

Meeting: Legal Services Board

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Item: Paper (23) 65

Title: LSB Draft Business Plan and Budget 2024/25

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Status: Official

Purpose of the paper

1. This paper sets out a proposed draft business plan for 2024/25 and proposed draft annual budget, in advance of public consultation.

Recommendation

2. The Board is invited to:
 - a) **discuss and agree** the draft business plan (Annex A) and draft consultation document (Annex B).
 - b) **agree** to consult on the basis of a provisional annual budget for 2024/25 of £5.329m (an increase of £650k (13.9%; adjusted for inflation, a real term increase of 7.2%) on our 2023/24 budget of £4.679m); and
 - c) **delegate authority** to the Chief Executive for approval of final minor changes prior to publication.

Background

3. The draft business plan supports delivery of our 10-year strategy to reshape legal services to better meet society's needs. The strategy, published in March 2021, outlines nine challenges that need to be addressed to improve outcomes for legal services users and the public, under three themes: fairer outcomes, stronger confidence, and better services. This includes challenges to dismantle barriers to a diverse and inclusive profession at all levels and ensure high quality legal services and strong professional ethics.
4. The strategy identifies the key role that regulation can play in meeting the challenges and calls on other stakeholders to collaborate and play their part too. It is underpinned by the regulatory objectives and our statutory duty, shared with the regulators we oversee, to promote them.
5. In the first three years of the strategy, we have delivered key priority activities to ensure the regulatory framework is and remains fit for purpose, including developing a revised regulatory performance framework and new rules and guidance for practising fees and alterations to regulatory arrangements; setting

out new expectations for regulators on ongoing competence and empowering consumers; and progressing work to improve access to justice through technology and innovation and raise the standards of legal services through improved complaints handling.

6. We have also commenced key policy work programmes maximising the impact of regulation in creating a more diverse legal sector (our equality, diversity and inclusion (EDI) work); ensuring that regulation supports high standards of professional ethical conduct (our professional ethics and the rule of law (PERL) work); and developing principles to underpin regulators' disciplinary and enforcement processes.

Draft business plan 2024/25

7. We have made good progress in delivering fairer outcomes, stronger confidence and better services via our oversight of the regulators, but further work is needed to fully implement and embed changes that deliver meaningful, long-lasting improvements for legal services users and the public; those the sector serves. Looking ahead to 2024/25, we propose to continue the work outlined in paragraph 14 and work ongoing in 2023/24.
8. Given the scope and scale of these activities, our focus over the next year will be on maximising the benefits of recent policy interventions through ensuring their effective implementation by the regulators rather than beginning new initiatives. We will of course remain alert to developments and respond as required, including reprioritising and rephasing work where required. We have been agile and done so in 2023/24, for example, responding to proposals to strengthen the sector's response to preventing economic crime (see the recently passed Economic Crime and Corporate Transparency Act and HMT's proposals to reform AML oversight).

Proposed resource increase to strengthen oversight and surveillance capability

9. The draft business plan sets out our proposal to strengthen our direct oversight of regulators' performance. This will include stepping up our ongoing monitoring and increasing our capacity to carry out reviews and investigations, supporting regulators to deliver their obligations effectively; as well as building a better understanding of risk and detriment across the regulated sector through our enhanced market surveillance and horizon scanning approach. This will require the increased resource proposed in this paper and reflects the importance we attach to regulatory performance and to our ability to detect and respond to detriment and harm to users of legal services wherever it may occur. It also recognises feedback from last year's business plan consultation about the need to focus on regulators' performance.
10. Overseeing regulators' performance, central to our direct regulatory oversight, is key to delivering public confidence in legal services and improving regulation in the public interest. In 2023/24, we implemented a revised performance framework that places the regulatory objectives at its heart and requires regulators to provide assurance that they are well-led and effective in their approach to, and delivery of, regulation for the public. We seek this assurance through ongoing monitoring (primarily via relationship management) and the

annual performance assessment. Our most recent performance assessment, published in January 2023, highlighted several areas where regulators need to improve their performance. We will be publishing a new assessment of the regulators in January 2024 and expect this to indicate areas where further assurance from regulators is required under the well-led and effective approach to regulation standards.

11. We propose to step up our ongoing monitoring to seek assurance that the expectations in our existing policies are met, for example, to confirm that regulators meet the outcomes in our consumer empowerment statement of policy by September 2024, as indicated by the regulators. This will also apply to expectations on technology and innovation, EDI, PERL and disciplinary and enforcement once we develop our policies in these areas.
12. We also propose to strengthen and complement this approach by having the necessary capacity and capability to carry out regular reviews and investigations, where appropriate. Recent targeted reviews of the BSB and FO, as well as the CILEX/CRL investigation, have provided important intelligence about how regulators are meeting their statutory duties and regulating in the public and consumers' interests, but were resource intensive and we need to ensure resilience in our ability to carry such activities in the future.
13. Further, we will develop our market surveillance and horizon scanning approach, so we have improved intelligence to best support us to detect detriment and harm in their early stages, before they manifest as issues for a significant number of people. This will support our oversight of regulators' performance, policy development and strategy delivery, as well as provide a source of evidence for stakeholders to inform their own work.

