



LEGAL SERVICES
BOARD

Legal Services Board Annual Report

Annual Report and Accounts
for the Year 2023/24

LEGAL SERVICES BOARD

Annual report and accounts 2023-2024

For the period 1 April 2023 to 31 March 2024

Presented to Parliament pursuant to Section 6 (4) of the Legal Services Act 2007 and Accounts presented to Parliament pursuant to Schedule 1, Paragraph 25 (5) of the Legal Services Act 2007

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Performance Report

Overview - Statement from the Chair

This report for 2023/24 describes the work that we completed and our impact in delivering the third year of our Reshaping Legal Services strategy. I was appointed Chair of the LSB from 1 April 2023, so this is the first full report under my leadership.

The LSB has maintained its commitment to leading the delivery of effective regulation of legal services for the public. We have a high-calibre, ambitious Board that is focused on delivering the regulatory objectives set out for the LSB and the regulators in the Legal Services Act. We have continued to attract new Board Members who bring a wide range of knowledge, skills, and diversity of thought. Kate Briscoe and Lizzie Peers were appointed as new lay members in June and October 2023 respectively, and barrister Clare Brown was also appointed as a new non-lay member of the Board in June. In December 2023, we welcomed Flora Page's reappointment as a non-lay member.

Non-Lay member Jemima Coleman stepped down from the Board at the end of May 2023, having served two terms and lay member Catharine Seddon stepped down in October 2023 following two terms of office. In addition, non-lay member Stephen Gowland resigned from the Board in October 2023. On behalf of the Board, I would like to thank them all for their considerable contribution.

Driving up standards through effective oversight

High-profile matters such as the Post Office scandal, the collapses of Axiom Ince and SSB Law, and the use of abusive litigation tactics remind us of the importance of consumer protection and high standards of professional ethics. These cases have brought into sharp focus the need for

effective regulation in the public interest, and that regulators must be able to protect people who need legal services. This is why we are focused on continuing improvement in regulation.

In February 2024 we published our first assessment of regulators' performance against our new framework. It covered October 2022-May 2023 and focused on regulators' performance against two of the framework's three standards. Our annual assessment identified several areas where the regulators had made progress. However, there was room for improvement, with several common themes that all needed to be addressed. Regulators need to demonstrate sufficient capacity and capability to deliver for consumers and the wider public and ensure they can identify and respond to emerging risks in a timely way. We expect all regulators to continue improving their performance, for the benefit of the profession, consumers and society. We will continue to monitor progress, taking action where necessary.

In April 2023, we published the report of our investigation into disputes and disagreements between the Chartered Institute of Legal Executives and CILEx Regulation Limited. The investigation, which started in October 2022, examined three areas: delegation of regulatory functions, a range of financial matters, and consultation. Over the last year, we have continued to monitor progress in fulfilling our recommendations.

In December 2023, we confirmed that we would be reviewing the events leading up to the Solicitors Regulator Authority (SRA) intervention into Axiom Ince. Our Board agreed that it was important for public and professional confidence that any learning could be identified independently and that any conclusions that may

be drawn are based on an impartial assessment of the facts.

Throughout the year, we continued considering applications for alterations to regulatory arrangements and practising certificate fee applications in line with our Practising Fee Rules.

Professional ethics, rule of law and regulation

In 2023/24, we engaged with stakeholders and collected evidence to understand the types of conduct that may lead legal professionals to breach their professional ethical duties.

We published our findings from a call for evidence on using and misusing non-disclosure agreements (NDAs), to which we received over 100 responses. We are grateful to everyone who responded and shared their stories, evidence and insights. We also published a literature review examining how the rule of law applies to legal professionals and how, in different contexts, sufficiently high standards of professional ethical conduct might not be upheld.

We joined the Government Taskforce on strategic lawsuits against public participation (SLAPPs) to identify non-legislative solutions to complement legislation. We are leading the Taskforce's workstream on legal services ethics.

We requested information from the regulators to help us better understand the prevalence of the types of conduct we identified and how the existing regulatory framework provides for such conduct, including prevention, supervision and enforcement. This will help inform what, if any, regulatory intervention we undertake.

Creating a diverse and inclusive profession

We want to dismantle barriers to a diverse and inclusive profession so that the sector better reflects the society it serves. We are committed to ensuring that regulation plays the fullest possible part in ensuring all legal professionals can thrive in their careers and fulfil their potential, regardless

of their background.

We continued to be active members of the Legal Regulators Equality Diversity and Inclusion (EDI) Forum and the Judicial Diversity Forum. We coordinated the cross-sector Judicial Diversity Forum (JDF) working group and supported the Forum to produce its annual action plan to improve judicial diversity.

Using research to understand what is and isn't working to tackle the daily barriers lawyers face continues to be a key focus. In May 2023, we published a qualitative study on the experiences of 30 legal professionals from underrepresented groups trying to get into, feel part of and succeed in the legal profession. The testimonies in the study give voice to ongoing evidence of inequality and inequity in the profession and suggest there may be features, traditions and practices particular to the legal services sector that may hamper efforts to create a more diverse and inclusive profession.

Supported by funding from the Ministry of Justice, we commissioned statistical research on behalf of the JDF into the diversity of the judicial talent pipeline and research into how a systems change approach could be used to identify and address structural barriers in the sector. As always, we will share the findings widely to support sector-wide efforts to improve diversity and inclusion.

In 2024/25, we intend to consult on proposals to maximise the role of regulation in removing barriers to a diverse and inclusive profession.

Technology and innovation for access

Technology has the transformative potential to open up access for people and small businesses currently excluded from the legal services market. In 2023/24, we continued our work to support the responsible use of technology to increase access to justice and foster innovation that designs services around consumer needs.

In June 2023, we published the findings and insights from our Use of Technology and

Innovation Survey, which we completed in 2022/23. The survey showed a step change in using innovation and technology to develop and deliver legal services. Law firms overwhelmingly said that the Covid-19 pandemic and its associated restrictions have increased their trust in and use of technology.

We developed and consulted on new statutory guidance which sets outcomes for regulators on promoting the use of technology and innovation to improve access to legal services this was published in April 2024.

We also engaged with the government on its proposals for implementing a pro-innovation approach to regulating artificial intelligence.

Review of first-tier complaints

In 2023/24, we continued our work to create a culture of continuous feedback and learning in legal services. We want to ensure that when consumers complain to a legal services provider about a service they have received, they are listened to, and their feedback is used to make improvements. A fair, efficient and effective redress system ensures access to justice and safeguarding the public interest.

To support our aims, we consulted on proposals for revised requirements and guidance and a new policy statement for regulators on first-tier complaints. In May 2024 we published our post consultation report and the revised requirements, guidance and policy statement. In addition, we established a 'first tier complaints coalition', which includes senior leaders from approved regulators, regulatory bodies, the Legal Ombudsman, associations for legal professionals and consumer interest organisations. This group will collaborate to ensure leadership, culture, and training foster the right environment in the sector for excellence in first-tier complaint handling.

Individual Legal Needs Survey

In 2023/24, we conducted another wave of the Individual Legal Needs Survey in partnership with the Law Society. For the second time, we applied the OECD framework to identify and estimate overall levels of unmet legal needs.

This wave included extra responses to provide disaggregated data for Wales, plus 500 telephone responses from people who rarely or never use the internet. The summary report was published in April 2024, with individual topic reports following during the year.

Access to justice

Too many people fail to access the legal services they want and need. In 2023/24, we began our work to identify how regulation can improve access to justice for low-income people and individuals in vulnerable situations, using the range of available regulatory levers.

In collaboration with the Legal Services Consumer Panel, we commissioned research to identify what actions regulators can take to improve access to justice, including drawing on experiences from other jurisdictions. We also commissioned a literature review to better understand the nature and scale of litigation funding in England and Wales and its impacts on access to justice.

Enabling the LSB to deliver

We have continued to ensure that we have the right people and resources in places to support delivery of our ambitious work. We have maintained our focus on value for money, ensuring we deliver an effective and efficient service for levy payers and the public. We were reaccredited for "Cyber Essentials Plus" to protect our organisation against common cyber security threats.

Matthew Hill stepped down as Chief Executive of the LSB at the start of April 2024. The Board and I are grateful to Matthew for his exceptional leadership, and along with LSB colleagues, we thank him for his focus and commitment. Matthew has played a key role in developing our vision, strategy and reputation as an independent consumer-focused regulator committed to ensuring people who need legal services are empowered to access them. He leaves the LSB on a firm footing to continue delivering effective regulation for the public, the profession and society.

To ensure a seamless transition and maintain continuity of our operations, Richard Orpin, Director, Regulation & Policy and Danielle Viall, General Counsel will share the role as Interim CEO, with Holly Perry, Director, Enabling Services assuming the role as Accounting Officer. We are also pleased to announce that Craig Westwood has been appointed as the new CEO and will officially begin in August 2024. We are confident that this interim arrangement, coupled with the leadership of our incoming CEO, will guide us through this period of transition.

Recognising that we will achieve our vision for the sector only through collaboration, we have continued actively and broadly engaging with the sector through our communications and stakeholder engagement. I have had the pleasure of meeting stakeholders at LSB events across England and Wales.

Our Reshaping Legal Services conference in March 2024 brought together people from across the sector, including regulators, legal professionals, charities, the third sector, government representatives from England and Wales, the judiciary, students and academics. Members of the public also joined us. Thank you to everyone who attended. It was an opportunity to hear from consumers and people who needed

legal services, consider insights from research, and share ideas to create legal services that work better for society.

I am grateful to everyone who has worked with us over the last year to deliver our shared vision. I look forward to continuing to engage broadly over the coming year to ensure regulation delivers fairer outcomes, stronger confidence and better services.

Alan Kershaw
Chair
8 July 2024

Overview of our sector-wide strategy, Regulatory objectives and behaviours in 2023/24

Sector-wide strategy: Reshaping legal services to better meet society's needs

Fairer outcomes

- Challenge (C1): Lowering unmet legal need across large parts of society
- Challenge (C2): Achieving fairer outcomes for people experiencing greater disadvantage
- Challenge (C3): Dismantling barriers to a diverse and inclusive profession at all levels

Stronger confidence

- Challenge (C4): Ensuring high quality legal services and strong professional ethics
- Challenge (C5): Closing gaps in consumer protection
- Challenge (C6): Reforming the justice system and redrawing the regulatory landscape

Better services

- Challenge (C7): Empowering consumers to obtain high quality and affordable services
- Challenge (C8): Fostering innovation that designs services around consumer needs
- Challenge (C9): Supporting responsible use of technology that commands public trust

Regulatory objectives

RO1 – Protecting and promoting the public interest	RO2 – Supporting the constitutional principle of the rule of law	RO3 – Improving access to justice	RO4 – Protecting and promoting the interests of consumers	RO5 – Promoting competition in the provision of services
RO6 – Encouraging an independent, strong, diverse and effective legal profession	RO7 – Increasing public understanding of the citizen’s legal rights and duties	RO8 – Promoting and maintaining adherence to the professional principles	RO9 - Promoting the prevention and detection of economic crime	

Discharging our statutory functions

Regulatory performance and reviews
Oversight of the Office for Legal Complaints
Oversight of the Solicitors Disciplinary Tribunal

Behaviours

Lead	Innovate	Transform	Communicate
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Statement of the purpose and activities of the LSB

Our purpose

The LSB oversees the regulation of legal services in England and Wales. We are independent of both government and the legal profession. We monitor the performance of the approved legal regulators for the different branches of the profession to ensure they meet expected standards. When those standards are not met, we expect regulators to provide us with the necessary assurance and to address any concerns about their performance. We may also seek assurance ourselves by undertaking a targeted or thematic review of a regulator's performance. In the most serious cases, we may take formal enforcement action.

