LEGAL SERVICES BOARD

Meeting: Legal Services Board

Date: 26 November 2024

Item: Paper (24) 54

Title: Corporate Governance Manual

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Status: Official

Introduction: Purpose of the paper/ Issue

1. This paper reports on the review of, and proposed changes to, the LSB Governance Manual.

Recommendation(s)

2. The Board in invited to **agree** the proposed Governance Manual.

Background

3. In managing its affairs, the Board must have regard to 'such generally accepted principles of good corporate governance as it is reasonable to regards as applicable to it' (s.5 Legal Services Act 2007). As part of this, the Board reviews the main governance documents, collectively termed the 'Governance Manual', annually.

4. ARAC agreed to the proposed Governance Manual at its 13 November 2024 meeting for onward consideration by the Board. The Board approved the current version of the manual in November 2023.

The Governance Manual review process

5. The review was informed by the following:

   - Consultation with LSB colleagues and the LSB Board and key stakeholders, including the Office for Legal Complaints and the Legal Services Consumer Panel – consultation took place July – September 2024.

   - Lessons learned from day-to-day operations.

6. In addition, several governance best practice documents were consulted including the UK Corporate Governance Code, 12 Principles of Governance for all Public Bodies NEDs and counter fraud guidance issued by the MoJ and central government.

Summary of changes to the LSB Governance Manual

7. A track changes version of the draft revised LSB Governance Manual is at Annex A. The substantive changes are outlined below.

Policy on Reimbursement of Travel and Subsistence Expenses

8. This policy was comprehensively reviewed this year, resulting in extensive changes and is not presented in track changes for legibility. The review included a detailed analysis of expense claims in 2023/24, benchmarking policies from other organisations and a review of the latest HMRC guidance. The changes are focused on updates to reflect procedures relating to the new online expense management system and simplifying the policy.

9. There is a new rates structure for subsistence (food and drink) based on traditional meals that are commonly claimed: breakfast, lunch, and dinner. The aim is to simplify things for claimants and approvers, moving away from the complexity of rates based on hours of travel. In 2023/24, most subsistence claims (77%) were self-reported as a traditional meal: dinner (41%), lunch (24%), breakfast (6%), or a combination of those (6%). Of the remaining claims, 19% were reported non-specifically but a detailed analysis of receipts indicated that these claims aligned with the traditional meals, while 4% were for coffee or refreshments.

10. We considered whether to include a daily rate cap for subsistence claims (like in the current policy) but ultimately decided against it for the following reasons:

- It makes the policy and checking more complex.
- Potential unfairness depending on if someone is staying in accommodation where breakfast is included.
- While there is a risk that removing that cap could increase LSB costs, a cap could also have the unintended consequence of increasing LSB costs depending on the situation and how it is implemented. In 2023/24, there were more instances of the cap have an increasing effect on costs than a decreasing effect. This is because individuals regularly claim the daily rate cap just for dinner before an overnight stay rather than the lower evening meal rate, accounting for around 28% of all subsistence claims in 2023/24.[1] Conversely, multiple subsistence claims for a single day are relatively rare, accounting for around 15% of subsistence claims in 2023/24, of which the cap was relevant in just over half of these instances, either because the cap was hit or was close.

[1] Under the current policy, the daily rate cap of £28 is for lunch and evening meal if away for at least 24 hours, and the evening meal rate is £22.50. For most of 2023/24, the daily rate cap was £21 and the evening meal rate was £15.

11. Accommodation rates are increased by £30. This was informed by:

    - Benchmarking our rates against other organisations.

    - Instances of granting policy exceptions for bookings to exceed our rates when suitable accommodation was otherwise unavailable.

    - Feedback from ARAC members on the need for rates that ensure safe and secure accommodation.

12. The policy is more closely aligned with HMRC guidance. For example, business journeys are now defined per HMRC guidance.

13. The air travel policy clarifies when business class travel is allowed and is consistent with MoJ Spending Controls.

14. The annexes now include the expense procedure workflow and the relevant MoJ Spending Controls.

15. Note that previously this policy was titled Policy on Reimbursement of Expenses. The title was changed for clarity to reflect the fact it only covers travel and subsistence expenses.

<u>Code of Practice for Board Members and Panel Members</u>

16. We have added a section on family leave for Board Members, which received input from the MoJ Public Appointments Team.

<u>Statement of Internal Audit</u>

17. This is a new statement for the LSB Governance Manual. A version of this was included in the LSB Finance Regulations. It has been adapted and included here given firstly its scope is greater than finance and secondly its relevance to supporting good corporate governance across the organisation.

<u>Policy on Anti-Corruption, Fraud and Bribery</u>

18. We have added sections on working with MoJ and the Public Sector Fraud Authority, and on when the LSB may consider prosecution and/or the recovery of lost funds. These changes arise from the LSB's fraud return to the MoJ based on the Counter Fraud Functional Standard.

19. We have added the Senior Independent Director as an additional contact in the procedure for raising concerns. This is to cover situations where the Corporate Governance Manager is also the line manager and suspected of contravening the policy.

20. The annexed Counter Fraud Strategy includes three additional steps the LSB has taken to address the risk of fraud:

    - Committed to undertaking Initial Fraud Impact Assessments when new major spend is proposed.

- Committed to sharing data and intelligence with third parties as appropriate.
- Committed to undertaking a learnt review to take place after fraud/corruption incidents.

21. Note that previously this policy did not include fraud in the title. It was added for clarity given the substance of the policy.

ARAC Terms of Reference

22. We have added that the Committee will meet privately with the internal auditors, external auditors and the Accounting Officer at least once per year. Such meetings are currently done in practice and has been added so that it is fully reflective of what happens.

23. We have added a section on conflict of interest. This makes it consistent with the RNC Terms of Reference and the Board's Rules of Procedure, which have sections on conflicts of interest.

Policy on Social Media

24. We have removed the requirement for individuals to include the following statement on their profile when discussing work: "The views I express here are mine alone and do not necessarily reflect the views of my employer." This is to prioritise other elements of the policy, such as the requirement to not bring the organisation into disrepute.

Next steps

25. The LSB Governance Manual will be updated based on comments made by Board Members. A final revised version will be circulated to those within scope and will be uploaded to the LSB intranet and website, replacing the current version.

Risks and mitigations	
Financial:	N/A
Legal:	N/A
Communications and engagement:	N/A
Equality and diversity:	N/A
Resource:	N/A
Environmental:	N/A

Annexes

Annex A – Draft revised LSB Governance Manual

Freedom of Information Act 2000 (FoI)		
Para ref	**FoI exemption and summary**	**Expires**
Annex A	s.22 – Future publication	N/A