

**Meeting:** Legal Services Board

**Date:** 26 March 2020

**Item:** Paper (20) 12

**Title:** Final business plan 2020/21 and budget

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**Status:** Official

**Introduction**

1. At its November 2019 meeting, the Board agreed to consult on a draft Business Plan for 2020/21. The Plan included an indicative budget for 2020/21 of **£3,923k** (£3,798k 2019/20). The draft Plan was the subject of an 8-week consultation from December to February.
2. In line with previous years, the budget proposal is also submitted to Ministers for approval. The Lord Chancellor is required to approve the amount we collect via the levy each year. Whilst the Business Plan is not subject to Lord Chancellor approval, it does provide the basis for his decision-making.
3. The Audit and Risk Assurance Committee met on 3 March 2020 and reviewed the budget proposal considering consultation feedback. The LSB has engaged with the MoJ's 2020/21 allocation process and a budget submission has been made to the MoJ for approval.
4. The Committee noted that, as at the date of its meeting, approval of the budget was still pending and a risk remained that formal Ministerial approval would not be received by the start of the new financial year. In the absence of Ministerial approval, the MoJ will not be in a position to formally confirm the LSB's delegation. However, it is expected that written authority to incur expenditure will be granted by the department following a precedent set during the 2017-18 budget process. Taking this into account, ARAC endorsed the budget proposal to the Board.

## Recommendations

5. The Board is invited to:
  - agree the budget for 2020/21, as considered by ARAC at its meeting on 3 March 2020;
  - discuss and agree the proposed Business Plan for 2020/21;
  - note that the Chair and CEO will approve the final drafts of the business plan and consultation response document for publication.

## Consultation on draft business plan 2020/21

6. At **Annex A**, the Board will find a draft consultation response document summarising stakeholder feedback on our plans and our proposed response. **Annex B** contains the proposed final business plan for 2020/21.
7. On 13 December 2019, we published a consultation on our draft Business Plan for 2020/21. A workshop with 14 stakeholders was held on 20 January 2020. The consultation closed on 14 February 2020 and we received 18 responses.
8. Overall, responses were welcoming of our proposals and there were no major objections to any of the proposed work.
9. Reflecting the Board's discussion at its January meeting, we have included a new project on quality indicators. Otherwise the plan's content is unchanged.
10. The Board is discussing proposals for our work on enforcement elsewhere on the agenda; we will update the various documents in light of decisions made.
11. The consultation responses are available if Board members wish to review them. They will be published on our website alongside the final Business Plan.

## The proposed budget

12. At the time of consultation, Ministry of Justice officials had advised that the indicative 2020/21 allocation for the LSB was £3.868m based on the 2019/20 budget allocation with a percentage increase for inflation. However, officials recognised the wider considerations that the LSB has as a 100% levy funded body, being both independent of government and cost neutral to the department. Therefore, we submitted a proposal of £3.923m on this basis.
13. We have completed a major IT transformation programme and moved offices. These initiatives will result in either short term or longer-term savings, as will efficiencies identified in other parts of the organisation, but there are other drivers which will increase our costs, including inflationary pressure on both pay and non-pay costs. In short, costs are increasing to fund additional resource for work on statutory decisions, to conduct more research, improve business

management and invest in our communications functions in order to meet our ambition to play a stronger sector leadership role.

14. In parallel with the consultation, MoJ has been working with HMT on the implementation of IFRS 16, the new lease accounting standard. The public sector impact of IFRS 16 will be significant in respect of financial reporting, budgeting, planning and fiscal reporting, and that impact will be treated as a classification adjustment in the 2020/21 Main Estimate from HMT. The adjustment to the LSB's budget allocation has been agreed with the MoJ and submitted to HMT. The net result is a £9k increase in the 2020/21 operating budget to £3,932k which is to be recovered through the levy.
15. Overall stakeholders were supportive of the proposed budget increase and/or dissent was notable by omission. The Law Society advocated joined-up working with stakeholders and avoiding any research duplication, while the Bar Council stated the need to keep increases to a minimum. Only the Society of Licensed Conveyancers explicitly queried whether an increase was necessary. IPReg asked the LSB to improve transparency by providing more detail and analysis of how the budget spend will deliver the business plan, more information on what efficiency savings the LSB expects to deliver and analysis of how budget over- and under-spend impacts on the levy. They also suggested that the LSB publish three-year projections to provide more certainty over the levy for regulators.
16. A rigorous resource planning exercise was undertaken to establish headcount requirements to deliver the plan and to ensure that ongoing and anticipated work is fully resourced. While forecasting the resources required by LSB programmes presented a challenge, it proved essential in ensuring the proposed budget reflected the resources needed to meet our policy and strategic objectives and maximises efficiencies in the deployment of existing headcount resource.
17. Increased transparency on how resources are deployed on programmes and projects and more robust approach to budgeting overall should minimise the risk of budget overspends that have persisted in years prior. Transparency about our plans will also give stakeholders confidence and help them to plan their resources for engaging with us. Therefore, the final business plan will include an activity schedule on timings for all our projects where available and we will update the latest position on our website quarterly. A draft activity schedule is at **Annex C** and we will finalise this in light of the Board discussion.

### **Next steps**

18. Our next steps are to finalise and polish the draft documents so that final versions can be published on our website for the start of the new financial year.

## Annexes

**Annex A: Draft consultation response document**

**Annex B: Slide presentation of proposed final business plan and budget**

**Annex C: Draft quarterly activity schedule**

<b>Risks and mitigations</b>	
<b>Financial:</b>	<p>There is a risk that Ministers will not make a decision on the budget in time for the Board's March meeting. There is also a relatively small risk that Ministers may not approve the current budget proposal and seek reductions. If this risk materialises, it will be addressed through a combination of negotiation and budget rationalisation.</p> <p>The Executive has provided all of the information requested by the MoJ to assist with Minister's decision-making.</p>
<b>Legal:</b>	<p>There is a risk that MoJ will not formally delegate the budget to LSB in time for the Board's meeting on 26 March 2020 and the LSB will need to obtain 'authority to spend' from 1 April 2020. In respect of last year's 2019/20 budget, risk was mitigated by MOJ providing authority in early April 2019 with formal delegation following in June 2019.</p>
<b>Reputational:</b>	<p>Low risk - we have consulted widely with stakeholders and taken their views into account while developing our business plan. Proposals in the draft business plan were broadly supported.</p>
<b>Resource:</b>	<p>The proposed final business plan has been informed by a resource planning exercise for the proposed packages of work.</p>

<b>Freedom of Information Act 2000 (Fol)</b>		
<b>Para ref</b>	<b>Fol exemption and summary</b>	<b>Expires</b>
All annexes	S22 – intended for future publication (as soon as the documents are finalised)	N/A