We put the public, who benefit from legal services, and the people who use or need those services at the heart of what we do. We promote the public interest by ensuring independent, effective, proportionate regulation.

Our strategy is focused on ensuring that regulation effectively enables legal services to work better for society. We contribute to this by:

- deploying regulatory incentives and levers that accelerate change and;
- using our convening role to shape public debate and foster collaboration.

The Legal Services Act 2007 (the Act) established the LSB on 1 January 2009 and we took on most of our statutory powers and duties on 1 January 2010. We are publicly funded, although our costs are recovered from a statutory levy on the approved legal regulators. They in turn derive their funding from fees paid by the legal profession. Our funding mechanism helps preserve our independence from the legal profession. By way of illustration, if averaged across all those authorised to undertake reserved activities, our levy in 2023/24 corresponded to

£24.20 per person (2022/23 £22.80). The average for the previous three years (2021/22 to 2023/24) was £23.05, down from over £34 at its peak in 2009/10.

The regulated community

Details of the approved regulators, who they regulate, for which reserved legal activities, and whether they are also licensing authorities, are available on our website.

We also have responsibilities in relation to the Office for Legal Complaints (OLC). The Legal Ombudsman scheme resolves complaints about lawyers. Our relationship with the OLC is set out in the Act and is guided by a Memorandum of Understanding and a three-way operating protocol with the OLC and the Ministry of Justice (MoJ). We approve the OLC's annual budget, can set or agree performance targets, and appoint its Chair and Board.

The Act also provides us with some powers in relation to the Solicitors Disciplinary Tribunal (SDT) and requires it to obtain the LSB's approval of its annual budget and for changes that it wishes to make to its rules.

Our regulatory responsibilities

The regulatory objectives (RO) are set out in the Act (see page 10). We share these objectives with the approved regulators and the OLC.

The ROs include promoting and maintaining adherence to the professional principles, which are:

- acting with independence and integrity;
- maintaining proper standards of work;
- acting in the best interests of clients;
- complying with practitioners' duty to the Court to act with independence in the interests of justice; and
- keeping clients' affairs confidential.

In addition, the better regulation principles contained within the Act stipulate that in all our activities we must aim to be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed.

The expectations that guide our regulatory oversight are based on evidence and intelligence about the state of the market (including consumers' experience of legal services), as well as the theory and practice of better regulation.

When holding regulators to account, we have a wide range of formal and informal tools available to us.

Ultimately, the primary responsibility for devising, developing and implementing regulation that guarantees public trust and confidence in the legal profession in England and Wales rests with the regulators. Our role is to make sure the regulators meet this responsibility to ensure promotion of the regulatory objectives.

Our oversight of the regulators is designed to ensure that they have the competence, capability and capacity to promote the regulatory objectives, always in the interests of the public and free from undue influence of the professions.

We have responsibilities in relation to:

- statutory approvals – we consider a range of applications from both existing regulators (including applications to become a licensing authority, changes to regulatory arrangements and extension of scope) and those seeking to become an approved regulator
- oversight – we monitor regulators' compliance with regulatory requirements; oversee aspects of the performance of the OLC including approving its annual budget and business plan; and perform some specific duties in relation to the Solicitors Disciplinary Tribunal (SDT). We also examine the wider marketplace to identify trends, gaps in regulation, competition issues and how both our own rules and those of regulators are working in practice
- enforcement – we ensure that regulators and licensing authorities perform their duties in a way that meets the regulatory objectives and, where necessary, exercise the powers at our disposal to ensure that this happens. These include the power to set performance targets, give directions, publicly censure a body, impose a financial penalty, intervene in the running of a regulatory authority in relation to any of its regulatory functions and ultimately recommend cancellation of a body's designation as regulatory authority
- standards – we have a duty to assist in the maintenance and development of standards of regulation by approved regulators and in the education and training of persons carrying out reserved legal activities
- scope of regulation – we have powers to make recommendations to the Lord Chancellor on the designation of new activities as reserved and the removal of existing designations.

The Act also contains provisions for the LSB to be a licensing authority 'of last resort' if there is no existing licensing authority with licensing rules suitable for licensing a particular type of Alternative Business Structure (ABS), but these have not been activated.

Key issues and risks

During 2023/24, the LSB maintained its active management of risks in line with our risk management strategy. The following four risks were a particular focus:

- Regulators lack capacity and/or capability to deliver against our expectations
- Board turnover in 2024 has a destabilising effect
- Poorer consumer outcomes and low confidence in the legal services sector owing to lack of diversity in the profession
- Public confidence in legal services regulation being undermined because consumers continue to be underserved by the Legal Ombudsman

These risks are discussed in more detail in the Performance analysis section on page 30.

Performance summary

The Business Plan (the Plan) for 2023/24¹ is the third year of our sector-wide strategy.² The Plan set out an ambitious programme of work, including longer-term projects designed to reshape legal services.

As of 31 March 2024, alongside fulfilling its in-year obligations to make statutory decisions on matters emerging from the regulators, the OLC and the SDT, the LSB had delivered most of the work set out in its Plan. There are some elements of work that will be carried over into 2024/25, including workstreams in our business plan for 2024/25.

Financial performance

Our levy income this year, including prior year deferred income, was £4.679m and our actual outturn was £4.659m, resulting in an underspend of £20k. Significant underspends which for many years were a regular feature have been eradicated as a result of the introduction of robust, integrated processes of budgeting, forecasting and in-year management accounting.

This year saw additional income streams from collaboration with third parties on research projects and this has generated additional income of £109k to increase our surplus to £129k. This surplus is held on the Balance Sheet as Deferred Income and will be returned to Approved Regulators through a rebate on the levy in 2024/25.

The average levy of £24.20 per authorised person is calculated based on £4.647m billed to approved regulators in 2023/24, up from £4.237m in 2022/23. Since any underspend that the LSB achieves in one year reduces the amount it needs to collect through the levy in the subsequent year, the fall in the budget underspend to £32k in 2022/23 from £51k in 2021/22 means the average levy per authorised person has increased by £1.40p for 2023/24 (69p increase for 2022/23).

	2023/24	2022/23
	£'000	£'000
Budget	4,679	4,287
Income received	4,788	4,292
Expenditure	4,659	4,260
Deferred income	129	32

¹ <https://legalservicesboard.org.uk/wp-content/uploads/2023/04/Final-Business-Plan-2023-2024.pdf>

² https://legalservicesboard.org.uk/wp-content/uploads/2021/03/Strategy_FINAL-For-Web2.pdf

Going concern basis

Whilst the Act remains in place, the LSB is required to fulfil its functions. To fund our activities, the Lord Chancellor has agreed that a levy of £5.271 m for 2024/25 (not including the prior year rebate) may be raised from the approved regulators to fund our budget.

The financial statements have therefore been prepared on a going concern basis.

Performance Analysis

Demonstrating performance at the LSB

The LSB demonstrates its performance in several ways, including performance against the Plan, meeting statutory deadlines, performance against budget and fulfilling statutory requirements such as responding to Freedom of Information Act (FOIA) and Data Protection Act requests.

Performance against the Plan

One of our key measures is how we perform in delivering our Plan. 2023/24 was the third year of the period covered by our 10 year strategy. We aim to ensure regulation plays the fullest role possible in reshaping legal services to better meet society's needs. Our work is organised around the three strategic themes and nine key challenges (see page 10).

The Plan is underpinned by the regulatory objectives. We balanced these competing and complementary objectives on a case-by-case basis, informed by the circumstances of the issue being addressed.

Throughout the year, we track our performance against the Plan through several mechanisms.

Project teams report monthly to the LSB's Programme Board where progress, risks and issues are assessed. The Programme Board report is reviewed by the Senior Leadership Team (SLT) monthly and we prepare quarterly performance reports, which are reviewed by the Board, submitted to our sponsor department, the MoJ, and published on our website.

We review the impact that our work and the Act's reforms more broadly are having on the legal services market through our market evaluation programme. In particular, in November 2020, we published our State of Legal Services 2020

report a major study which reviewed progress over ten years of legal services regulation. The report was underpinned by a long-running research programme which looks at how the legal services market is changing. Twice a year, we publish a data digest outlining progress against the nine challenges in the sector-wide strategy.

This programme of research will continue as we build towards the 2025 edition of the State of Legal Services report.³

A detailed breakdown of work carried out in 2023/24 is set out in the following pages.

³ Our last State of Legal Services report was published in November 2020 and can be found on our website. <https://legalservicesboard.org.uk/state-of-legal-services-report-2020>

Policy and research projects 2023/24

In 2023/24, we were engaged in the following work to reshape legal services				
Equality, diversity, and inclusion (EDI)				<p>Through engagement, convening and evidence building, we continued our work to encourage a diverse workforce in the legal profession in 2023/24.</p> <p>We remain active contributors to key sectoral engagement fora, including the Legal Regulators EDI Forum and the Judicial Diversity Forum (JDF). We continued to convene a cross-sector JDF working group and to support the Forum with compiling its annual action plan to improve judicial diversity.</p> <p>Supported by funding from the Ministry of Justice, we commissioned statistical research into the diversity of the judicial talent pipeline on behalf of the JDF.</p> <p>We also commissioned research into how a systems change approach could be used to identify and address structural barriers in the sector. We expect to publish these findings by summer 2024.</p> <p>We will use this research to support the development of a statement of policy on EDI in 2024/25 to replace our current guidance and to provide regulators with clearer expectations to improve progress.</p>
C3				
RO1	RO3	RO4	RO6	
RO8				
This column outlines the challenges and regulatory objectives each project relates to – see page 10 for full description.				
Disciplinary and enforcement processes				<p>In 2023/24 we wrote to regulators seeking information on the existing information gathering and fining powers that regulators have available to them. We are taking account of this information, as well as information gathered through our desk research and engagement with regulators, as we identify the principles that underpin effective disciplinary and enforcement processes and procedures.</p> <p>In 2024/25 we will consult on the principles that underpin effective processes and procedures. We will also consider whether further work is required, such as a targeted or thematic review.</p>
C1	C2	C3	C4	
C6	C7			
RO3	RO4	RO5	RO7	

In 2023/24, we were engaged in the following work to reshape legal services

Technology and innovation

C8

C9

RO3

RO4

RO5

RO6

In 2023/24, we continued our work to support the responsible use of technology to increase access to justice and foster innovation that designs services around consumer needs.

We developed and consulted on new statutory guidance; which set outcomes for regulators related to promoting the use of technology and innovation to improve access to legal services. The guidance was published in April 2024.

