

**Meeting:** Legal Services Board

**Date:** 26 November 2019

**Item:** Paper (19) 58

**Title:** Draft business plan 2020/21 and budget

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**Status:** Official

**Introduction: Purpose of the paper**

1. Building on the strategy session at its September meeting, the executive has developed a draft business plan for 2020/21, describing the work that we propose to pursue during the final year of this strategic period. This was informed by consultation with all colleagues at the colleague away day.
2. We now need to consult publicly on the draft business plan. To this end, the Board is invited to review and discuss the draft business plan consultation document, which is included at **Annex A**. It is proposed that the Chair and CEO sign off on the final document that goes out to consultation.

**Recommendations**

3. The Board is invited to:
  - to review and discuss the draft business plan consultation document
  - agree that the Chair and Chief Executive approve the document to be issued for consultation
  - agree to consult on the basis of a draft budget for 2020/21 of £3.923m (2019/20 £3.798m)

**Background**

4. At Annex A, the Board will find a draft consultation paper incorporating a draft business plan for 2020/21 and our proposed budget for the year.

5. The business plan is based on a proposed budget of £3.923m, which is a 3.3% increase on 2019/20. This was scrutinised by the Board's Audit and Risk Assurance Committee (ARAC) in October and comes with their endorsement.
6. The intention is to launch the public consultation on our draft business plan following the general election (unfortunately, purdah prevents earlier publication). The consultation process, which will include a stakeholder event, will run for 8 weeks and the Board will be asked to approve the final business plan at its March 2019 meeting.
7. For the last two years we have used a slide-based presentation of the business plan. Since feedback to this was largely positive a similar presentation has been adopted this time. This means the actual business plan is text-light, while the accompanying consultation paper contains further detail.

### **Draft business plan 2020/21**

8. The Board has already committed publicly to a number of areas of work that will be progressed during 2019/20. These activities build on work undertaken in the current business plan period, including advancing the five-year policy objectives. Aside from these objectives, the main ongoing commitments include:
  - Implement the revised internal governance rules
  - Complete our review of the PCF, including non-regulatory permitted purposes
  - Continue to monitor the progress of the regulators on improving consumer transparency following the CMA's market study in 2016; we will also need to engage with the CMA's anticipated progress review in late 2020
  - Complete the prices research in partnership with the CMA and Ministry of Justice
  - Prepare for, and respond to, the legal services regulatory consequences of the UK's exit from the EU.
9. We are also anticipating a busy year for statutory decisions, at the same time as applying a more forensic approach to rule change applications and using this as a lever for improving regulatory performance. The year ahead is likely to include the following complex and potentially contentious applications:
  - a further application from the SRA in relation to its proposed Solicitors Qualifying Examination (SQE). We see this as a means to open a debate more widely on pre-qualification education and training
  - applications from the SRA related to assuring advocacy standards and reforming its compensation fund

- applications from each of the approved regulators to bring them into compliance with the LSB's new Internal Governance Rules (IGR)
10. As well as new work packages that sit underneath the five-year policy objectives, four new areas of work are proposed:
- Develop a new corporate strategy for 2021-24 (the Board is reminded that a paper with detailed plans will come to the January 2020 meeting)
  - Update our contingency plans for regulator exit
  - Exploit the raw data from our individual legal needs survey and prepare the groundwork for a small business survey in 2021-22
  - Explore future approaches to enforcement such as PSA style file reviews (this is subject to a paper coming to the March 2020 Board meeting)
11. As part of our research plans, we will explore developing a resource – to be shared with the Legal Services Consumer Panel – to enable us to engage more directly with the public so we can listen to and understand their views as part of our policy development processes. It would involve investing in equipping members of the public with the information they need to get involved in discussions about legal services. Such a resource could be used for a wide range of purposes, including “citizens’ juries”, pulse surveys and co-production events. Similar models have been used successfully by other regulators.

