Minutes of the Legal Services Board (LSB) meeting held on 28 November 2023

Date:	28 November 2023	
Time:	10:30 – 11:00 (Board private session) 11:00 – (Board speaker session) 12:00 – 14:30 (Board meeting)	
Venue:	LSB Offices	
Present: (Members)	Alan Kershaw, chairing the meeting Katherine Briscoe Clare Brown Gary Kildare (Items 1-4) Habib Motani (Item 2 onwards) Flora Page Lizzie Peers Matthew Hill, Chief Executive	
In attendance:	Mia Biles	Policy Associate (item 6)
	Gabrielle Stewart	Communications and Engagement Manager (item 1)
	Ethan Fleming	Corporate Governance Manager (minutes)
	Stuart Hamill	Head, Finance and IT
	Angela Latta	Head, Performance and Oversight
	Margie McCrone	Head, Strategy and Policy
	Richard Orpin	Director, Regulation and Policy
	Danielle Viall	General Counsel
	Holly Perry	Director, Enabling Services
	Paul Nezandonyi	Head, Communications and Engagement
	Dan Neidle	Board Speaker
	Elisabeth Davies	Chair – OLC
	Paul McFadden	Chief Ombudsman - LeO
Observing:	Rob Morrison, Regulatory Policy Manager	
Apologies:	Catherine Brown	

Item 1 - Board Speaker

1. The Board hosted a speaker session with Dan Neidle, a solicitor at Tax Policy Associates, on professional ethics in the legal sector.

Item 2 - Welcome and Apologies

2. Apologies had been received from Catherine Brown.

3. Clare Brown was confirmed as a member of ARAC.

Item 3 - Declarations of interest relevant to the business of the Board

4. There were no declarations relevant to the meeting.

5. Gary Kildare had recused himself from the out of committee decision on the appointment of internal auditors owing to his role as a non-executive director of Crowe LLP.

Item 4 - Chief Executive's Progress Report[1]

6. The Chief Executive introduced the item, and the following points were raised in discussion:
   - The regulators would be asked to set out their assessment of existing coverage of the new regulatory objective (prevention and detection of economic crime), to inform a collaborative discussion on shared principles and expectations and to identify any actions that might need to be taken. This was already built into the LSB's draft business plan 2024/25.
   - The unmet legal needs survey was quantitative, conducted by an outsourced provider and would provide comparable data over a number of years. As part of the LSB's broader engagement and insight gathering, alternative sources of data were accessed, such as from community groups, that provided evidence about legal needs as well.
   - The Legal Ombudsman (LeO) had strong quality assurance frameworks in place. LeO had recently commented that litigators recovering substantial success fees that were not related to the risks involved in a case should communicate these better with consumers. The Board requested further details on this. (**action - complete**)
   - The City UK meeting had been positive. Discussion had focused mainly on diversity and inclusion. Both City UK and the City of London Law Society had expressed an interest in working more closely with the LSB.
   - Under the scheme of delegations, statutory decisions were delegated to the Chief Executive, with a requirement to refer significant decisions back to the Board. Applications were required to demonstrate that the regulators had consulted and engaged with interested parties.

7. The Board **noted** the Chief Executive's Report.

Item 5 - LSB Draft business plan and budget 2024/25

8. The Regulatory Policy Manager reported that the proposed increase in resourcing would strengthen the LSB's direct regulatory oversight and help to build resilience across the LSB. The planned market surveillance work would help the LSB to spot detriment early and respond to emerging issues and would become a source of intelligence for the regulators to draw upon to inform their work. The planned work would reflect the feedback from the previous year's consultation on the need to focus on performance of regulators. The following points were raised in discussion:
   - ARAC had considered the draft budget at its meeting on 15 November and endorsed it to the Board. ARAC had requested a medium-term financial view relating to the strategy. The executive were planning to carry this out in the context of the next government spending review, due in 2024.

[1] Gary Kildare departed the meeting midway through this item

- While the LSB was out of scope of previously announced headcount controls, it would be important to ensure that measures were in place to secure the Board's objectives by means other than deployment of in-house expertise.
- The recent investigation that the LSB had undertaken had been resource intensive and had impacted other workstreams. Building the ability to undertake, for example, two investigations or reviews within a year would allow both reactive and proactive activities to be undertaken. When investigations were not needed, the resource could be deployed on thematic reviews or other policy work.
- The access to justice work planned should also consider civil litigation funding. Whilst financial services regulators might have an interest in regulating litigation funding, this would be from the investor's perspective rather than an access to justice view.
- Beyond September 2025, the LSB had been granted permission by the Government Property Agency (GPA) to relocate to Transport for London Zone 2 and was starting to consider potential spaces.