We carried out work to determine feasibility and support the development of a tool that achieves the functionality of a 'single digital register' of regulated providers, as recommended by the CMA, which is being taken forward by the regulators.

We engaged with government on its proposals for implementing a pro-innovation approach to regulating AI.

We supported LawtechUK through our membership of the Regulatory Response Unit (RRU); including participating in the Regulatory Pathfinding programme, whereby innovators submit queries to the RRU for regulatory support.

Technology and innovation survey

C1

C2

C3

C4

C5

C7

C8

RO1

RO2

RO4

RO6

In June 2023 we published the findings and insights from our Use of Technology and Innovation Survey which we completed in 2022/23.

Financial and protection arrangements

C5

C6

RO3

RO4

RO5

RO7

In 2023 we continued our work to review the financial protection arrangements for consumers. In September 2023, we published joint research commissioned with the Solicitors Regulation Authority. This was econometric analysis of professional indemnity insurance costs for legal service providers. It investigated the factors that drive variation in insurance premiums, the significance of insurance premiums on the cost of services to consumers. As well as the potential regulatory responses to alleviate concerns about worsening outcomes for consumers and providers.

Drawing on this research and previous work we have drafted regulatory options for regulators to consider for further development.

Market Surveillance				In 2023/24 we recruited for a Head of Strategy and Research, whose responsibilities include leading the development of our market surveillance and horizon scanning functions, prior to starting recruitment of a horizon scanning lead to progress this work. We started to engage with the legal services regulators about how we can build on their own horizon scanning and market surveillance activities. We have also amended our approach to analysing trends, with more of a spotlight on thematic issues emerging from news articles. This is routinely shared with Board members ahead of their meetings.
C1	C2	C3	C4	
C5	C6	C7	C8	
C9				
RO1	RO2	RO3	RO4	
RO5	RO6	RO7	RO8	
RO9				
Review of first tier complaints				In 2023/24 we continued our work to improve first tier complaints handling. We consulted on proposals for revised Requirements and Guidance and a new Policy Statement for regulators on first tier complaints. We convened a ‘first tier complaints coalition’, which includes senior leadership from approved regulators, regulatory bodies, the Legal Ombudsman, associations for legal professionals and consumer interest organisations. This group has a particular focus on how leadership, culture and training can foster the right environment in the sector for excellence in first tier complaint handling.
C1				
RO1	RO3	RO4	RO*	
				Our 2023/24 business plan set out proposals to evaluate the LSB's education and training guidance to ensure that legal education and training is focused on fostering the professionalism, competence and ethical practice that is essential to public confidence and reflects our expectations on ongoing competence. This project is now due to commence during business plan year 2024/25. It was reprioritised so that we can consider the implications of our ongoing work (e.g. the professional ethics and EDI work programmes) on the education and training needs of legal professionals.
Review of LSB education and training guidance				
C3	C4	C6		
RO1	RO2	RO4	RO5	
RO6	RO8			

In 2023/24, we were engaged in the following work to reshape legal services

Access to justice

RO1	RO2	RO4	RO5
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RO6	RO8		
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In 2023/24, we began our work to identify how regulation can support improving access to justice for low-income and individuals in vulnerable situations, using the range of regulatory levers we have available.

We commissioned research, in collaboration with the Legal Services Consumer Panel (LSCP), to identify what actions regulators can be taking to improve access to justice, including drawing on experiences from other jurisdictions. We also commissioned a literature review to better understand the nature and scale of litigation funding in England and Wales and its impacts on access to justice.

Individual legal needs survey

C5	C6		
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RO3	RO4	RO5	RO7
-----	-----	-----	-----

In 2023/24 we conducted another wave of the Individual Legal Needs Survey in partnership with the Law Society. Applying for the second time the OECD framework for identifying legal needs and estimating overall levels of unmet legal needs. This wave includes extra responses to provide disaggregated data for Wales plus 500 telephone responses from people who rarely or don't use the internet. The summary report was published in April 2024 with individual topic reports following during the year.

Consumer vulnerability

C2	C4		
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RO1	RO2	RO3	RO4
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Our 2023-24 business plan set out proposals to make the case for a strategic approach to consumer vulnerability. This workstream aims to build our understanding of both regulators and providers' current arrangements to support consumers in vulnerable circumstances.

This project is now due to commence during business plan year 2024-25. It was reprioritised so that we can consider the implications of our ongoing work (e.g. access to justice) on consumer vulnerability.

Professional ethics, rule of law and regulation

C4			
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RO3	RO4	RO5	
-----	-----	-----	--

In 2023/24 we engaged with stakeholders and carried out evidence gathering to understand the types of conduct that may lead legal professionals to breach their professional ethical duties. This has included considering high-profile matters such as the misuse of non-disclosure agreements (NDAs), strategic lawsuits against public participation (SLAPPs) and the role of inhouse lawyers in light of the ongoing Post Office Horizon IT Inquiry.

We published our findings from a call for evidence on the misuse of NDAs, to which we received over 100 responses. We also published a literature review examining how the rule of law applies to legal professionals and how they might fail to uphold sufficiently high standards of professional ethical conduct in practice in different contexts.

We joined the Government Taskforce on SLAPPs to identify non-legislative solutions to SLAPPs to complement legislation. We are leading the Taskforce's workstream on legal services ethics.

We made an information request to the regulators to help us better understand the prevalence of the types of conduct we identified, and how the existing regulatory framework provides for such conduct, including prevention, supervision and enforcement. Data from this will be analysed in 2024/25, to inform our consideration of regulatory intervention.

We have added a risk to our corporate risk register this year to reflect the fact that breaches of professional ethical duties and poor ethical conduct risk weakening public trust in legal services.

Discharging our oversight role

In 2023/24, we were engaged in the following work to discharge our oversight role

Regulatory performance				We assess regulators against a set of standards to ensure consumers can rely on them to provide good quality regulation. In February 2024, we published our first assessment of regulators’ performance against our new performance framework. Our assessment covered the period October 2022-May 2023 and focused on regulators’ performance against two of our framework’s three standards. We found regulators’ overall performance had improved, but only two provided us with sufficient assurance against both standards we assessed, while the other six provided partial assurance for one or both. Overall areas for improvement include a need for regulators to provide greater transparency, for their regulatory activities to reflect their policy aims and to ensure that they have effective approaches to managing risk. Our next assessment will start in 2024 and will cover regulators’ performance against all three of our performance framework’s standards.
C4	C5	C7		
RO1	RO4	RO8		

Strategy development

In 2023/24, we were engaged in the following work to support our strategy

Curating the strategy				<p>In 2023/24 we continued engaging with a broad range of stakeholders to collaborate and deliver on the 10-year Reshaping Legal Services Strategy. We held engagement events in the East Midlands and Wales to discuss the challenges and opportunities facing the legal services sector in those regions, and how we could work together to improve legal services for consumers. We continued to populate the Reshaping Legal Services microsite, a platform for regulators and other stakeholders to demonstrate how their work contributes to meeting the nine challenges in the strategy.</p> <p>We also convened our second annual conference in March 2024, which brought together those with a role in reshaping legal services, promoted sector collaboration and highlighted various actions for the sector to take forward, including restoring trust and improving ethical standards in legal services, using consumer segmentation research to improve consumer outcomes, and ensuring regulation supports the development of AI in legal services to benefit consumers and the public.</p>
C1	C2	C3	C4	
C5	C6	C7	C8	
C9				
RO1	RO2	RO3	RO4	
RO5	RO6	RO7	RO8	

Enabling our business

In 2023/24, we were engaged in the following work to enable our strategy	
Value for money	<p>We signed a one year lease extension contract to remain at the Rookery for a sixth year to September 2025. One of the benefits to this lease extension is that we have not incurred the costs from an office move that were originally forecasted for 2024/25 which means we have been able to reduce our depreciation costs in our 2024/25 Budget.</p> <p>During 2023/24, we have been innovative and collaborative and have entered into partnerships with third parties such as The Law Society and the MoJ to jointly fund research. This demonstrates how we can work together with partners, avoid duplication of work and achieve economies of scale. The tangible benefit from these partnerships is that we have generated additional income in excess of £100k in 2023/24. This additional income will be returned to the Approved Regulators in 2024/25 through a rebate on the levy so materially reducing the overall increase of the levy next year.</p>
Information Technology	<p>During 2023/24, we continued to engage with cyber consultants from the Government Security Centre for Cyber on a project to ensure that the LSB is fully signed up to various cyber security functionality available through the National Cyber Security Centre's Active Cyber Defence services.</p> <p>This project has seen the following achievements in 2023/24:</p> <ul style="list-style-type: none">■ enabled Early Warning functionality to all three LSB website domains to receive notifications of malicious activity so attacks on the network can be investigated quickly■ rolled out Protective Domain Name Services (PDNS) protection across LSB laptops to block malware and stop access to malicious sites■ deployed email security controls to all our domains to ensure all our entities are protecting from spoofing and all email is secure in transit. <p>All of the above, combined with the work carried out in 2022/23, means a cyber attack against LSB would require more sophisticated capability, and the risk of this occurring is reduced.</p>

In 2023/24, we were engaged in the following work to enable our strategy**Human resources**

In 2023/24, we conducted our biennial colleague engagement survey. We have continued to maintain high scores in most areas. In ten areas we improved our score by 10 points or more. Following the survey, we created an action plan to maintain our high scores and improve the small number of areas where our scores decreased.

We carry out regular pulse surveys to assess colleague engagement and their commitment to the LSB. We plan to continue the surveys in 2024/25. See page 50 for more information on our staff policies, equality and colleague involvement.

Communications and engagement

Our communications and engagement activity have continued to enable the delivery of our strategy. We have engaged broadly across the sector to deliver our mission. In March 2024, we delivered the Reshaping Legal Services annual conference jointly with the Legal Services Consumer Panel. The aims of the conference were to:

- maintain momentum in the sector-wide mission to deliver the ambitions set out in the Reshaping Legal Services strategy
- promote collaboration and leadership and positive examples of good practice to encourage others to play their part in tackling the sector's challenges.

The conference brought a range of people from across the sector together to collaborate. Themes included professional ethics and rule of law, consumer-focused regulation, and exploring the future of lawyering. We attracted a wide range of people, including regulators (legal and non-legal), legal services providers, representative bodies, EDI groups, the UK and Welsh Government, the judiciary, legal education and training providers and students.

Performance against statutory performance targets

Under the Act, the LSB must approve alterations to regulatory arrangements before they come into effect. The Act prescribes an initial 28 day period for making a decision that can be extended by the LSB by up to 90 days via an extension notice or by a further year if the LSB is considering refusing an application and issues a warning notice. The LSB also has the power to exempt certain general or specific alterations from the approval process by issuing an exemption direction.

Under the Act, the LSB may recommend to the Lord Chancellor that an applicant body should be designated an approved regulator or licensing authority or recommend an extension to an approved regulator's scope of regulation.

In addition, we have a statutory responsibility to assess and, where appropriate, approve the practicing certificate fee application of each regulator and to approve the annual budget of the OLC and SDT.

