FINAL
Minutes of the Legal Services Board (LSB) meeting held on 29 November 2022

Date:	29 November 2022	
Time:	10:30 – 11:30 (Board private session) 11:30 – 14:00 (Board meeting)	
Venue:	LSB Offices	
Present: (Members)	Helen Phillips, chairing the meeting Catherine Brown Jemima Coleman Stephen Gowland Habib Motani Catharine Seddon Matthew Hill, Chief Executive	
In attendance:	Clare Brown	Regulatory Policy Associate (item 6)
	Stuart Hamill	Head, Finance and IT
	Angela Latta	Head, Performance and Oversight
	Chris Nichols	Director, Policy and Regulation
	Holly Perry	Director, Enabling Services
	Danielle Viall	General Counsel
	Sophie Crookson	Stakeholder Engagement Manager (item 5)
	Ethan Fleming	Corporate Governance Manager (minutes)
	Robin Geddes	Regulatory Policy Manager (item 4)
	Radojka Miljevic	Campbell Tickell (Private Session)
	James Tickell	Campbell Tickell (Private Session)
	Elisabeth Davies	OLC Chair (item 6)
	Paul McFadden	Chief Ombudsman - LeO (item 6)
	David Peckham	Head of Operations - LeO (item 6
Observing:	Natalie Donaldson	Communications and Engagement Associate
Apologies:	Gary Kildare Flora Page	

Item 1 - Welcome and Apologies

1. Apologies had been received from Gary Kildare and Flora Page. Written comments had been received from Flora Page in advance, which were fed into discussions at the appropriate point.

Item 2 - Declarations of Interest relevant to the business of the Board

2. Stephen Gowland had been appointed as a trustee of an academy trust in the Northeast.

Item 3 - Chief Executive's Progress Report

3. The CEO presented the report, and the following points were raised in discussion:
   - The lack of tenders for the proof-of-concept study is being explored to understand if it is an issue with scope and/or budget. A revised ITT was expected to be issued in the New year.

- All regulators now appear to be largely meeting the LSB's minimum expectations in relation to sanctions. A roundtable event held on the 24 November had been productive with a useful presentation from Ministry of Justice (MoJ) on the latest policy positions. The LSB would be convening a smaller group to begin addressing the practicalities of information sharing.
- Transparency UK was suggested as an additional stakeholder on professional ethics and the rule of law and would be contacted to arrange a meeting. (**action**)
- The recruitment of candidates for research into "counter inclusive" practices had seen interest from professional networks but a slightly lower rate of conversion into interviews. Concerns from potential applicants were being addressed to encourage participation. The research was designed as a qualitative piece of work to gain a better understanding of lived experiences.
- The blog series on the Annual Conference had been helpful but the executive should consider a proactive press piece, writing to regulators with a summary and other methods to spread the messages.
- The Director, Policy and Regulation had attended the International Conference of Legal Regulators in late October. Other jurisdictions were interested in the LSB/England and Wales system as an example of progressive regulation.
- Engagement had taken place with 40 brokers/insurers on Professional Indemnity Insurance (PII) and a deadline had been set for them to decide whether or not they wished to take part in the project. The trade bodies for insurers could be approached to assist.

4. The Board **noted** the Chief Executive's report.

Item 4 - LSB Draft Business Plan and Budget 2023/24

5. The Head, Finance and IT and the Regulatory Policy Manager introduced the item and reported that discussions had taken place with MoJ on potential restrictions on budgets from central government which may or may not occur over the coming months. The following points were raised in discussion:
    - ARAC had reviewed the proposed budget and noted that it would enable the LSB to meet its ambitious strategic targets and was a reasonable basis for consultation. The Business Plan would be continuing several important areas of policy development, including work on rule of law, equality, diversity and inclusion, technology and to ensure the revised regulatory performance framework was being implemented effectively.
    - Two of the new workstreams appeared internally focussed and an explanation would be provided on the importance of carrying them out in the business plan year. It may be appropriate to include the review of enforcement powers within work on LSB's statutory powers.
    - Market surveillance did not just serve the purpose of informing policy work but was also important to support enforcement activity and risks to delivery of the strategy.
    - The references to climate change would be strengthened to help demonstrate the LSB's opportunity to convene in this area.
    - The Board should prioritise further discussion about the extent to which it should take positions on public policy that impacts on access to justice. A discussion session would be included on a future agenda. (**action**)
    - While the proposed budget of £4.679m was a real terms reduction, the Board considered it to be the minimum necessary to resource the proposed business plan,

which would be essential to driving improved outcomes for consumers and the public.

6. The Board **agreed** to consult on the basis of a provisional annual budget for 2023/24 of £4.679m and delegated to the Chief Executive approval of final drafting changes prior to publication.

Item 5 - Annual Conference Evaluation

7. The Stakeholder Engagement Manager introduced the item, overall the Annual Conference had been a success with actions for change identified and positive feedback from attendees. The following points were raised in discussion:
   - Consideration should be given as to whether the Conference should be held every two years rather than annually.
   - Panels would in future be given more time to allow for deeper discussions and consideration should be given to diverse speakers such as students/newly qualified members of the profession, frontline regulators and LSB representatives.
   - The Conference had worked well to promote positive change but could have been greater publicised post the conference including on specific initiatives or themes.
   - Social media hashtags would be publicised more heavily on the day at future events.

