LEGAL SERVICES BOARD (LSB) MINUTES OF THE MEETING HELD ON 26 NOVEMBER 2024 AT THE LSB OFFICES

Date: 26 November 2024
Time: 10:30 – 12.00 (Board private session)
12.00 – 14.15 (Board meeting)
Venue: LSB Offices (Hybrid)

Present: (Members)
Alan Kershaw, chairing the meeting
Kate Briscoe
Catherine Brown
Clare Brown
Gary Kildare
Habib Motani
Lizzie Peers
Flora Page
Craig Westwood
Meena Sankar (Board Apprentice)

Apologies: Christine Nwaokolo

In attendance:

Stuart Hamill	Head, Finance, IT and Procurement
Angela Latta	Head, Performance and Oversight
Jelena Lentzos	Head, Policy and Delivery
Heather McLoughlin	Corporate Governance Manager (minutes)
Paul Nezandonyi	Head, Communications and Engagement
Samuel Omolade	Head, Strategy and Research
Richard Orpin	Director, Policy and Regulation
Holly Perry	Director, Enabling Services
Toakase Tonga	General Counsel
Tim Borthwick	Finance Manager (item 6)
Sam Cooper	Communications and Engagement Manager
Tania Hardcastle	Regulatory Policy Manager (item 04)
Robert Morrison	Regulatory Policy Manager (item 05)
Mia David-Biles	Regulatory Policy Associate (item 05)
Elizabeth Davies	OLC Chair (item 05)
Paul McFadden	LeO Chief Executive (item 05)

Item 1 - Welcome and Apologies

1. Apologies had been received from Christine Nwaokolo.

2. The Chair welcomed all those present, including Heather McLoughlin, Corporate Governance Manager, who was attending her first Board meeting since joining the LSB.

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

3. There were no declarations of interest relevant to the business of the Board.

Item 3 - Chief Executive's progress report

4. The Chief Executive presented the report and asked the Board for any questions or comments. The following points were raised in discussion:
    - The Board was provided with an update on the LSB's approach to monitoring delivery of the Bar Standards Board (BSB) reform plan. The Chief Executive said that this was forming a regular part of discussions with the BSB Director General and at relationship manager level, with a particular focus currently on success measures. The Board agreed that focus should remain on this issue.

- The Board noted that the executive had met with the SRA to discuss the recent report which highlighted the overrepresentation of black and ethnic minority solicitors in the first stages of disciplinary processes. The meeting and report had identified a range of contributory factors, and the SRA had outlined measures aimed at addressing the underlying issues, including in relation to its own disciplinary and enforcement processes.
- The increase in investment from private equity firms into law firms and potential risks and opportunities for the sector and consumers. LSB had an important in ensuring consumers were protected.

5. The Board **noted** the CEO's progress report.

Item 4 - LSB draft business plan and budget 2025/26

6. The Regulatory Policy Manager presented LSB's draft business plan and budget 2025/26. The business plan and budget had been developed following feedback received from the Board during the strategy session held in September 2024. The executive had developed five priority policy areas and had provided greater clarity to how these flowed from the LSB's ten-year strategy. The following points were raised in discussion:
   - ARAC had endorsed the draft budget at its meeting on 13 November 2024. ARAC had requested that the Executive be clear on the additional value added where additional resource was proposed. ARAC had also questioned whether a vacancy factor of 2% and a non-pay contingency budget of zero were prudent given the uncertainty in relation to certain budget categories.
   - The Executive acknowledged the 11% increase was a considerable rise, but was due to the required office move in 2025, proposed additional headcount of 2.9 FTE, and an increase in budget needed to respond to litigation and other legal matters. The Board discussed the approach to budgeting in these circumstances, recognising the need for realism and caution, noting the facility to seek a budget variation from the Ministry of Justice during the financial year. The Board expressed caution about calling on this facility except where unavoidable and therefore asked the Executive to consider the addition of a contingency sum to reflect the increased uncertainty relating to accommodation and litigation costs in the forthcoming year.
   - The merits of remote and office working, and the balance of productivity and employee wellbeing.

7. The Board **agreed** the draft overview of the business plan, the draft business plan and consultation document.

8. In relation to the budget, the Board **agreed** a provisional annual budget for 2025/26 of £5.849m, **delegating authority** to the Chief Executive to finalise the figure as a basis for consultation, on further consideration of the level of contingency required (given uncertainty on the costs of the office move and litigation).