Some of these activities have statutory performance deadlines set out in the Act and in addition, we have developed our own targets.

We continually monitor performance against these deadlines and targets and record both in the monthly programme highlight report and the quarterly performance report. The breakdown of our performance in 2023/24 is shown below. These figures are derived from records that the LSB maintains about processing of applications.

Activity	2019/20	2020/21	2021/22	2022/23	2023/24
Decisions on applications to alter regulatory arrangements:					
■ Total decisions made	14	11	17	18*	9
■ Decisions made in the initial decision period of 28 calendar days	7	5	10	8	2
■ Decisions made within an extended decision period of 90 calendar days	7	6	6	7	7
■ Average decision time (calendar days)	52 days	53 days	41 days	43 days	62 days
Exemption directions issued	13	17	14	6	2
Publication within target of two working days (internal target):					
■ applications to alter regulatory arrangements	100% (13/13)	89% (16/18)	87% (13/15)	100% (18/18*)	100% (8/8)
■ decisions	93% (14/15)	100% (11/11)	100% (17/17)	100% (15/15)	100% (9/9)
Publication of advice from mandatory consultees, written representation from applicants, and oral representations	None received	None received	None received	None received	None received
Recommendations to the Lord Chancellor	-	-	-	1	-

*The 2022/23 report initially recorded 15 applications, but this number was revised to 18 after receiving 3 additional applications in March

In 2023/24, we received 8 new applications (compared with 18 in 2022/23) concerning a range of regulatory arrangements. This represents a 50% drop in the volume of applications from most regulatory bodies. This has been the lowest number of annual applications since 2019/20. The number of applications we receive is entirely dependent on the number of changes regulators make to their regulatory arrangements. Volumes can be impacted by single issues, such as a requirement for more consumer transparency or increased cyber security which may require many of the regulatory bodies to amend their regulatory arrangements within a similar time period. There has been no such single issue driving applications in 2023/24 which may account for lower volumes.

There was also a reduction in both, decisions compared to previous years with 9 decisions issued in 2023/24 compared to 15 decisions in 2022/23 and, exemption directions issued (2 in 2023/24 compared with 6 in 2022/23). We started the business year with 3 applications carried over from 2022/23 and had a total of 2 applications outstanding at the start of 2024/25. The number of extension notices required is similar to 2022/23 although the average time taken per decision this year was significantly higher increasing from 43 days to 62 days. This increase is due to 3 applications requiring more than 85 days to complete the assessments compared to 1 application in 2022/23. Applications take longer to complete for a variety of reasons which may include; when more information is required, when changes are made to the scope of the application during the process or when the application contains complex legal issues.

All applications and decisions were published within our target of two working days.

Performance against budget

The financial performance measure for the LSB is to keep within its annual budget. In doing so, we aim to secure budget efficiencies wherever possible.

The comparative performance against budget is shown below:

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Budget	3,798	3,923	4,098	4,287	4,679
Income received	3,798	3,923	4,104	4,292	4,788
Expenditure	3,796	3,979	4,032	4,260	4,659
PAYE Provision movement	-	74	(21)	-	-
Expenditure excluding PAYE movement	3,796	3,905	4,053	4,260	4,659
Surplus	2	18	51	32	129

The LSB is financed by a levy on the approved regulators. This is in accordance with the Act, which stipulates that our costs should be recouped by means of a levy to be collected from approved regulators on behalf of HM Treasury.

The Legal Services Act 2007 (Levy) (No.2) Rules 2010 as amended in 2014 enable the LSB to request funds from the approved regulators each year equal to its estimated net expenditure.

Income and expenditure are accounted for on an accruals basis. The levy amount billed to approved regulators in 2023/24 was £4.647m (£4.237m in 2022/23). The amount of funds released from deferred income was £32k (£51k released from deferred income in 2022/23). Any underspend that takes place in one year reduces the amount it needs to collect through the levy in the subsequent year.

We recognise funds received as 'application fees', as defined in the Act at s175(2), for designation and licensing authority applications. Fees received are initially treated as 'deferred income' and released to the Statement of Comprehensive Net Expenditure in accordance with the value of work undertaken. These fees reduce the levy payable by all approved regulators. In 2023/24 LSB entered into 2 joint partnerships with third parties to undertake research. This generated additional income for LSB of £109k.

Payment of creditors

We are committed to paying all supplier invoices by the due date or within 30 days of receipt if no due date has been agreed. In line with guidance issued by the Ministry of Justice and the Cabinet Office, we aim to pay all authorised invoices that are not under dispute within 10 working days from receipt. Throughout 2023/24, 100% of these invoices were paid within 10 working days (2022/23: 100%). 100% of invoices were paid within 30 calendar days (2022/23 100%).

Collection of debt

For the levy relating to 2023/24, £4.647m (100%) was collected within 30 calendar days (2022/23 £4.225m, 100%). The average time to pay was 16 calendar days (2022/23 19 calendar days).

Performance against other measures

Alternative business structures (ABS)

The Act (Section 110(1)) also requires the Board's Annual Report to deal with how, in the Board's opinion, the activities of licensing authorities and ABS have affected the regulatory objectives.

Our view remains that the introduction of ABS continues to have a direct and positive impact, in particular, on the regulatory objectives of protecting and promoting the interests of consumers, promoting competition in legal services and encouraging an independent, strong, diverse and effective legal profession. Their value has been to provide a structure for firms wishing to provide services differently to address legal needs. This view is supported by our recent Technology and Innovation survey of legal service providers in England and Wales, where we found, for example, that ABS firms are over twice as likely to have innovated within the last three years compared to traditional firm structures, are more driven by factors such as increasing service quality when considering innovation, and are more likely to report that such innovation allowed them to be more responsive to the needs of clients.

Overall numbers have continued to grow over the last five years, from 1,075 licenses issued in total at the end of 2017/18 to 1,625 at the end of 2023/24. We also have evidence of a wider variety of business models in the market than prior to the emergence of ABS. As at the end of 2023/24, there has been a total of 1,352 ABS licensed issued by the Solicitors Regulation Authority, 127 by the Institute of Chartered Accountants in England and Wales, 78 by the Council for Licensed Conveyancers, 55 by Intellectual

Property Regulation Board and 13 by the Bar Standards Board.

Freedom of Information Act (FOIA)

The LSB is a public authority for the purposes of the FOIA, and compliance with our obligations includes routinely making information available through our Publication Scheme and responding to requests within the statutory timeframes

All requests made under the FOIA must be responded to within 20 working days of receipt. In 2023/24, we received 36 requests, and on average these were responded to within 7.4 days.

Data

As a data controller under the Data Protection Act 2018, the LSB is required to respond to any subject access requests within 30 calendar days. Three subject access requests were received in 2023/24.

We continued our work during 2023/24 to ensure the LSB continued to comply with the General Data Protection Regulations (GDPR).

Environment, social and community issues

The LSB is not required to produce a sustainability report⁴ but we are committed to working with the landlord of our premises to take account of the impact of our activities on the environment. Over the last five years our landlord has made several improvements to the energy efficiency of fixtures and fittings in the building and is intending to set up a green committee to generate ideas for future sustainability.

Within the constraints of business needs, we allow colleagues flexibility with working patterns to enable them to undertake public service or other related duties as required. We will continue to be sensitive to the differing needs of different parts of the community. Further details on our staff policies and approach to colleague engagement, equality, diversity and inclusion is on page 50.

During the course of the year, our colleagues supported the London Legal Support Trust by participating in the London Legal Walk, Big Half the Great Legal Bake and quiz. A total of £1,133.75 was raised this year.

⁴ The LSB is exempt from producing a sustainability report under the Greening Government Commitments because it is an arm's length body occupying less than 500m² and has fewer than 50 FTE staff.

Key Risks

During 2023/24, the LSB maintained its active management of risks in line with the organisation's risk management strategy (see page 40). The following four risks were of particular concern to our performance.

Risk movement during 2022/23 key

- ↑ Risk has Increased this year
- Risk has remained the same
- ↓ Risk has decreased this year

1. Regulators lack capacity and/or capability to deliver against our expectations ↓

What is the risk?

There is a risk that regulators do not demonstrably focus their work on promoting the regulatory objectives, give inadequate focus or weight to the interests of consumers or the public and or do not have enough resources/capacity to deliver what is required.

What is the impact?

Regulation is not focused on the public interest and fails to protect consumers effectively.
Regulators fail to spot changing societal and legal challenges and are slow to consider regulatory action where it is appropriate.

How is this risk monitored and mitigated?

A new Regulatory Performance Framework is in place and regulators were considered against it for the first time in 2023. Following a presentation to the LSB Board of the results, a follow-up Board discussion is planned for Summer 2024.

Rules and guidance are in place for assessing applications to change regulatory arrangements, which strengthen our ability to hold regulators to account and link up better with our other regulatory tools.

Work continues on regulators' disciplinary processes, and will include an in-depth review of some regulators.

This risk continues to be monitored via roundtables on specific issues such as sanctions, regular relationship management meetings and targeted engagement with regulators on particular concerns.

The LSB's ARAC plans a thematic review of this risk in June 2024.

How has this risk changed from the previous year?

This risk has decreased based on the limited improvement by some regulators and specific actions in relations to items such as internal sanctions however remains at risk appetite.

2. The LSB fails to galvanise and hold to account the regulators in their duty to advance equality of opportunity, increase diversity and foster inclusive cultures in the profession →

What is the risk?

The LSB does not hold sufficient evidence on the complex inequalities that effect EDI and the tools available. Therefore the LSB does not apply or communicate clear expectations to regulators.

The oversight and convening powers available to the LSB are not applied.

There are no effective assessment or evaluation processes in place to scrutinise and assess gaps.

What is the impact?

The legal sector is weakened and is characterised by exclusionary practices with a limited access to diverse talent.

Failure to meet the regulatory objective - a duty to encourage an independent, strong, diverse and effective legal profession.

The LSB lacks credibility with stakeholders and staff in relation to diversity issues.

How is this risk monitored and mitigated?

The LSB's work with the Judicial Diversity Forum produced a framework for evaluating EDI initiatives which may inform regulators' understanding of the impact of their interventions and the LSB has joined the regulators' EDI forum.

An agreed cross-sector principles statement has been published on the application of disciplinary sanctions in regard to counter-inclusive practices.

The LSB also hosts a conference annually focusing on reshaping legal services which includes topics related to having an ethical and diverse profession.

How has this risk changed from the previous year?

This risk has remained static.

