



Legal Services Board

CONSULTATION ON

Draft Business Plan 2023/34

A response by
CILEx Regulation

27 January 2023

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EXECUTIVE SUMMARY

1. CILEx Regulation Limited (CRL) welcomes the Legal Services Board's (LSB) consultation, and the more detailed breakdown of the budget provided.
2. As the CRL has commented in responses to previous consultations, the LSB has consistently provided insufficient information about its budget, and about the cost and prioritisation of its different workstreams. We question why the LSB is proposing to increase the number of workstreams and grow its staff during a cost of living crisis. In particular in the context of this consultation we have doubts about the market surveillance and horizon scanning workstream, and the utility of the Public Panel.
3. CRL does not agree that the LSB should be seeking to increase its spend during a cost of living crisis, particularly since many regulators like CRL have already agreed their income through the PCF for the year in question. It asks the LSB to consider what steps it might take to provide earlier warning to regulators of proposed increases, especially when so significant.

RESPONSE TO CONSULTATION QUESTIONS

Q1 – Do you agree with our proposed workstreams for the 2023/24 business plan?

Subject to its comments about the continuing increase in LSB's budget, CRL agrees three of the proposed new workstreams (consumer vulnerability, review of the LSB's enforcement policy and evaluation of the Internal Governance Rules) appear reasonable. However, they also need to be considered in the context of the activities to which the LSB has already committed and which it has confirmed are continuing. We also note that in the event a new economic crime regulatory objective is introduced, there will be work associated in scoping the new objective and development of new rules and guidance.

It would be helpful to have more information about the scope, purpose and anticipated cost of the market surveillance and horizon scanning workstream (which also ties in with the research programme). In particular, CRL would be interested to understand how the LSB believes climate change is a discrete issue it should start to track. This is not to say climate change is not important: it is a matter of effective prioritisation. We would also encourage the LSB to work with others (eg large law firms) on market surveillance before commissioning any new research.

Q2 – Are there any areas missing from our proposed business plan 2023/24 that you consider should be included?

CRL has not identified any areas missing from the proposed business plan which it considers should be included.

Q3 – Do you have any comments on our proposed research programme?

Although the information provided is patchy, it appears that the combined research budget for the LSB and LSCP has been £232K for 2021/22, £250K for 2022/23 and £306K in 2023/24, increases respectively of 7% and 23%, or 32% for the period 2021/22 to 2023/24.

No indication of an increase in spending of this scale is provided in either the consultation paper or the draft business plan (nor apparently in the cover paper provided to the LSB Board), other than an assertion that a benchmarking exercise has been carried out to identify the likely costs of research next year 'in the context of inflation'. In the interests of transparency CRL would welcome confirmation of this increase and also further details explaining why such an increase is considered necessary at a time both regulators and law firms are facing huge cost of living pressures.

Q4 - Is there anything missing from our proposed research programme that you think we should focus on?

CRL has not identified any areas missing from the proposed business plan which it considers should be included.

Q5 – Do you agree with our proposed budget for 2023/24?

As in previous years there is insufficient information in the budget. There is no itemised comparison against prior years with explanations given about variances. The LSB is asked to provide a narrative for all variances in excess of 5% set out in its proposed budget compared to 2022/23 budget identified in the Table below as well as a comparison in similar format between budgeted and forecast spend for the current year. These are expectations which the LSB clearly has for regulatory bodies and so it is surprising that the LSB has not included them in either its draft Business Plan or consultation paper.

LSB Revenue Expenditure Budget		2022/23	2023/24	Variance	
				%	Value
LSB Full Time Equivalent		33.5	35.3	5.4	1.8
LSB Colleague costs	£000s	2,639	2,906	10	267
LSB Board costs	£000s	200	201	1	1
Consumer Panel	£000s	194	199	3	5
OLC	£000s	132	157	19	25
PAY BUDGET	£000s	3,165	3,463	9	298
LSB Research	£000s	194	232	20	38
Consumer Panel Research	£000s	55	74	35	19
Legal	£000s	47	52	11	5
Recruitment	£000s	40	55	38	15
Training and Development	£000s	61	68	11	7
Accommodation	£000s	147	144	(2)	(3)
External audit	£000s	28	30	7	2
Depreciation	£000s	213	199	(7)	(14)
Other non pay budgets	£000s	337	362	7	25
NON PAY BUDGET	£000s	1,122	1,216	8	94
TOTAL BUDGET	£000s	4,287	4,679	9	392

Bearing in mind the impact of the cost of living crisis on consumers and the lawyers and firms it regulates, CRL had agreed its budget for 2023 on the basis that the PCF Fee remains unchanged from 2022.

As CRL has argued in its recent responses, the LSB should not be seeking to increase its spend. The LSB asserts baldly its intention to increase its budget by 9.1% arguing that after inflation this equates to a decrease of 2.0%. It is noted that in her blog of 29 November 2022 the LSB Chair said in reporting on the discussions about the LeO budget that the Board explored 'what [LeO's] contingency plans were should the proposed uplift not be possible under the pay remit that will be issued by the Ministry of Justice next year'. CRL would go further than this and assert that neither LeO nor the LSB should wait until so directed by Ministry of Justice but should voluntarily and proactively reduce their budgets in a similar manner to that applied over the period 2011 to 2017 when there were substantive year on year budget reductions. The LSB could start by maintaining or reducing (not increasing) its current headcount and maintaining or reducing the research budget for the LSB and LSCP.

CRL believes that the LSB should aim incrementally to reduce its levy per authorised person year on year, rather than the current proposal to increase it by £2.11.

Q6 – Are there any other factors regarding the proposed budget for 2023/24 that you believe we should consider?

CRL has not identified any areas missing from the proposed business plan which it considers should be included.

There is a separate timing issue which affects the CRL, as well as other legal regulators. The LSB issues its draft Business Plan (and budget) too late for CRL to ensure that any variation in costs can be accounted for within year.

Q7 – Do you have any comments regarding equality issues which, in your view, may arise from our proposed business plan for 2023/24?

We have no comments.