Item 5 - OLC draft business plan and budget 2025/26

9. The Chair of the Office of Legal Complaints (OLC) and the Chief Executive of the Legal Ombudsman (LeO) joined the meeting to present the draft OLC business plan and budget 2025/26. The Board and OLC discussed the following points:
- The Board was reminded that this was the first of two opportunities to review the draft business plan and budget, that the OLC was in the process of consulting on its proposals, and no decision was required today. The purpose of this initial review was to provide an opportunity to ask questions and request any further clarification from the OLC to ensure the Board had all the information needed to make a final decision in March 2025.
- Overall, the Board expressed support for the draft business plan and budget in the context of the achievement of positive productivity and increasing demand driven by factors outside of the control of LeO.
- The Board was supportive of the proposals to increase the flat case fee from £400 to £800 and to a potential higher fee of £1,000 in the context of the significant time since any previous increases, and in order to increase the legal sector's accountability for the costs to LeO of poorly handled

complaints The Board acknowledged the potential negative impact this could have on some firms and the need to carefully consider the approach to implementation.
- The Board was pleased to see improved staff retention rates but expressed concern at the sickness rates.
- The Board asked for further information about what performance forecasts might look like if a more modest budget were finally approved: for example, if the final plan only allowed for half of the requested 21.7 investigators.
- The Board said that more information was needed on transparency, on how the OLC would demonstrate transparency and on the value it brought. The Board advised that the OLC needed to consider and propose a cost-effective, more incremental method of delivering its transparency proposals.
- There was a need to understand better what role data, technology and AI could play in helping to resolve complaints in a timely manner.
- It was noted that more needed to be done by firms to manage demand arising from poor handling of first tier complaints. It was also discussed that the OLC shared relevant data with the SRA and was keen to understand more about targeted action that could be taken to manage demand and what role regulators could take in supporting this.
- The Board requested that in future, business plan and budget paperwork be more succinct to enable efficient and effective scrutiny.

10. The Board **discussed** the OLC's budget proposals and **approved** the draft budget acceptance criteria.

Item 6 - Corporate Governance Manual

11. The Chair welcomed the Finance Manager to present the item. The Director, Enabling Services reminded the Board that the Corporate Governance Manual had been presented to ARAC and that the whole Board had been asked for feedback on it. The manual had also been shared with LSB staff, and members of the Consumer Panel and OLC for feedback. The Chair and the Chair of ARAC thanked the Finance Manager for their work on updating the manual.

12. The Head, Performance and Oversight proposed that two minor items of delegation should be reassigned to the Director, Policy and Regulation. The Board agreed with this change. **(action)**

13. The Board **agreed** the proposed Corporate Governance Manual.

Item 7 - ARAC update – oral

14. The Chair of ARAC provided a verbal update to the Board on the ARAC meeting held on 13 November. The Board noted that ARAC discussed the following points:
    - [Exempt under ss31(1)(g), 36(2), 42 & 44 FOIA]
    - ARAC had requested further information and justification from the external auditors on the proposed 11% increase in fee for the 2024/25 audit and a request to spread the increased costs over a number of years.
    - Other issues discussed at ARAC had been addressed in Board items in this meeting.

15. The Board **noted** the main points arising from ARAC's meeting held on 13 November 2024.

Item 8 - Minutes of the previous meeting – 22 October 2024

16. The Board **approved** the minutes subject to amendments to items 5 and 6 to more fully reflect the Board's consideration, which would be recirculated to the Board for approval (**action**).

Item 9 - Finance Report to 31 October 2024

17. The Board **noted** the Finance Report, and **delegated authority** to the Chief Executive to make a submission to the Ministry of Justice for a budget variation for the current financial year to meet pressures arising in-year.

Item 10 - Board action tracker

18. The Board **agreed** the Board action tracker.

Item 11 – Paper circulated out of committee since last meeting - Paper (24) 50 - Q2 Performance Report 2024

19. The Board **noted** the paper.

Item 12 - Forward look

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

Item 13 – AOB

22. There was no other business.

Item 14 - Reflections Wrap up and summary

23. There were no reflections wrap up or summary.

Item 15 - Board Apprentice Reflections

24. The Chair noted it was the final meeting for Meena Sankar as LSB Board Apprentice for 2024, and invited her to reflect on her experience and time on the Board. She thanked the LSB for participating in the programme and shared summary reflections. The Chair thanked her for her commitment to the role and Gary Kildare for being a Board buddy. The Board was informed that a new Board Apprentice would be appointed in early December and a new Board buddy would need to be appointed.