3. The LSB's Board are not diverse, enough leading to the undermining of its ability to make decisions informed by diverse perspectives ↑

<p>What is the risk?</p> <p>The Board is not visibly diverse in relation to the majority of the protected characteristics and the MoJ fails to attract a diverse pool of applicants for vacancies, which translates into lack of diversity at shortlisting.</p>	<p>What is the impact?</p> <p>The LSB's credibility is undermined by its own lack of diversity, leading to a failure to ensure that regulatory bodies have measures in place to encourage a more diverse profession. Due to the legal profession not being representative of the public it serves, the LSB does not meet its regulatory objective in this area.</p>
<p>How is this risk monitored and mitigated?</p> <p>A Board apprentice joined the LSB in January 2024 and an independent advisor to ARAC was appointed from October 2023, both of which were diverse appointments.</p> <p>RNC reviews the risk at each meeting to consider what more can be done.</p> <p>The LSB has attended MoJ outreach events and may submit a speaker for a future session. The LSB has also met with comparable ALBs to consider learnings.</p> <p>Fortnightly meetings take place between LSB staff and the MoJ Public Appointments team, which has recently been restructured.</p> <p>Due to the limited levers available to the LSB in this area, consideration is being given to amending it from a risk to an issue.</p>	<p>How has this risk changed from the previous year?</p> <p>This risk was split out for the LSB's previous risk on EDI and whilst there is no direct score to compare it with, the risk remains out of appetite.</p>

4. Public confidence in legal services regulation being undermined because consumers continue to be underserved by the Legal Ombudsman →

What is the risk?

Operational performance at LeO fails to sustain improvements to expected standards in line with forecast trajectories, or declines, and concerns increase about delivery capability.

Ministers may decide to replace OLC this would reduce confidence in LeO and could have reputational consequences for the LSB given its oversight role including budget approval.

What is the impact?

A decline in LeO performance impacts consumers and the legal profession.

Poor outcomes for legal services consumers leads to reduced public trust and confidence in the sector. Deterioration of relationships with OLC and LeO and reduced opportunities for them to play a role in raising standards in the sector.

Reputational loss for the LSB if oversight activities do not lead to sustainable performance improvement, or performance declines.

The need for primary legislation to deliver alternative arrangements.

How is this risk monitored and mitigated?

The OLC Board has been strengthened and a budget has been agreed by the LSB to support sustainable performance recovery. The LSB has provided input into LeO's future strategy and encouraged them to look beyond the recovery phase.

The LSB agreed to new Scheme Rules in 2022/23 to help improve performance which the OLC have successfully implemented in 2023/24.

How has this risk changed from the previous year?

This risk has remained static.

Holly Perry
Accounting Officer
8 July 2024

Accountability Report

Corporate governance report

LSB Members' report

The LSB was established by the Act to oversee the regulation of legal services in England and Wales. It took on most of its statutory powers and duties on 1 January 2010.

In 2023/24 the LSB continued to oversee ten⁵ approved regulators, collectively responsible for regulating over 192,026 lawyers practising in England and Wales.

The Act provides for the LSB to recommend to the Lord Chancellor designation of additional bodies as approved regulators, on application, provided they demonstrate compliance with rules issued by the LSB for the purpose.

In February 2024 the Lord Chancellor agreed to the "de-designation" of ACCA as an approved regulator following a recommendation from the LSB.

The LSB takes account of the full range of risks that exist in the market for people who need legal services, consumers of legal services, to the public interest and to those seeking to provide regulated legal services in England and Wales.

Schedule 1 to the Act stipulates that:

The Board is to consist of the following members

1(1) (a) a chairman appointed by the Lord Chancellor,

(b) the Chief Executive of the Board and

(c) at least 7, but not more than 10, other persons appointed by the Lord Chancellor.

and

2 (1) In appointing persons as ordinary members the Lord Chancellor must ensure that a majority of the members of the Board are lay persons.

2(2) The chairman must be a lay person.

The Board sets the strategic direction of the LSB and is solely responsible for decisions taken by the LSB.

The names and details of all members of the Board who served during the year are shown in the Remuneration and Staff Report.

The LSB requires each Board Member to provide details of any company directorships and other significant interests they hold and this information is published on the LSB website⁶. Members are also required to declare any conflicts of interests in any item being discussed and the Chair will determine what action, including exclusion for an item or items, is appropriate to manage real or perceived conflicts. All instances are recorded in the minutes of the Board, which are published on the LSB website.

Members are also required to make a related party declaration to confirm whether they or any party related to them had undertaken any transactions with the LSB. Any such declarations are detailed in Note 18 to the financial statements.

⁵ Nine from February 2024

⁶ <https://www.legalservicesboard.org.uk/about-us/our-board/board-interests-and-expenses>

Statement of Accounting Officer's responsibilities

Under paragraph 25 of Schedule 1 to the Act, the Lord Chancellor, with the approval of HM Treasury, has directed the LSB to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the LSB and of its income and expenditure, financial position, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Lord Chancellor with the approval of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Under the Act, the Accounting Officer discharges their responsibilities on behalf of the Board, which is required by legislation to keep proper accounts and records and to prepare a statement of accounts.

In the absence of a permanent Chief Executive, the MoJ Principal Accounting Officer has appointed the Director, Enabling Services as the Accounting Officer of the LSB from 27 March 2024. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the LSB's assets, are set out in Managing Public Money, published by HM Treasury.

As Accounting Officer, I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

Auditor

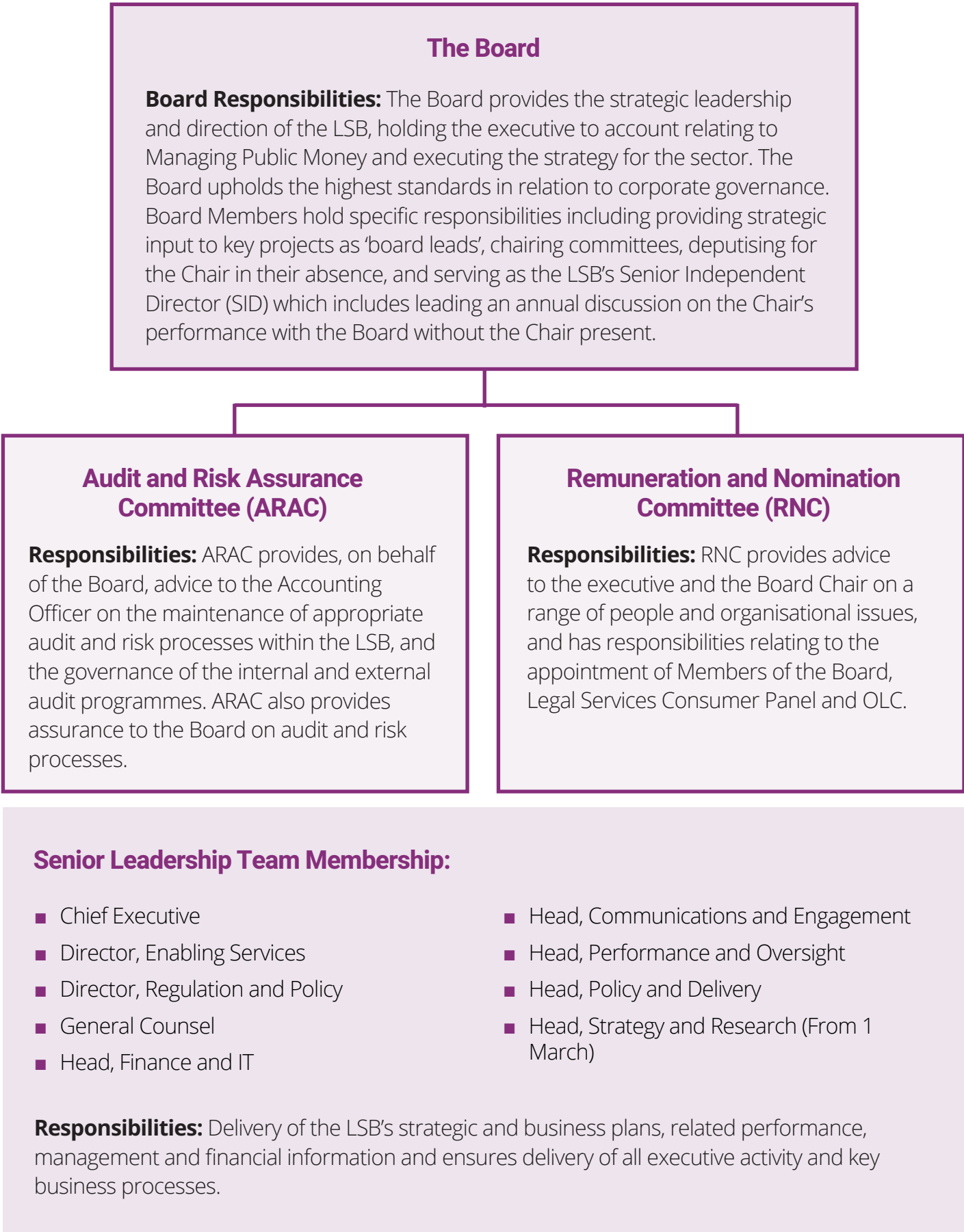
Internal audit services for the period of this report were provided to the LSB by Crowe LLP.

The LSB's annual financial statements are audited externally by the Comptroller and Auditor General (C&AG) in accordance with the Act, Schedule 1, paragraph 25(4)(a). For the period ending 31 March 2024, a fee of £34.8k was charged for the external audit work that has been performed (2022/23 £32k).

The audit services provided by the C&AG related only to statutory audit work.

So far as I am aware as the Accounting Officer, there is no relevant information of which the LSB's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Overview of Board and executive structure



The LSB's annual governance statement

2023/24

As Accounting Officer for the LSB, I am responsible for maintaining a sound system of risk management, governance and internal control that enables the LSB to meet its

statutory obligations, aims and objectives, while safeguarding the funds and assets for which I am responsible. I particularly take personal responsibility for ensuring that the LSB:

- complies with all statutory and administrative requirements on the use of public funds, including the principles and policies set out in the HM Treasury publication Managing Public Money, relevant Dear Accounting Officer letters, and relevant directions from the Cabinet Office/HM Treasury
- meets its obligations under, and acts consistently with the regulatory objectives contained in the Legal Services Act 2007 ('the Act')
- operates within the limits of its statutory authority and in accordance with any delegated authorities agreed with the MoJ as the LSB's sponsoring department
- operates in line with the statutory requirements and spirit of the Freedom of Information Act 2000 and complies with the Data Protection Act 2018.

The permanent CEO is an executive member of the Board of the LSB. As Accounting Officer for the period between CEOs, I am not a member of the Board. However, alongside other directors, I attend all Board meetings. The Board is responsible for ensuring the efficient discharge of the LSB's statutory functions, and that the LSB complies with all relevant statutory or administrative requirements for the use of public funds.

Corporate governance framework

The Board is responsible for the strategic leadership and direction of the LSB. The Board meets at regular intervals throughout the year, with a quorum of three Members (or one third of the number of Board Members, whichever is the higher), and must have a lay majority.

Under section 5 of the Act, the LSB must have regard to generally accepted principles of good corporate governance. In this regard, the Board has adopted a Governance Manual which is published on the LSB's website.⁷ It includes a policy on interests that applies to Board Members and all staff.

The LSB website contains Board Members' biographies and information about their LSB-related expenses, interests and any corporate gifts or hospitality that they have received or given.

⁷ <https://legalservicesboard.org.uk/wp-content/uploads/2023/12/Governance-Manual-2023.pdf>

LSB Board

The LSB Board comprises both non-executive Members (including the Chair) and the Chief Executive. The Board met formally on 9 occasions during the period 1 April 2023 to 31 March 2024.