### **Proposed budget 2020/21**

12. The budget has been developed in two stages. At their October meeting, ARAC considered an initial draft budget. This draft was the result of a high-level planning exercise which set out to reflect:
- headcount resources required to deliver the 2020/21 business plan
  - savings and additional cost from project initiatives and procurement efficiencies which create budget headroom to fund new plan priorities
  - the cost of a pay review across eligible colleagues
  - the impact of CPI inflation in 2020/21
13. ARAC were later asked to recommend that the Board consult on a final draft budget of £3.923m (£3.798m in 2019/20), the outcome of the second stage of the budget development process.
14. A rigorous resource planning exercise was undertaken to establish headcount requirements to deliver the 2020/21 business plan and to ensure that ongoing and anticipated work is fully resourced. While forecasting the resources required by LSB programmes has presented a challenge, it has proved essential in ensuring the budget reflects the resources needed to meet our policy and strategic objectives and maximises efficiencies in the deployment of existing headcount resource.

15. Increased transparency on how resources are deployed on programmes and projects and more robust approach to budgeting overall should enable us to maximise the effective use of resources.

16. Alongside resource plans, the budget will fund the following LSB priority areas:

- Building our evidence capability as a tool to drive regulatory change, by ensuring we have a robust evidence base for our regulatory decisions and work.
- Investing in getting more out of existing resources through improvement in business and performance management.
- Delivery of an enhanced communications function, as envisaged by the Board-approved Communications strategy, as well as a significant increase in engagement activity as we begin to develop the LSB's 2021-24 strategy. This will be driven by activity including
  - increased and more expansive stakeholder engagement and networking
  - increased use of the LSB's convening power, including in building partnerships and undertaking more joint events and joint research and using Board member networks
  - more systematic use of communications as a regulatory tool in its own right to persuade, influence and initiate change, requiring the involvement of the communications function throughout business plan activity, not just at the end.

17. Key drivers of the 2020/21 budget requirement include:

- A headcount budget of 35 staff (permanent and fixed-term posts), at which the LSB will have reached its full staffing complement.
- Excluding one off cost incurred in 2019/20 relating to the IT transformation and office move projects, costs related to our accommodation and IT infrastructure are projected to be lower in 2020/21. While capital investment will drive increased depreciation charges over the life of new assets acquired, higher depreciation will be more than offset by lower rent, rates, service charges, outsourced services and IT costs.
- With a view to assembling a compelling evidence base in the planned state of the nation report and driving forward the five year policy objectives, increasing investment in research from £100k to £175k. A longlist of research projects to support business plan activity has been produced, from which the 2020/21 research programme will be chosen. The increased budget also allows the development of the public engagement resource described in paragraph 11 above to be explored.

- Efficiency savings including lower expenditure on legal subscriptions, having leveraged our relationship with MoJ to access their legal library, and a change in the recruitment strategy for staff leading to less reliance on more costly, external recruitment agencies which is projected to lead to lower expenditure on recruitment.
18. Based on the 2019/20 budget allocation with a percentage increase for inflation, MoJ Finance have advised that the indicative 2020/21 allocation for the LSB is £3.868m (broadly in line with their initial estimate of anticipated future spend advised earlier in the process). However, they recognise the wider considerations that the LSB has as a 100% levy funded body, being both independent of government and cost neutral to the MoJ, and we have submitted a proposal of £3.923m on this basis.
19. The LSB was previously subject to a £2.734m cap on pay costs and a 2% pay review in 2020/21 would have seen the pay budget exceed that cap. However, earlier this year the MoJ agreed to the removal of the cap enabling expenditure to be vired between pay and non-pay budgets.

### **Next steps**

20. The intention is to consult publicly on our draft strategy and business plan for a 8-week period from w/c 16 December. As usual, we will hold a stakeholder event during the consultation period.
21. The budget will require Ministry of Justice approval and we have been assured that the figure of £3.923m is included in the departmental submission. We have agreed that the draft business plan and budget will be submitted to Ministers after consultation has concluded in February. 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.
22. Following public consultation, an LSB response to the consultation and the final business plan will be prepared and presented to the Board in March. The new business plan will need to come into force from the start of April 2019.

**Annexes****Annex A: Draft consultation document****Annex B: Slide presentation of draft business plan and budget**

<b>Risks and mitigations</b>	
<b>Financial:</b>	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.
<b>Legal:</b>	The draft business plan has been developed with input from our legal team. It is consistent with our powers under the Act.
<b>Reputational:</b>	There may be adverse comment among some stakeholders and the media on the proposed budget increase.
<b>Resource:</b>	The draft business plan has been informed by a resource planning exercise for the proposed packages of work.

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