AUDIT AND RISK ASSURANCE COMMITTEE
(“the Committee”)
Sitting As the Finance Committee MINUTES
Meeting held on 5 November 2021
11:00 – 13:00 | by video-conference

Present: (Members)	Catharine Seddon	Chair
	Catherine Brown	
	Gary Kildare	
	Michael Smyth	
In attendance:	Matthew Hill	Chief Executive and Accounting Officer
	Stuart Hamill	Head, Finance and IT
	Jenny Prior	Corporate Governance Manager
	Holly Perry	Director, Enabling Services
	Ethan Fleming	Corporate Governance Manager (minutes)
	Danielle Vial	General Counsel

Item One - Proposal for the LSB 2022/23 budget

1. The Head, Finance and IT introduced the item. SLT had identified a third option for budget planning between an inflation only budget increase and a stretch budget. The executive recommended this option to ARAC to be put forward to the Board. There would be further opportunities for fine-tuning of the budget in February and March following the consultation period. The following points were raised in discussion:
    - The contingency sum set aside for staff pay awards was appropriate.
    - The amount set aside for the conference appeared appropriate, although the executive would continue to look for mechanisms to offset costs eg by partnering.
    - The business plan for the previous year had included an expectation that the 2022/23 budget would be less than was being proposed currently, however inflation had increased markedly since this prior budget was estimated. The budget proposed was lower than the 2015/16 budget in real terms, and this would be emphasised in the consultation document.
    - There was no research budget proposed for in-house lawyers and regulatory performance reviews. Although work would be undertaken in these areas the Executive did not consider there would be a need for external research costs in this area during 2022/23.
    - While an important function, the provision for external Board evaluation should be viewed as the maximum level.
    - There were a number of areas that required further development to reflect recent discussions including enforcement and disciplinary, and capability across regulators. These may require additional staffing. A briefing document on these areas was being prepared for Board input.
    - it was agreed that the recommended option was credible and more likely to be tenable with the regulated community. The Executive were confident that

the budget recommended would allow the LSB to maintain its momentum and leadership role and continue to deliver important changes.

- The OLC budget proposal would not affect the LSB's planned budget.
- The additional Consumer Panel research funding had been requested by the Consumer Panel to fund specialist research to engage an expert to look at consumer focused regulation within legal services and outside.
- The optimism bias for LSB research costs had been increased to 15% (from 7.5% in the 2021-22 budget) based on the evidence from 2021/22.

2. The Committee **AGREED** to recommend scenario two: 'Inflation Plus' consisting of an increase of inflation plus 1.5% for an overall budget of £4.287m, up £189k (4.6%) from £4.098m in 2021-22 budget to the Board for agreement as the basis of consultation.