Meeting attendance	
Alan Kershaw (Chair, Lay Member)	9/9
Catherine Brown (Lay Member)	8/9
Clare Brown (Non Lay Member)	7/8
Gary Kildare (Lay Member)	9/9
Stephen Gowland (Non Lay Member)	3/5
Habib Motani (Non Lay Member)	8/9
Jemima Coleman (Non Lay Member)	1/1
Kate Briscoe (Lay Member)	7/8
Flora Page (Non Lay Member)	7/9
Lizzie Peers (Lay Member)	6/6
Catharine Seddon (Lay Member)	4/4
Matthew Hill (Chief Executive, Lay Member)	9/9

The Act stipulates that the Board is to consist of a Chair, Chief Executive, and at least seven other Members. Appointments other than that of the Chief Executive are the responsibility of the Lord Chancellor in consultation with the Lord Chief Justice.

The Board welcomed its first Boardroom apprentice from 1 January 2024 and we hope to provide an opportunity for the apprentice to gain valuable non-executive experience whilst increasing the range of views at Board meetings.

Board Member responsibilities

Board Members hold specific responsibilities including providing strategic input to key projects as ‘board leads’, chairing committees, deputising for the Chair in their absence, and serving as the LSB’s Senior Independent Director, which includes responsibility for leading an annual Board discussion on the Chair’s performance without the Chair present.

Board Committees

The Audit and Risk Assurance Committee is responsible, on behalf of the Board, for providing me as Accounting Officer their opinion on the maintenance of appropriate audit and risk processes within the LSB, and the governance of the internal and external audit programmes.

The Committee’s Terms of Reference (ToR) stated that it would meet on at least three occasions each year. In 2023/24, ARAC met on four occasions.

The Remuneration and Nomination Committee (RNC) is responsible for advising me as Accounting Officer and the Board Chair on a range of “people” issues, and has responsibilities relating to the appointment of Members of the Board, Legal Services Consumer Panel and OLC.

RNC met twice during the year, in line with its ToR.

Committee Chairs and Members are appointed by the Board, with neither Chair being the Chair of the Board.

Membership and attendance records are given below.

Audit and Risk Assurance Committee	
Catherine Brown (Chair)	4/4
Gary Kildare	4/4
Lizzie Peers	2/2
Stephen Gowland	1/2
Clare Brown	1/1

Remuneration and Nomination Committee

Gary Kildare (Chair)	2/2
Catharine Seddon	1/1
Habib Motani	2/2
Lizzie Peers	0/1

Governance relationship with the Office for Legal Complaints

The Act gives the LSB responsibilities in respect of the OLC, including approving the annual budget and appointing its members.

The relationship between the LSB and the OLC is underpinned by a Memorandum of Understanding (MoU), reflecting the respective bodies' independent and separate functions, and allows for the development and maintenance of constructive working relationships. There is also a tripartite operating protocol with the LSB, OLC and the MoJ. The tripartite operating protocol was updated January 2023 and the MoU is due to be reviewed.

The OLC is an independent body sponsored by the MoJ. As such, the MoJ has responsibility for oversight of the OLC in respect of matters relating to Managing Public Money.

In approving the OLC's budget, the LSB seeks a range of assurances and, for the budget year 2024/25, these included:

- an indication of the amount and distribution of resources deployed in the operation of the ombudsman scheme and the amounts of income OLC expects to arise from the operation of the scheme. These included a clear breakdown, explanation, and justification of:
 - a. assumptions around the volumes predicted for 2024/25, including data on the number of new cases in the current year to date, assessment of the trend of year-on-year increase in complaints received, and the impact of

changes to the new Scheme Rules introduced 1 April 2023, as well as external factors like the ongoing cost of living crisis pressures on consumers and legal service providers.

- b. staff costs and numbers broken down by function, making reasonable assumptions for vacancies
- c. estimated split of expenditure between:
 - transparency about performance:
 - a. analysis of actual performance in 2023/24, with reference to the minimum delivery expectations in the 2023/24 budget application
 - b. risks and how they were to be managed and mitigated, for: i) the remainder of 2023/24; ii) 2024/25, including an overview of sensitivity analysis of key assumptions around income prediction, case complexity and other factors
 - c. the forecast performance trajectory from the present until sustainable acceptable performance is expected to be achieved mapped against different budget scenarios (analysis by month)
 - d. a summary of key current and planned initiatives designed to achieve sustained acceptable performance, including specific actions and timeframe
 - e. contingency plans should the forecast performance trajectory not be met.
- a robust business case that clearly demonstrates the linkages between any additional resources sought to the expected benefits across operational performance (including improved employee retention), policy and impact, and other relevant activities.
- an explanation of how value for money would be delivered and measured.
- an explanation of how the proposed budget would promote equality, diversity and inclusion for both colleagues and the Legal Ombudsman's customers. As part of this, details of any plans to measure for any disproportionality of complaint outcomes,

particularly in light of the changes to the Scheme Rules.

- a summary of where the budget had changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.
- confirmation that the OLC submitted a medium-term financial plan that reflected these acceptance criteria to the MoJ, and that wider engagement with the department had taken place
- a summary of the governance processes involved in preparing the submission, including confirmation that the submission had the formal support of the OLC board.

Budget application for 2024/25

The OLC's draft application indicated a proposed budget increase for 2024/25 of 6.95% to £17.95m, which included a proposed pay award of 5%. Inflation was not applied as a blanket increase, but targeted to particular areas where cost pressures are known or anticipated. Of the proposed increase, 59% related to the proposed pay award, and 26% to one-off exceptional costs.

Following public consultation, the OLC submitted a final proposal for a total budget consistent with its draft proposal which was agreed by the Board.

In approving the budget, the Board noted the continued progress in a number of areas achieved by the OLC in 2023/24, and the sustained confidence fostered with key stakeholders as a result of improvements in case management and customer experience. The Board recognised the need for the OLC to continue focusing on pursuing a pathway of sustainable and acceptable performance, while also delivering the ambitions set out in its new strategy to use its insights and impact work to raise standards of legal services; and that the budget should be set at the level which supports the OLC to deliver this.

Scheme Rules changes

New Scheme Rules were introduced 1 April 2023, and were designed to improve customers' experience by increasing efficiency and removing historic obstacles to resolving complaints. The OLC has committed to monitoring and evaluating the impact of the Scheme Rule changes, including understanding and addressing any adverse equality, diversity and inclusion effects on consumers. The OLC will continue to engage with stakeholders on the likely timings and scope of a second phase of potential changes, which could include, for example, considering changes to the case fee structure.

Voluntary assurance arrangements

The LSB continued to operate and refine an approach to voluntary assurance agreed by the respective Chairs in June 2017. This is comprised of a series of elements:

- information about the Legal Ombudsman's performance is published on its website quarterly (completed, ongoing)
- OLC provides comprehensive information on scheme performance to the LSB through a monthly dataset, OLC Board papers and minutes (completed, ongoing)
- the OLC Chair sends a voluntary assurance letter to the LSB, following each OLC Board meeting, explaining how the OLC has dealt with the Legal Ombudsman's performance at that meeting (completed, ongoing)
- observing OLC ARAC meetings (completed, ongoing)
- a regular schedule of meetings at board and senior executive level, as set out in the tripartite operating protocol (completed, ongoing)

Governance relationship with the Legal Services Consumer Panel

The LSB is required by the Act to establish a Consumer Panel (the Panel). The role of the Panel is to provide independent advice to the LSB about the interests of users of legal services. It does this by analysing issues that affect consumers, and provides high quality, evidenced-based advice to the LSB, in order to help them make decisions that are shaped around the needs of users. Details of the Panel's composition and activities can be found on its website: www.legalservicesconsumerpanel.org.uk

Executive leadership and key business processes

Senior Leadership Team (SLT)

Chaired by the Chief Executive (and for the period between CEOs, chaired by the Director, Regulation and Policy) and comprising the Chief Executive's direct reports and other senior colleagues, its role is to ensure delivery of the LSB's strategic and business plans, related performance and management information and key business processes. The SLT assesses and approves individual projects and serves as a resource for the consideration of major policy issues. The SLT also oversees, assesses and approves all significant finance and commercial processes, and HR matters. LSB staff have an open invitation to observe SLT meetings.

The SLT also monitors external factors and their implications for LSB performance and the legal services market.

Programme Board

Chaired by the Director, Regulation and Policy, this group provides assurance that the LSB work programme remains on track against the milestones in the Business Plan and, in particular, focuses on issues of risk at both project and programme level.

Board performance

The performance and effectiveness of the Board, its committees and individual Board Members is evaluated annually. Appraisals of individual Board Members are carried out by the Chair in the final quarter of the year. The appraisal of the Chair is held in March. This was carried out in a closed session of the Board without the Chair and organised by the SID.

The Board structures its business and agendas to focus on key strategic workstreams, taking by consent more routine items. This includes looking outwards at the legal and regulatory environment in general in England and Wales as well as a focusing on specific matters in legal services regulation.

Decisions are made based on the risks and evidence available with consideration to how the decision interacts with those the Board oversees and how it evidences continuous improvement in holding those it regulates to account. At least one substantial strategic session is held annually to allow the Board time to review progress and horizon scan.

Given the considerable turnover on the Board during the reporting period and the extensive external evaluation carried out the previous year a board performance review was not formally carried out. Instead, the Board held a facilitated away day which helped identified a number of actions to improve the way the Board operates.

The Board agreed a number of areas for development, including:

- Exploring further ways to hear diverse voices in the boardroom and to meet with regulators more in person to help build relationships.
- How to increase the transparency of the Board such as by holding open meetings.

These will be included on the Board effectiveness action tracker to be reviewed on a regular basis.

The Board committees – ARAC and RNC – assess their effectiveness by reviewing their

performance against their Terms of Reference each year. Non-committee Board Members have a standing invitation to attend the meetings of each committee and receive a full set of papers prior to each meeting. The Board Chair may attend no more than one of each committee meeting in each year as an observer. The Chair of each committee provides an update following each committee meeting to the Board at the next Board meeting. The full minutes of the committee meetings are circulated to Board Members once approved. The Board receives each committee's annual report in March. The annual reports for 2023/24 were presented at the 26 March 2024 Board meeting and were published on the LSB website as part of the published Board papers.

Board Members receive an induction covering the role of the LSB and their obligations as a Board Member in relation to Managing Public Money, and ongoing support to assist them in settling into their new roles. All new Board Members are required to undertake training on accountability and governance for arm's length bodies. Board Members who are appointed to serve on ARAC also attend an introduction to audit and risk assurance committees if they have not undertaken this role previously.

Risk and internal control framework

The Board scrutinises the plans and sets the overall strategic direction of the LSB. The Board is responsible for the LSB's risk management strategy, sets the tone for and influences the culture of risk management. The risk management strategy and risk appetite is reviewed by the Board annually. The Corporate Risk Register is an executive document.

The Board reviewed the Corporate Risk Register at its meetings in July 2023 and in November 2023.

