

Meeting: Legal Services Board

Date: 21 March 2023

Item: Paper (23) 13

Title: Final LSB Business Plan and Budget 2023/24

Authors: Suganya Suriyakumaran, Regulatory Policy Manager, Robin Geddes, Regulatory Policy Manager, Stuart Hamill, Head, Finance and IT, Margie McCrone, Head, Strategy and Policy

Status: Official

Purpose of the paper

1. The paper summarises responses to the LSB's consultation on the draft business plan and budget for 2023/24 and seeks approval for the publication of the final business plan and consultation response document by the end of March 2023.

Recommendations

2. The Board is invited to:
 - **Agree** the budget for 2023/24 of **£4.679m**, as endorsed by ARAC at its meeting on 8 March 2023.
 - **Discuss and agree** the proposed final Business Plan 2023/24 (Annex A), the consultation response document (Annex B), and the activity schedule (Annex C).
 - If any drafting changes are necessary as a result of the Board's discussions, **delegate authority** to the Chief Executive to approve the documents to be published before 31 March 2023.

Background

3. At its 29 November 2022 meeting, the Board agreed to consult on a draft business plan for 2023/24 and an indicative budget of **£4.679m** for 2023/24. These were the subject of an 8-week consultation from December to February 2023.
4. This is the third business plan under the Reshaping Legal Services strategy and builds on the progress made to date. The strategy, underpinned by the regulatory objectives, sets out challenges that regulation can help address to

deliver fairer outcomes, stronger confidence and better services for consumers. This includes dismantling barriers to a diverse and inclusive legal profession at all levels, ensuring high-quality legal services and strong professional ethics.

5. As evidenced through the consultation responses, broad participation in the inaugural legal services conference, contributions to the Reshaping Legal Services Microsite, and broader engagement opportunities, stakeholders are making progress against, and actively collaborating on, the challenges identified through the Reshaping Legal Services Strategy.
6. Many of the activities in the business plan are continuing from 2022/23, reflecting the scale of our work and resources required to effectively deliver and embed the changes that will reshape legal services and deliver against the regulatory objectives.

Summary of consultation responses and key changes proposed

7. There were 11 written responses to the consultation. We also hosted a roundtable event in January to gather stakeholder feedback on the consultation, which was attended by over 30 individuals representing 27 organisations. This was the largest event we have hosted for a business plan consultation and we are grateful for the attendance and contributions of such a wide range of stakeholders. The responses will be published on our website alongside the consultation response document, final business plan and quarterly activity schedule.
8. The key themes of responses were as follows:
 - There was **general support for the business plan and budget overall**, with stakeholders highlighting work on consumer vulnerability, regulatory performance, Internal Governance Rules review, enforcement and disciplinary processes, and professional ethics and the rule of law as particularly important.
 - A number of stakeholders noted the ambition of the business plan and highlighted alignment with their own work, identifying **opportunities for collaboration and partnership**.
 - Many stakeholders said that **improving access to justice is a sector-wide priority**, especially in the context of the cost-of-living crisis, and some wanted the LSB to focus more of its work programme on this.
 - Some stakeholders said that the **LSB should consider the prioritisation and co-ordination** of planned activities, particularly on equality, diversity and inclusion, and technology and innovation, to maximise sector efforts and avoid duplication.
 - Stakeholders noted the role of a well-performing regulated sector in achieving priorities set out in the strategy, and some wanted **the LSB to have a greater focus on specific statutory functions and duties** e.g., regulatory performance and OLC oversight.
 - Some stakeholders asked for **more clarity on the specific activities and timeframes** in proposed workstreams, so that regulators could plan their own resources and business plans accordingly.