9. The Board **agreed** the draft business plan and draft consultation document and **agreed** to consult on the basis of a provisional annual budget for 2024/25 of £5.329m. It **delegated authority** to the Chief Executive for approval of final minor changes prior to publication.

Item 6 - OLC draft budget 2024/25 and mid-year stocktake (reviewing progress on performance)

10. The Chair of the Office of Legal Complaints (OLC) reported that the OLC had been consulting on a new three-year strategy; this budget would support the first year of that new strategy. The discussions with stakeholders so far had indicated sustained confidence in the OLC. The OLC wished to see the handling of first tier complaints improve as currently a large number of cases came to LeO prematurely. The following points were raised in discussion:
    - LeO had demonstrated sustained improvements for several years with activity and outputs having doubled whilst continuing to deliver efficiencies through cost reduction and better management of resources. The first quarter/half of the next year would be closely monitored to understand the expected increased demand – with the possibility, though not an expectation, of an in-year budget application.
    - The implementation of the scheme rules had been approached cautiously, which had slowed down benefits delivery, as more resourcing was required than anticipated initially. This was changing now as the changes bedded in, so resourcing could be refocused appropriately. The new time limits for cases were helpful in reducing the number of claims being brought, but this was being counteracted by an increase in demand.
    - LeO continued to explore the best ways to collect EDI data to understand the impact of the changes.
    - The next set of planned scheme rules changes could consider altering the structure of case fees to create a stronger "polluter pays" element. This would help to achieve the appropriate balance of funding between the levy and charges, and also drive positive cultures and behaviours in the market. The OLC was considering whether and how it could allow greater delegation under the Legal Services Act.
    - Quality was important and LeO remained committed to prioritising quality over speed. Around 50% of cases were resolved within 60 days. Customer satisfaction levels were monitored on a regular basis and interrogated by the OLC. Research had been

commissioned to look at quality frameworks in other organisations, to see what could helpfully be applied to LeO; there could be some improvement in proportionality to deliver greater value for money.

- Staff retention levels continued to be an issue, with other Ombudsmen offering higher pay and benefits. The OLC was focused on continuing to improve LeO's culture. Other methods to mitigate staff attrition could include exploring clawback provisions in contracts and highlighting the importance and prestige of LeO's work.
- The BSB had been referring all cases to LeO for triage before looking at regulatory complaints, and the LSB asked LeO to consider whether this was appropriate and the LSB executive would report back to the Board on this matter (**action**).

11. The Board **discussed** the OLC's budget proposals and **approved** the draft budget acceptance criteria and **agreed** that the Chair and Chief Executive finalise the criteria.

Item 7 - Corporate Risk Register

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

Item 8 - Corporate Governance Manual

13. The Corporate Governance Manager introduced the item, and the following points were raised in discussion:
    - The expenses policy would be rewritten as part of next year's review to provide transparency. Changes to the policy this year would be highlighted to colleagues when the updated manual was communicated to staff.
    - The decision to review the need to declare political party membership had been discussed extensively by the ARAC. Whilst there was benefit to retaining it for maximum transparency and to help demonstrate LSB's independence, it was noted that membership alone did not give sufficient influence to constitute a conflict. Membership demonstrated someone's personal values, and it was accepted that individuals were entitled to a level of privacy. There was a need to continue to capture significant political activity.

14. The Board **agreed** the Corporate Governance Manual.

Item 9 - ARAC Update

15. The Chief Executive reported that the meeting held on 15 November had been positive, with further assurance received from the external auditors on the audit process planned for 2023/24. Other items on the ARAC agenda had been discussed elsewhere on the Board agenda.

16. The Board **noted** the ARAC update.

Item 10 - Minutes of the Previous Meeting – 17 October 2023

17. The Board **agreed** the minutes as drafted.

Item 11 - Finance Report to 31 October 2023

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

Item 12 - Board action tracker

19. The Board **noted** the action tracker.

Item 13 - Papers circulated out of committee since the last meeting.

20. The Board **noted** the papers circulated out of committee since the last meeting.

Item 14 - Forward Look

21. The Board **noted** the forward look.

Item 15 - AOB

22. There was no AOB discussed.

Item 16 - Wrap up and Summary

23. It had been a positive meeting with an engaging Board speaker that set the tone for the meeting.