ARAC, on behalf of the Board, assesses in detail issues of risk at three of its meetings each year, providing constructive challenge to the executive's risk classifications, assumptions and mitigations. This extends to the Corporate Risk Register, and,

periodically, to topics brought to ARAC for a deep dive. ARAC carried out one thematic review in 2023/24, looking at the LSB's work on improving the regulator's approach to equality, diversity and inclusion in detail. ARAC also discusses potential future risks at each of its meetings.

Issues of risk are considered at Board meetings in the course of discussions of each of the papers presented.

The LSB assesses and manages its risks proactively at the corporate, programme and operational level.

Initial identification of risk is undertaken by colleagues across the LSB, and those which are assessed to be potential risks under the risk framework are added to the relevant risk registers. These are reported through the corporate, programme and operational risk management processes.

The SLT reviews the full Corporate Risk Register each month and conducts a horizon-scanning exercise quarterly. Programme risks are reviewed at monthly Programme Board meetings. Operational risks are reviewed at bi-monthly review meetings.

Risk is managed on a 'priority only' model based on risk appetite. The effect of this is that the Corporate Risk Register is an active management tool. The Board's appetite for risk is dependent on the area of business to which the risk is attached. Risk appetite is mapped on a five-point scale: "avoid" (1), "minimal" (2), "cautious" (3), "open" (4), "seeking" (5). The Board has agreed that its current appetite for:

- governance risk is cautious
- financial risk is cautious
- people risk is open
- delivery risk is cautious
- policy and legal risk is open
- relationship risk is seeking.

Where the SLT determines that a risk exceeds the Board's appetite, it puts in place a strategy to

mitigate the risk, which will include one or more of the following elements:

- reducing the impact or likelihood of the risk by taking mitigating actions
- preventing the risk from occurring by doing things differently
- transferring the financial impact of a risk by passing it to a third party via, for instance an insurance policy or penalty clause
- contingency planning so that should the risk occur, actions are planned and organised to come into force.

As Accounting Officer, I am ultimately accountable to the Board for the management of risk.

Assessment of risk management

In reviewing the LSB's risk management strategy, the Board and ARAC have evaluated the quality of the LSB's management of risk during 2023/24 and have confirmed their assessment that the LSB's approach identifies the correct risks, and that mitigating actions are appropriately focused and implemented to support the LSB's programme of work to deliver the regulatory objectives.

Reporting of risk

I have assessed that there are no significant omissions in relation to risk that require further disclosure. This assessment has been endorsed by the Board and ARAC.

Key risks

Some of the key risks facing the LSB in achieving its priorities in 2023/24 are ongoing, while others arise in year.

Specific risks managed in 2023/24 were as follows:

- regulators lack capacity and/or capability to deliver against expectations
- poorer consumer outcomes and low confidence in the legal services sector owing to lack of diversity in the profession
- the LSB's Board is not diverse enough leading to the undermining of its ability to make decisions informed by diverse perspectives

- public confidence in legal services regulation being undermined because consumers continue to be underserved by the Legal Ombudsman

These risks are discussed in more detail in the Performance analysis section (page 29).

Future risk considerations

The lease for the LSB's current premises in central London ends in September 2025 following a one year extension from September 2024. Government policy for London and the regions requires Arm's Length Bodies to be located outside central London. Because we have very favourable terms on our current lease, any move from our current location will incur material costs to the LSB, both one-off and recurring. Some of those costs will begin to materialise in the coming financial year (i.e. 2024/25). The LSB is working with the MoJ to establish how such costs will be funded, and in particular the extent to which it is appropriate for some or all of those costs to be attributed to the levy. Subject to the progress on discussions with the MoJ, we hope to be able to provide more detail to levy payers and others when we consult on our budget for the financial year 2025/26 in the autumn.

The wider framework of control

As well as a risk and control framework, the LSB exercises a wider system of internal control which is based on regular management information, administrative procedures, including the segregation of duties, and processes for delegation and accountability.

As far as reasonably practical, the LSB's functions are delivered and developed in a manner consistent with the government's Functional Standards framework. We plan to undertake another review of our functions against the Functional Standards in 2024/25. Each internal audit undertaken reviews our processes against the relevant Functional Standard and no issues were found as part of the audits conducted in 2023/24. Work planned for 2024/25 includes developing a methodology for reporting progress

to ARAC on an annual basis.

Role of internal audit

The LSB's governance arrangements and risk management processes are supported by an internal audit function. This was provided by Crowe LLP.

Internal audit reviews carried out in 2023/24 by Crowe LLP were as follows:

- A review of the Business Continuity Planning (substantial assurance)
- A review of Third Party IT provision (substantial assurance)
- A review of the LSB's statutory remit (full assurance)
- A review of the LSB's approach to EDI (substantial assurance)

The Head of Internal Audit provided substantial assurance in respect of governance, risk management and internal controls in operation for the 2023/24 year, as aligned to the assurance definitions utilised in its internal audit reports.

Overall, Crowe LLP considered that "there is a generally sound system of internal control, risk management and governance designed to meet the organisation's objectives, and controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls put the achievement of particular objectives at risk".

Crowe confirmed that the internal audit programme and workplan had been undertaken in accordance with the Public Sector Internal Audit Standards.

We are working through a plan of management actions in response to internal audits, and an action tracker is considered at each ARAC meeting reporting on progress.

Review of the effectiveness of the risk and governance framework

ARAC has advised me on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in the LSB. My review is also informed by the work of the internal auditors, senior managers and comments made by the external auditors in their management letter and other reports. In particular, I have placed reliance on the annual opinion provided to me by the Head of Internal Audit.

Information security

The LSB is a data controller under the Data Protection Act 2018 and is subject to the Freedom of Information Act.

The LSB has due regard to the requirements set out in HM Government Security Policy Framework issued by the Cabinet Office. This focuses on the outcomes required to achieve a proportionate and risk managed approach to security that enables the LSB to function effectively, safely and securely. The Director, Enabling Services is the LSB's Data Protection Officer.

All of the LSB's electronic data, and access to this data, is managed securely with support provided by an IT managed service provider. This organisation ensures that the LSB implements guidance on protection and security of its IT, physical and data assets from the National Cyber Security Centre, the Cabinet Office, the Justice Digital team at the Ministry of Justice and the Government Security Centre for Cyber. The LSB continues to ensure information and cyber security remains a priority. The LSB attained Cyber Essentials Plus certification for the first time in 2021/22 and in March 2024, the LSB received re-accreditation for a further 12 months to March 2025.

During 2023/24 there were no data security incidents that needed to be reported to the Information Commissioner's Office.

All new colleagues receive training on information assurance and security. Annual refresher training is completed by all relevant staff. An annual review is carried out which measures colleagues' adherence to retention and disposal and wider data management good practice – a report on which is presented to ARAC. Learning is shared and consolidated throughout the year, led by an executive data champions group which brings together representatives of all areas of the organization. SLT discuss data management on a quarterly basis.

Security and confidentiality of information is included within Board Members' terms and conditions of appointment.

Assessment of fraud and error risk

Together with ARAC, I have reviewed the arrangements for the LSB's assessment of the risk that the financial statements may be materially misstated due to fraud, the current processes for identifying and responding to the risks of fraud and any known instances of fraud.

I consider that there is a low risk of misstatement due to fraud. The fact that appropriate separation of budgetary and authorisation processes are in place and that the organisation does not handle any physical cash both significantly reduce the risk of fraud. Appropriate processes for identifying and responding to the risks of fraud in day-to-day operations are nevertheless in place.

The Board approves the LSB's counter-fraud strategy annually as part of the Governance Manual review and the executive provides counter-fraud updates to ARAC at each of its meetings. We also engage regularly with the MoJ counter-fraud team. There were no known instances of fraud to report.

During 2023/24, new colleagues received face-to-face training on the Bribery Act 2010, which was provided by the LSB's Senior Legal Adviser.

For existing colleagues, a targeted approach was adopted, whereby colleagues for whom anti-bribery and corruption training is of particular

relevance, received mandatory self-study training materials. All other colleagues received a summarised version of similar resources.

Whistleblowing arrangements

The LSB has in place a public interest disclosure policy which sets out in detail the steps that will be taken in the event that a member of staff seeks to make a protected disclosure. This policy includes the identification of the personnel, including named Board Members, to whom such disclosures can be made.

In addition, a Reporting and Investigation Scheme has been published setting out the process by which persons external to the LSB may report any allegations of fraud or corruption. Such disclosures may also be made to a range of senior LSB staff as well as named Board Members.

Both policies are reviewed annually, as part of the Governance Manual review, to ensure that they are in line with current best practice. The most recent policy review was reported to ARAC in November 2023 and to the Board in November 2023.

There were no whistleblowing incidents reported during the year.

Quality of the data used by the Board

The SLT, chaired currently by Director, Regulation and Policy as acting Chief Executive, is responsible for making submissions to the Board on regular matters of business and specific governance issues referred to in this statement. Information considered by the SLT includes, but is not limited to: the corporate risk register; annual budget plans; strategic plans; programme and project reports; quarterly performance reports and detailed position papers on operational matters.

Risk registers, annual business plans and strategic plans are subjected to scrutiny by ARAC on an ongoing basis before presentation to the Board. Where new risks and new controls arise, discussions take place with the internal auditors in relation to amending the forward plan of internal audits. Given the independent scrutiny of

data submitted to the Board, I am satisfied with its quality and relevance.

Significant control issues

I can confirm that the LSB has not had any significant control issues during the year and has no significant weaknesses to address.

Compliance with Corporate governance in central government departments: Code of Good Practice 2017

In drawing up the Governance Statement, I have assessed the LSB's governance arrangements against the requirements set out in Corporate governance in central government departments: Code of Practice 2017 ('the Code'). Whilst the Code is specifically designed for Central Government departments, the requirement to 'comply or explain' also applies to any other bodies within the scope of Managing Public Money, including the LSB. My assessment, which has been endorsed by ARAC and the Board, is that the LSB complies with the Code insofar as this is applicable to it.

Conclusion

I am satisfied that, for the financial year 2023/24 and up to the date of the signing of this report, that the LSB has maintained the level of financial and governance control and oversight necessary to enable, rather than impede, delivery of its challenging agenda, with a combination of effective management of risk, stewardship of resources and non-executive challenge and engagement. In particular, I am able to provide assurance on the following elements:

- finance and commercial processes
- human resources
- key business processes
- management information
- information security
- fraud, error and public interest disclosure policies.

Remuneration and Staff Report

Appointments

All non-executive Board Members are appointed by the Lord Chancellor, in consultation with the Lord Chief Justice, for a fixed term of up to five years and may be re-appointed for one subsequent term of office.

The LSB Chair is required to commit at least 70 days per annum to the work of the LSB.

Board Members are required to commit at least 30 days per annum to their work with the LSB and to attend at least 75% of Board meetings.

In accordance with the Act, the Chief Executive is a Board Member.

As at 31 March 2024, there were nine Board Members – four men and five women with one vacancy.

Termination

There is no compensation payable for loss of office for Board Members before the expiry of the term of appointment.

The Chief Executive’s contract of employment provides for six months’ notice on either side.

