

Meeting: Legal Services Board

Date: 26 November 2019

Item: Paper (19) 59

Title: OLC 2020/2021 Budget Principles

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Status: Official

Introduction: Purpose of the paper/ Issue

This paper invites the Board to comment on the OLC's draft budget principles as it develops its indicative budget for 2020/21. The Board will be asked to approve the OLC's final budget at its March 2020 meeting. At this stage, the Board is asked to agree that no changes are required to the draft budget acceptance criteria, agree with the executive on the three areas that need further interrogation and identify any additional areas of concern.

OLC colleagues will not be in attendance.

Recommendation(s)

The Board is invited to:

- (1) Agree that no changes are required to the budget acceptance criteria
- (2) Agree that the following areas on the OLC's draft budget principles paper need further interrogation :
 - a. the justification for the 19.5% budget increase
 - b. how the OLC will feedback to the profession
 - c. how it complies with the Public Sector Equality Duty
- (3) Identify any further issues or concerns with the information presented, that we might want further assurance on

Timing

We should finalise the budget acceptance criteria as soon as possible after the November Board meeting.

Background

1. In accordance with the Legal Services Act 2007, schedule 15 para 23, before the start of each financial year the OLC must adopt an annual budget which has been approved by the Board. This decision will come to the Board in March 2020.
2. At this stage, and as in previous years, the OLC is sharing with the Board its initial assumptions and the outcome of its internal planning in regard to its indicative budget. The OLC's paper is produced for the Board, but high-level information on budget will be included in its business plan public consultation.
3. The Board will be aware that the OLC is funded by a levy on approved regulators, which is approved by the Lord Chancellor as part of the LSB's overall budget and levy process.
4. The headline is that the OLC is proposing a budget of £14,758k, which would represent a 19.5% increase on 2019/20.

Draft budget acceptance criteria

5. Under the terms of the LSB-OLC-MoJ tripartite operating protocol, we sent draft budget acceptance criteria to the OLC on 3 October. As allowed for in the tripartite protocol, these draft acceptance criteria may be subject to change following the LSB's November Board meeting.
6. Also under the terms of the tripartite operating protocol the LSB will seek assurance that the MoJ is content with the budget requirements for the OLC's budget elements. This is important given that the Lord Chancellor approves the overall levy. Executive colleagues will arrange for feedback from MoJ officials on the OLC's draft budget principles and ensure that this is available for the Chair and the Board OLC lead (David Eveleigh) to review prior to the Board considering of the final proposal in March 2020.
7. The draft criteria (attached at **Annex B**) are largely similar to those used in previous years. This year we have explicitly linked the principles to the roadmap along with key actions and timeframes for delivery at 1(b) and (c). We have also included an explicit reference to the Public Sector Equality Duty.
8. At paragraph 1 of its paper, the OLC has provided a table mapping our draft budget acceptance criteria and the material in its paper. Our assessment is that there is material on all of the assessment criteria, including a good level of detail on expected performance (see section 3). We have identified the following issues which we would wish OLC to address in its final paper:
 - While we would not be opposed to a well-evidenced case for an increase in the OLC's budget, the paper currently seeks a significant increase in budget without a clear business case for why this is

required. We would expect more information on where the extra funding would be spent and why it is necessary to achieve the level of performance that OLC is seeking, particularly given the scale of the proposed increase. It appears a large proportion of the increase will be accounted for in staffing costs – in Appendix 6 of the OLC’s submission, a 34.2 FTE increase in headcount is proposed, mostly to recruit additional investigators.

- There could be more detail on how the OLC will feedback to the profession – the budget process is a good opportunity for the Board to highlight its wish for a more explicit public commitment by OLC to the upstream dimension of its work
- The equality section is lacking detail and needs more substance around how the OLC complies with Public Sector Equality Duty

9. The OLC’s submission promises to include final sensitivity analysis in the final budget paper. Our view is that, if the above concerns are addressed, and the additional information promised by the OLC is provided, the Board will have the information it needs to give proper consideration to the budget at its March 2020 meeting. However, it would be helpful to know if the Board would like to receive further information on any of the criteria in the OLC’s final submission.

Points to note

10. The proposal is to increase the revenue budget by £2,412k (19.5%) to £14,758k from £12,346k the previous year. They plan to adjust on a downward path in future years once the desired level of performance has been achieved. The majority of this increase will go into the investigation and decision function to reduce the volume of cases in the Pre-Assessment Pool and achieve more closures.

11. The OLC’s paper provides its budget assumptions at paragraph 20. The principles for the preparation of the OLC Budget are:

- Maintaining improved performance
- Investing in staff
- Investing in learning

12. The key factors influencing the size of the budget this year appear to be:

- To exploit the new tools installed as part of the Modernising LeO Programme and to optimise these tools to leverage improvements to productivity
- For the OLC to eliminate completely the Pre-Assessment Pool by March 2021 and to follow on from the reduction of the Pre-Assessment Pool to c. 1000 files by March 2020.
- To review and improve the handling of contacts in the General Enquiries Team to eliminate the possibility of waiting at the contact

stage, particularly through developments of the Customer Assessment Tool and exploration of Artificial Intelligence.

- To continue and follow through on the process – already in delivery – to radically improve the customer experience to a median figure of 60 days for low complexity cases by March 2021.
- To close 8,460 cases in 2020/21 compared with 7,200 in 2019/20.

13. The OLC's assumptions on the average unit cost are with an estimate of £1695 per case with a tolerance of >£100 over target over 3 months rolling average. However, it has flagged that it believes that most cases cost far less on average than this figure.

14. The OLC anticipates that 2.7% of its budget will be allocated to 'feeding back to the profession', which compares to 2.5% in 2019/20 (see table under paragraph 8 of OLC's paper). The Board has previously expressed concern about the apparently low investment in this function. Previously the OLC has explained that inputs are not the best measure in relation to this issue; the work was related to staff time and it has utilised low cost solutions such as social media.

Next steps

15. Following the November Board meeting, acceptance criteria for the final OLC budget submission are typically agreed. At this stage, the Board is asked to agree that no changes are required to the draft budget acceptance criteria.

16. Executive colleagues will write to the OLC setting out the areas that require further interrogation prior to submission of the final application as agreed by the Board.

17. The OLC anticipates running a formal external consultation on its 2020/21 budget and business plan in December and January. The LSB can provide further comment and feedback to the OLC during the consultation period.

18. The Board will be asked to approve the OLC's final budget at its meeting in March 2020.

Risks and mitigations	
Financial:	The OLC will consult on its new business plan and budget for 2020/21 and will need to demonstrate that it will have sufficient resources to deliver against their Plan.
Legal:	N/A
Reputational:	The OLC's new business plan and budget needs to demonstrate that it can operate efficiently and provide the service it has been set up to operate. The proposed 19.5% annual increase is likely to attract stakeholder criticism in the context of existing concerns about the level of unit cost. This should be balanced against the

	level of investment required to deliver sustained performance improvement.
Resource:	N/A

Annexes

Annex A – OLC submission to LSB

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Cover paper	None	N/A / Date
Annex A	Section 22: information intended for future publication	N/A / Date