8. The Board thanked the team for the excellent work on the evaluation and looked forward to the discussion at the next meeting on plans for the next conference.

Item 6 - OLC draft budget 2023/24 and mid-year stocktake (reviewing progress on performance)

9. Members of the OLC attended and introduced the item and the following points were raised in discussion:

Mid-Year Stock Take

- The underspend for the year was estimated at £100k due to under recruitment, with around 11 FTE vacancies currently. This was one of the reasons that the expected outturn against case targets for the year was 5% below target. Another recruitment round was planned but would have limited impact in time for year end. Recruitment and retention were challenging due to a buoyant labour market and LeO offering a less competitive salary compared to others in the market. This was leading to less experienced investigators who required additional training.
- The front-end team had seen considerable success, but the investigative teams' progress was below target. There was an opportunity to reassign staff internally to deal with bottlenecks.
- The failure to hit minimum targets in the current year risked LeO's credibility with stakeholders including those who funded it.
- All of the preassessment pool cases had been considered. Compared to the previous year, 55% more cases had been closed. It was disappointing that the outcome for the year was estimated to fall below target despite the number of other positive indicators. The OLC Chair made clear that the OLC Board would not be complacent in driving performance.
- Although there was further work to do on culture and morale, there had been some improvements, including internal promotions taking place and a reshaped HR

function delivering a changed induction process following feedback as well as a performance reward scheme.
- The OLC Chair explained that the Board was moving to a risk tolerance approach to targets underpinned by better forecasting based on experience from this and previous years leading to more accurate and realistic targets. The OLC Board would be reviewing quarterly and year to date to avoid making decisions on monthly variations. Notwithstanding this the LSB made clear it still expected targets to be met and for the OLC Board to provide appropriate assurances that this would be the case. The LSB would write to the OLC in relation to the expected year end position.

Budget
- The budget was proposed on the basis that the revised business models were working and only required improvements to continue to deliver progress. Inflation had led to a bigger budget with provision for an 8% pay award.
- By the end of 2023/24 the Pre-Assessment Pool (PAP) was expected to be at a working level of one month's worth of cases, with revised scheme rules delivering further changes.
- It was disappointing that the budget for impact work was small and appeared to be decreasing as this was an important part of work in the public interest. OLC explained that this reduction was due to the OLC's central aim of reducing the backlog and may be increased in future years. Reducing the backlog would help to regain the sector's trust, which should then deliver a firmer basis on which to influence with learning from cases. The number of "category one" reports, and general transparency was increasing.
- The view of the OLC was that outsourcing could only apply to the front-end team, on the basis of the legal advice that had been provided. The LSB encouraged the OLC to continue to consider outsourcing to increase performance and innovation.
- The 10% estimate in the expected reduction in cases arising from the scheme rules changes was a conservative estimate with 30% the upper limit based on available data.

10. The Board **noted** the OLC budget and mid-year performance and **agreed** the draft budget acceptance criteria and delegated to the Chair and Chief Executive to finalise the criteria.

Item 7 - Corporate Risk Register

11. The Corporate Governance Manager introduced the item, and the following points were raised in discussion:
    - Risk 05, OLC Performance, the executive should reconsider the risk scoring given that LeO was set to miss its end of year targets.
    - Risk 11, Capacity and Capability of Regulators, there may be benefit in splitting this to make a risk specific to the worst performing regulators as currently a minority were distorting the overall risk position.
    - Risk 15, Hybrid working, should be considered for removal by the executive given the mitigations in place appeared effective and the success of the ongoing monitoring methods.
    - The possible reduction in LSB resources arising from public sector spending cuts could risk the achievement of the sector-wide strategy.

- The Board effectiveness review had identified that there were a number of risks consistently out of appetite however given the LSB's role as an oversight regulator of a large market with an ambitious strategy for the sector this was to be expected.

12. The Board **noted** the Corporate Risk Register.

Item 8 - ARAC Update

13. The Chair of ARAC reported that the committee had met on the 15 November to consider the proposed budget for 2023/24 and an internal audit report on recruitment and retention that had given substantial assurance. The committee was in the process of recruiting and independent advisor to add skills to the committee.

14. The Board **noted** the update.

Item 9 - Finance Report to 31 October

15. The Board **noted** the finance report.

Item 10 - Corporate Governance Manual

16. A description of the role of Board leads would be added to the manual.

17. The Board **agreed** the Corporate Governance Manual subject to the amendment discussed.

Item 11 - Minutes of the Previous Meeting

18. The Board agreed the minutes of the 18 October 2022.

Item 12 - Board Action Tracker

19. The Board noted the action tracker.

Item 13 - Papers Circulated out of committee

20. The Board noted the Q2 performance report circulated out of committee.

Item 14 - Forward Look

21. The Board noted the forward look.

Item 15 - AOB

22. There were no items of AOB discussed.

Item 16 - Wrap up and Summary

23. The agenda was lighter on policy items compared to other meetings but had still been a valuable meeting. It had been useful to have OLC and LeO representatives attend the meeting.