approval in principle is no longer provided before consultation. It was agreed with the MoJ that the LSB should consult on a draft Plan and a draft budget, making clear that the latter remained subject to Ministerial approval.
4. [REDACTED]
5. The point was made very clearly to the MoJ, that it takes many months to satisfy its own financial governance arrangements but gives its ALBs just days to meet their own. Many ALBs complained that they had to have their Board and Committees agree Business Plans and draft budgets without receiving confirmation or any certainty from the MoJ on the actual level of their budget for the coming year.

6. As soon as we receive the views of Ministers, we will circulate them to the Board. We anticipate that our proposed budget will be accepted as it is cost neutral for the MoJ and, whilst the financial context for MoJ remains severe, the intense scrutiny on ALB funding last year appears to have provided a firmer baseline from which MoJ can work.

Draft Business Plan 2017/18

7. On 6 December 2016, we published a consultation on our draft Business Plan for 2017/18. The document was news released and sent by email to regulators and representative bodies, consumer and citizen groups, professional groups, other regulators, the judiciary and a variety of other interested parties. A workshop with stakeholders was held on 6 February 2017. The consultation closed on 17 February 2017 and received 12 responses.
8. The overall tenor of responses was supportive of the direction and of the outcomes the LSB is looking to deliver for consumers, the public and the profession. There was a degree of support for all aspects of the work proposed in the Plan.
9. All of the consultation responses are available if Board members wish to review them and they will be available at the Board meeting. They will all be published on our website alongside the Final Plan in due course.
10. The Plan is intended to be an operational document, providing clarity to stakeholders about the work we will do in-year and indicating when during the year work may start and finish. We are aware that this signalling is important to the smaller regulators in particular. We are still developing the milestones for activity and will include these in the final Plan when published.
11. The analysis of responses to the consultation is at **Annex B**. Key points made and proposed changes are highlighted below.

Work programme - general

12. Reaction to the areas of work proposed by the LSB were more positive overall than in previous years, no doubt in line with the strong continuity from the past year and the maintenance of our three strategic themes. Some common themes were rehearsed: suggestions that both LSB and the regulators should use 'impact studies'; the need to take into account the current political and economic climate; and the need to engage with stakeholders on LSB's strategy development for the 2018-21 period. These themes are ones that we recognise and plan to take account of in the way we work.

Work where we propose adjustments to the draft Plan post consultation

- a. *Education and training* – there was strong resistance to carrying out a review into the education and training guidance at this time. Respondents considered it would be too disruptive to review the guidance whilst they are still implementing the changes from the original guidance. We understand these concerns but also believe that we must allocate sufficient resources to maintaining our insight into this area of work, as the LSB has a specific statutory responsibility with regard to assisting in the maintenance and development of standards in this area. We have re-focused this work, which instead of reviewing the guidelines will now concentrate on increasing our outreach to the

wider education and training community to make sure that our approach to oversight continues to be fit for purpose and reflects best regulatory practice.

- b. *Independence (dual self-certifications)* – we propose that we do not seek updated dual self-certificates of compliance with the Internal Governance Rules from applicable approved regulators in 2017/18. This is partly due to the fact that the proposed review of the Internal Governance Rules will overtake any work on updated dual self-certificates and partly due to resource prioritisation.
- c. *Diversity project on progression through the professions* – we propose that we do not proceed with work in this area. There are a variety of other organisations currently looking at this and so any LSB work may risk duplication.
- d. *Increasing market transparency* – there is a separate paper being presented to the Board on this which will define more clearly this project's scope.

Budget proposal

- 13. Those stakeholders that commented on our budget proposal, as contained in the draft Business Plan, welcomed the direction of travel although some urged caution that budget should not be cut so much as to reduce our ability to deliver our statutory functions.

Transitional protections for special bodies

- 14. The LSB previously stated that, during 2017, we would review whether we should seek to bring the transitional period under the Act to an end¹. In February 2017 we undertook a high level review of the case for progressing a project aimed at ending the transition period during 2017/18. This concluded that the available indicators do not flag any particular risk factors that suggest an urgent need to end the transitional period. Given the risks associated with seeking to end the period and the low likelihood of securing legislative time from the Ministry of Justice if we did make a recommendation to the Lord Chancellor, we would need a stronger case to justify investing resources in investigating this area further at this time. Therefore we do not propose to progress a project on this during 2017/18 and will instead issue a statement explaining that the transitional period will remain in force for the foreseeable future.

RECOMMENDATION

The Board is invited to:

- 1. Note the latest position on budget for 2017/18
- 2. Discuss and agree the proposed adjustments to the work programme for 2017/18 and delegate to the Chairman and CEO final drafting and publication of the Business Plan 2017/18 and response to consultation

¹ The transitional period permits special bodies (not for profit bodies, community interest companies or independent trade unions) and some limited commercial law firms to provide reserved legal activities without an ABS licence

3. Agree to defer work on transitional protections for special bodies.

15.03.2017

Annex A – *work in progress* draft business plan and budget

Annex B – *work in progress* consultation response document