

To:	Legal Services Board	Agenda Item:	10
Date of Meeting:	21 September 2017	Item:	Paper (17) 64

Title:	OLC budget variation request
Workstream(s):	Performance, Evaluation and Oversight
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Status:	Official

Summary:

In March 2017, the Legal Services Board approved the OLC's 2017/18 budget submission for £14.63m, with £11.63m allocated to the legal jurisdiction and £3m to the CMC jurisdiction.

In July 2017, in confirming the budget cover for the OLC, the Ministry of Justice (MoJ) authorised cover above that approved by the LSB in March at £14.845m (£11.802m for legal and £3.043m for CMC). Like other ALBs, the OLC had not expected the MoJ to increase its budget with inflationary uplifts for the 1% pay bill and the apprenticeship levy.

The OLC are now seeking the LSB's approval, as required by the Act, to access the additional budget cover provided by the MoJ in July. The MoJ have confirmed in writing that they are content for the OLC to have access to these additional funds. The OLC submission is at Annex A.

Note: the OLC will not be attending the meeting.

Recommendation(s):

The Board is invited to:

- (1) review the OLC's submission on the budget variation
- (2) approve the budget variation.

Risks and mitigations

Financial: OLC is required to comply with Managing Public Money requirements. MoJ are responsible for financial oversight in year. MoJ provide Grant in Aid to OLC in respect of the claims management jurisdiction.

Legal: N/A

Reputational: While qualifications of OLC's 2013/14, 2014/15, and 2015/16 had the potential to present a degree of reputational risk to the LSB, this did not materialise. We are clear that the LSB has no remit or authority to intercede in matters relating to ongoing financial management where meaningful oversight must be provided by

the sponsoring department, as described in the Tripartite Operating Protocol. The budget variation arises from the authorisation provided by the MoJ.
Resource: N/A

Consultation	Yes	No	Who / why?
Board Members:	x		Marina Gibbs, board liaison with OLC
Consumer Panel:		x	
Others:			

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Para 5, second half of final sentence	Section 44: restricted information under s167 LSA which was obtained by the Board in the exercise of its functions and therefore must not be disclosed	TBC
Annex A: Point 2, whole of final and third bullet point; Point 3, 2 nd and 3 rd para's	Section 44: restricted information under s167 LSA which was obtained by the Board in the exercise of its functions and therefore must not be disclosed	TBC

LEGAL SERVICES BOARD

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OLC budget variation request

Background

1. The Legal Services Act 2007 (The Act) requires that the OLC must adopt a budget which has been approved by the Legal Services Board. Schedule 15 of the Act also requires that any in-year budget variation is approved by the LSB.
2. The OLC's budget covers its work on legal complaints and its work on claims management complaints (CMC). The LSB's approval of the budget needs to be mindful of additional decisions: the Lord Chancellor must approve the amount to be raised by way of the levy on approved regulators to fund the OLC's legal complaints jurisdiction and the CMC element is funded by public funds through Grant in Aid (GIA) from the Ministry of Justice (MoJ), not by levy on the approved regulators.
3. In March 2017, the Legal Services Board approved the OLC's 2017/18 budget submission for £14.63m, with £11.63m allocated to the legal jurisdiction and £3m to the CMC jurisdiction.
4. In July 2017, in confirming the budget cover for the OLC, the MoJ authorised cover above that approved by the LSB in March. The authorised cover from the MoJ is for £14.845m (£11.802m for legal and £3.043m for CMC). This c.1.5% increase arises from the MoJ adding cover for the agreed 1% pay bill inflator and an uplift of £50k for the government's apprenticeship levy (for bodies with a paybill greater than £3m) to the budget submission the OLC made to MoJ. Like other ALBs, the OLC had not expected the MoJ to increase its budget in this way.
5. The OLC are now seeking the LSB's approval, as required by the Act, to access the additional budget cover provided by the MoJ. The OLC's initial budget submission made provision for the pay bill inflator and apprenticeship levy. In light of this, the OLC have provided a submission, at Annex A, outlining what use this additional resource would be put to. This includes managing higher than forecast case volumes in the legal jurisdiction, opportunities to accelerate the Modernising LeO programme (with greater certainty around timing of one-off costs associated with the IT development project), [REDACTED]
[REDACTED]
[REDACTED]
6. There is an ambitious agenda for organisational modernisation at the Legal Ombudsman over the next few years. The OLC's Strategy 2017–2020, presented with its budget submission in March, described its intention to revert to a downward trajectory for the budget after 2017/18 (subject to case volume and

complexity). As noted in March, the OLC budget in 2017/18 represents some costs that could be described as an “invest to save” strategy.

7. An in-year budget variation necessitates careful scrutiny by the Legal Services Board for a variety of reasons including the potential for impact on the levy. The context of this year’s request has a number of considerations that have led to the executive’s recommendation. The OLC has indicated that they have a deferred levy on their balance sheet with a value of £0.28m. This is greater than the additional budget cover required. On that basis, we understand that there will not be an increase in the levy. The OLC position is therefore that it would be both unnecessary and potentially confusing to consult stakeholders about such a minor change in their resources when it will not result in an increased charge of the sector.
8. Moreover, the OLC has MoJ’s authorisation for the additional revenue cover. This was provided in July. In such circumstances, and given the relatively small increase in budget this provides for the OLC, the Board are invited to approve this variation to the OLC’s 2017/18 budget.

OLC Submission for approval of budget variation