- There were **differing views on priorities for research** and the use of the LSB Public Panel, a market survey research tool. One stakeholder queried the LSB's statutory remit on the use of the Public Panel for consumer perspectives.
- 9. We have considered all the responses and reviewed our proposed business plan in light of the feedback received. We consider that the programme of activities remains the right one to comply with and promote the regulatory objectives and to use regulation to deliver fairer outcomes, stronger confidence and better services for consumers. The Legal Services Act, 2007 established the LSB, and gives the LSB broad discretion as to how it exercises and discharges its statutory powers, having regard to the principles of best regulatory practice. All of the LSB's planned activities are within that statutory remit. In planning our activities, we have given careful consideration to how they fit within our statutory remit.
- 10. In addition to the workstreams set out in our consultation, in line with the feedback we received during the consultation, we will consider the role of regulation in improving access to justice. We have allocated resources to scope potential future work on access to justice within our existing resource plan. We will also strengthen the focus on access to justice in existing workstreams (e.g., technology and innovation and implementing the empowering consumers policy statement). Our planned survey on individual legal needs will also provide an important source of evidence.
- 11. We will consider the points raised by stakeholders on how to shape specific projects as we progress our activities in 2023/24, including how we collaborate with stakeholders who already carrying out good work in some areas. We have provided additional details of our plans in the consultation response document, where relevant. We will continue to be flexible in our approach, so that we can respond to priority issues as they emerge and deliver effective regulation, as we have done this year, for example, in responding to the Russian sanctions regime.
- 12. We note, as we have done in response to previous business plan consultations, that our use of The Public Panel is a tool for the LSB to hear directly from legal service consumers and is also available to the LSCP and regulators. The Panel, does not and is not intended to duplicate the functions of the Legal Services Consumer Panel (LSCP) under the Act. The LSCP is a voice on behalf of consumers and the Public Panel (which is not a panel in a traditional sense, but a survey tool) allows us to hear directly from consumers, both of which are important in understanding how best to carry out our statutory duties to meet the regulatory objectives in the Act.
- 13. At Annex A, the Board will find the proposed final business plan for 2023/24. Annex B contains a draft consultation response document summarising stakeholder feedback on our proposed business plan and our proposed response.
- 14. As in previous years, the final business plan will be published alongside an activity schedule (Annex C), which is updated quarterly, to reflect any

reprioritisation that occurs during the year. This will ensure that our stakeholders remain informed on the progress against our planned activities and of opportunities to engage and collaborate.

The proposed budget for 2023/24

15. In line with previous years, the budget proposal is also submitted to Ministers for approval. The LSB is funded by a levy on the approved regulators and must obtain the Lord Chancellor's agreement to the levy amount payable. While the Business Plan is not subject to Lord Chancellor approval, it does provide the basis for his decision-making. The LSB is engaging with the Ministry of Justice (MoJ)'s 2023/24 allocation process and the provisional budget was submitted to the MoJ for consideration in their strategic planning process.
16. The Audit and Risk Assurance Committee (ARAC) met on 8 March 2023 and reviewed the budget proposal, considering consultation feedback. ARAC discussed the consultation feedback, the year-on-year variances in cost categories and the cost benefit impact of our discretionary spend. With consideration of the budget discussion, ARAC was able to endorse the budget proposal of £4.679m to the Board.
17. Since the 2023/24 provisional budget was submitted to the Board on 29 November, inflation has not increased. The provisional budget was prepared using the September 2022 CPI figure of 10.1%. The latest CPI figure from January 2023 shows CPI is 10.1%, so it is unchanged, despite increasing to 11.1% in October 2022.
18. We intend to use the same inflation rate of 10.1% for relevant non-pay costs in the final budget. However, the final budget has been updated for some material changes in non-pay costs that have emerged since the provisional budget.
19. Since the provisional budget was finalised, we have seen some pressures emerge in non-pay areas. The intention is to absorb any additional non-pay requirements and absorb any financial impact from the 2023 Pay Remit by using existing and expected contingencies within the planned expenditure envelope of £4.679m with proactive and judicious budget management in year.

Next steps

20. Subject to Board comments, we will finalise the documents for publication ahead of the new financial year.

Risks and mitigations	
Financial:	Funding is guaranteed through the levy and the Executive and ARAC members believe that the Business Plan can be delivered within the proposed resources. There is a risk that the MoJ will not have formally delegated permission to LSB to spend by the Board meeting. This will be mitigated by the provision of an interim "letter of

	authority” from the MoJ to cover the period from 1 April 2023 until formal delegation is received. There is a risk that Ministers will not make a decision on the budget in time for the Board’s March meeting. There is also a relatively small risk that Ministers may not approve the current budget proposal and seek reductions. If this risk materialises, it will be addressed through a combination of negotiation and budget rationalisation. The Executive has provided all of the information requested by the MoJ to assist with Ministers’ decision-making.
Legal:	There is an inherent element of legal risk in a consultation of this nature. Colleagues have taken steps to mitigate risks.
Communications and engagement:	We have consulted with stakeholders and taken their views into account while developing our plans.
Equality and diversity:	Several proposed workstreams will advance equality and diversity objectives, as summarised in the consultation document. The consultation included a specific question on equality and diversity impacts, which highlighted the important work already underway, and opportunities for collaboration.
Resource:	The proposed final business plan has been informed by a resource planning exercise for the proposed package of work.
Environmental:	The proposed final business plan includes climate change as one area of focus in the horizon scanning work to help keep informed of potential future impacts.

Annexes

Annex A – Draft final business plan

Annex B – Draft consultation response document

Annex C – Draft quarterly activity schedule

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Annexes, A, B, C	Section 22: information intended for future publication	N/A