Key areas of work for 2024/25

14. The following list is a summary of our plans for 2024/25:
 - a. **Statutory decisions and oversight**, including taking statutory decisions and overseeing the Solicitors Disciplinary Tribunal and the Office for Legal Complaints.
 - b. Monitoring the regulators' performance through our revised **regulatory performance framework** (see more detail above).
 - c. Enhancing our **market surveillance and horizon scanning** capability (see more detail above).
 - d. Ensuring regulation supports upholding the **rule of law and professional ethics**, including supporting the new regulatory objective to promote the prevention and detection of economic crime.
 - e. Developing a policy statement on **equality, diversity and inclusion** to remove barriers to a diverse and inclusive profession.
 - f. Ensuring regulators' approaches to **disciplinary and enforcement processes** build public confidence and uphold standards.
 - g. Considering the role of regulation in ensuring safe uses of artificial intelligence (AI) that benefit legal services users as part of our work on **technology and innovation**. We will also support the regulators to deliver a regulatory information service with the functionality of a single digital register.

- h. Maintaining momentum on the strategy within the sector through our **curating the strategy** project, including the Reshaping Legal Services microsite and our next annual conference.
- i. Considering the role of regulation in **improving access to justice**.
- j. Making the case for a strategic approach to **consumer vulnerability** and user design in legal services.
- k. Evaluating the operation and effectiveness of the **Internal Governance Rules (IGR)** and guidance, a commitment we made when these into effect in 2019.
- l. Evaluating the **LSB's enforcement policy** and updating our statement of policy on taking enforcement action, ensuring that it aligns with our regulatory approach.
- m. Evaluating the **Education and Training Guidance**, considering implications of our ongoing competence, PERL and EDI work.

Proposed budget 2024/25

15. The budget has been developed in two stages. In September 2023, the Board considered four high level budget proposals for 2024/25, two of which were considered in detail at ARAC in November 2023.
16. The executive has undertaken a rigorous exercise to develop detailed projections of 2024/25 costs, reflecting our proposed business activities requiring additional headcount resource to strengthen capacity in enforcement, investigations and surveillance, the impact of ongoing high inflation on our cost base and further opportunities for efficiency savings such as those arising from extending our lease at the Rookery until September 2025. We have critically assessed our proposed activities for 2024/25, and where possible, will use efficient, cost-effective and innovative ways of working, including exploring the deployment of AI to administrative and process-based tasks to allow us to extract maximum value and productivity from the resources we have.
17. The additional resource proposed to be deployed in 2024/25 will enable LSB to
 - develop resilience in its proactive and reactive investigative and performance oversight capability.
 - develop the market surveillance capability requested by Board.
18. This has resulted in a proposed 2024/25 budget of **£5.329m**, which was considered in detail and approved at an ARAC meeting held on 15 November 2023. This would represent an increase of 13.9% (£650k) on last year's budget (£4.679m). It equates to a cost of £27.88 per authorised person (based on April 2023 Authorised To Practice volumes of 191,162).
19. In preparing the draft budget, we have been mindful of the economic context, and the pressures on some parts of the legal services sector. In the current climate, we consider that it is vital that legal services users and the public can rely on high standards of regulation. We want to continue to make progress against the challenges we identified in the strategy and the proposed budget will be necessary to deliver what is proposed.

Next steps

20. We plan to launch a public consultation on the draft business plan and budget for a minimum eight-week period. We will present a final business plan and budget to the Board for approval in March 2024.

Risks and mitigations	
Financial:	Funding is guaranteed through the levy. The Executive and ARAC consider that, based on the available information, the proposed business plan can be delivered within the proposed resources.
Legal:	The documents have been developed with input from our legal team. They are consistent with our powers under the Legal Services Act 2007.
Communications and engagement:	We will hold a consultation event in January 2024 to allow stakeholders to provide comments on our proposals, which we will take account of when finalising the business plan and budget.
Equality and diversity:	We are proposing to continue our dedicated workstream on equality, diversity and inclusion and will consider appropriate links with other projects.
Resource:	The draft business plan and budget have been informed by a resource planning exercise for the proposed policy and research projects.

Annexes

Annex A – Draft business plan 2024/25

Annex B – Draft business plan 2024/25: Consultation document

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Annexes A, B	s.22 – Future publication	Date of publication