Performance conditions

Remuneration of the Chair and other non-executive Board Members are paid by salary and set by the Lord Chancellor and is not subject to performance conditions.

The remuneration of the Chief Executive is determined following a recommendation to the Board by the RNC and in consultation with the MoJ. The performance of the Chief Executive is reviewed annually by the Chair.

Name	Date Appointed	Date appointment ends
Alan Kershaw (Chair)	1 April 2023	31 March 2027
Catherine Brown	1 April 2019	31 March 2027
Flora Page	1 August 2020	31 July 2028
Dr Gary Kildare	1 April 2021	31 March 2025
Matthew Hill (Chief Executive)*	20 August 2019	5 April 2024
Habib Motani	18 April 2022	17 April 2026
Lizzie Peers	1 October 2023	30 September 2027
Clare Brown	1 June 2023	31 May 2027
Kate Briscoe	1 June 2023	31 May 2027

The table below has been audited and provides details of the remuneration of LSB Board Members who served during 2023/24:

** Richard Orpin Director, Policy and Regulation and Daniel Viall, General Council share interim CEO role. Holly Perry, Director Enabling Services is the interim Accounting Officer.*

The table below has been audited and provides details of the remuneration of LSB Board Members who served during 2023/24:

Remuneration of Chair and Board Members

LSB Board Member	2023/24						2022/23					
	Annual salary rate	Salary	Taxable benefits	Pension	Bonus	TOTAL	Annual salary rate	Salary	Taxable benefits*	Pension	Bonus	TOTAL*
	£000s	£'000	£s	£'000	£'000	£'000	£'000	£'000	£s	£'000	£'000	£'000
Alan Kershaw (from 1 April 2023)	60-65	60-65	10,300	-	-	70-75	-	-	-	-	-	-
Catherine Brown	10-15	10-15	1,200	-	-	15-20	10-15	10-15	700	-	-	15-20
Matthew Hill	150-155	150-155	100	17	15-20	185-190	140-145	140-145	-	14	15-20	175-180
Flora Page	10-15	10-15	-	-	-	10-15	10-15	10-15	-	-	-	10-15
Gary Kildare	10-15	10-15	1,400	-	-	15-20	10-15	10-15	900	-	-	15-20
Habib Motani	10-15	10-15	-	-	-	10-15	10-15	10-15	-	-	-	10-15
Katherine Briscoe (from 1 June 2023)	10-15	10-15	200	-	-	10-15	-	-	-	-	-	-
Clare Brown (from 1 June 2023)	10-15	10-15	200	-	-	10-15	-	-	-	-	-	-
Lizzie Peers (from 1 October 2023)	10-15	5-10	100	-	-	5-10	-	-	-	-	-	-
Stephen Gowland (until 31 October 2023)	10-15	5-10	300	-	-	5-10	10-15	10-15	2,100	-	-	15-20
Catharine Seddon (until 30 September 2023)	10-15	5-10	0	-	-	5-10	10-15	10-15	-	-	-	10-15
Jemima Coleman (until 31 May 2023)	10-15	0 - 5	-	-	-	0 - 5	10-15	10-15	-	-	-	10-15
Dr Helen Phillips (until 31 March 2023)	-	-	600	-	-	0 - 5	60-65	60-65	1,600	-	-	60-65
Ian Hamer (until 4 July 2022)	-	-	-	-	-	-	10-15	0 - 5	-	-	-	0 - 5
Michael Smyth CBE KC (Hon) (until 17 April 2022)	-	-	-	-	-	-	10-15	0 - 5	-	-	-	0 - 5

The remuneration of the Chair and Board Members is shown in the table above. The remuneration of the Executive directors can be found in the Staff Report.

Taxable benefits in kind covers any benefits provided by LSB which are treated by HM Revenue and Customs (HMRC) as a taxable emolument.

Board Members' costs associated with visits to London Zone 1 where the LSB office is located are treated as a benefit in kind.

Taxable benefits in kind are reported to the nearest £100 and relate to amounts claimed in the 2023/24 financial year.

* The remuneration for the prior year 2022/23 has been restated to include taxable benefits in kind for that financial year.

All expenses related to Board attendance in London are reviewed to ensure the correct contributions are paid to HMRC.

Any additional PAYE or NICs due are paid to HMRC through a PAYE Settlement Agreement (PSA).

Salary, pension and bonus reflects amounts payable to the CEO, Matthew Hill, for the financial year before any salary sacrifice choices are made.

Staff Report

LSB employees are not civil servants but public servants. LSB colleagues do not have access to the Principal Civil Service Pension Scheme or any other defined benefit scheme. As of 31 March 2024, the LSB had 31 full-time employees and 9 part-time employees (2022/23: 27 full-time employees and 12 part time employees). 75% of the staff complement was female (2022/23: 74%) and 25% was male (2022/23: 26%). The LSB supports a range of flexible working patterns.

The LSB's average sickness absence was 2.4 days per full-time equivalent (2022/23: 5.8 days). The figure has dropped since 2022/23 as we did not have any long-term sickness in 2023/24.

The LSB's turnover rate was 26% in 2023/24 (2022/23: 13%).

The LSB does not engage any 'off payroll' staff. One specialist contractor was employed during 2023/24 (no specialist contractors were used in 2022/23).

Pension liabilities

The LSB has established a defined contribution group personal pension scheme into which the LSB makes fixed contributions based on a percentage of each employee's salary but has no other liabilities.

As at 31 March 2024, the eight Senior Civil Service equivalents on the Senior Leadership Team, excluding the Chief Executive, comprised three men and five women.

Senior civil servant equivalent by pay band

Salary band £'000	Number of senior civil service equivalent within band as at 31 March 2024	Number of senior civil service equivalent within band as at 31 March 2023
70-80	0	4
80-90	5**	0
90-100	0	2*
100-110	3	0

* The Director, Regulation and Policy post was vacant as at 31 March 2023.

** There is a new post; Head, Policy and Delivery from 1 March 2024.

Numbers of staff and non-executives split between male, female and non-binary

	Male	Female	Non-binary
LSB Board Members	4	5	0
Consumer Panel	4	4	0
Senior Civil Service equivalents	3	5	0
All others	6	25	0

Diversity information on LSB Board Members, the Consumer Panel and the executive is available on our website.⁸

⁸ <https://legalservicesboard.org.uk/about-us/our-staff>

Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

This is outlined in the table below.

	2023/24	2022/23	% change
Band of highest paid director's total remuneration (£000)*	165-170	160-165	3%
LSB employees average total remuneration (£)	67,638	61,445	10%
Upper quartile total remuneration (£)	82,682	72,629	14%
Median total remuneration (£)	63,035	57,443	10%
Lower quartile total remuneration (£)	50,370	47,130	7%
Pay Multiple to Upper Quartile	2.03	2.24	
Pay Multiple to Median	2.66	2.83	
Pay Multiple to Lower Quartile	3.33	3.45	
	2023/24	2022/23	% change
Highest paid director's salary and allowances (£)**	152,500	147,500	3%
Highest paid director's bonuses and performance pay (£)	17,500	17,500	0%
LSB employees average salary and allowances (£)	66,202	61,029	8%
LSB employees average bonuses and performance pay (£)	1,436	416	245%
Upper quartile salary and allowances (£)	80,535	72,435	11%
Median basic salary and allowances (£)	60,500	56,210	8%
Lower quartile salary and allowances (£)	48,434	46,683	4%
Pay Multiple to Upper Quartile	1.89	2.04	
Pay Multiple to Median	2.52	2.62	
Pay Multiple to Lower Quartile	3.15	3.16	

* The most highly paid director was also the most highly paid individual in the LSB.

** The highest paid director's actual pay award was 4.7% in 2023/24, in line with other non SCS colleagues at the LSB.

Total remuneration includes basic salary, benefits allowance, bonuses and performance-related pay. It does not include severance payments and employer pension contributions.

Salary and allowances include basic salary and benefits allowance only.

The salary amount used is the salary as at 31 March 2024 not the salary amount paid in 2023/24. Part time colleagues have been grossed up to full-time equivalent salaries.

In 2023/24 the annual full-time equivalent rate of total remuneration ranged from £35,000 - £40,000 to £110,000 - £115,000 (2022/23: £30,000 - £35,000 to £105,000 - £110,000).

The pay award made to non SCS colleagues in 2023/24 was 4.5% with an additional 0.5% awarded to those on lower pay, in line with the 2023 pay remit directive from the Cabinet Office. The pay award made to SCS colleagues in 2023/24 was 5.5% with an additional 0.5% awarded to those on lower pay, in line with the 2023 SCS pay remit directive from the Cabinet Office.

In 2023/24, there was a non consolidated payment award of £1,500 made to all non SCS staff at the LSB, in line with the award made to civil servants by the Cabinet Office to address the cost of living crisis.

Employer pension contributions increased from 1 July 2023 to 12% of basic salary (was 10%).

The highest paid director's remuneration is excluded from the median quartile and the LSB employees average remuneration calculations.

Remuneration of Executive directors (audited)

2023/24					
LSB Executive Directors	Annual salary Rate	Salary	Pension	Bonus	Total
	£000s	£000s	£000s	£000s	£000s
Danielle Viall	110 - 115	110 - 115	12	-	120 - 125
Holly Perry	110 - 115	110 - 115	12	-	120 - 125
Richard Orpin (from 12 June 2023)	110 - 115	85 - 90	9	-	95 - 100
2022/23					
LSB Executive Directors	Annual salary Rate	Salary	Pension	Bonus	Total
	£000s	£000s	£000s	£000s	£000s
Danielle Viall*	105-110	90-95	9	-	100-105
Holly Perry	105-110	105-110	10	-	115-120
Chris Nichols (until 3 March 2023)	105 - 110	90-95	9	-	105-110

* went part time to 0.86 FTE from 1 February 2022 until 31 December 2022

Executive directors have access to the LSB Choices benefits scheme to flex salary and pension contributions and to buy and sell holiday.

Salary, pension and bonus reflects amounts payable to directors for the financial year before any benefit choices or salary sacrifice made.

Annual salary rate reflects the full time equivalent salary and benefit allowance for the full year as at 31 March 2024.

Staff policies, equality and colleague involvement

The LSB is committed to ensuring equality of opportunity in employment and advancement. It strongly believes that all colleagues are entitled to be treated with respect in an environment free from discrimination, harassment, victimisation and bullying.

The LSB's recruitment policy states our commitment to equality of opportunity at all stages of recruitment and selection and that we will make reasonable adjustments to the recruitment process to ensure that no applicant is disadvantaged because of their disability. Shortlisted candidates are selected purely on the basis that their skills and experiences match the job description and colleague specification.

As an employer the LSB aims to recruit, motivate, develop and retain outstanding people from diverse backgrounds to deliver its priorities. Even as a relatively small organisation, it strives to support and promote equality both within the organisation and in fulfilling its responsibilities to external stakeholders. In addition to the LSB's organisational commitment to integrate diversity and equality into its work and organisational culture, it has statutory obligations under The Equality Act 2010.

Diversity information on LSB Board Members, the Consumer Panel and the executive is available on our website.⁹

The LSB seeks to engage fully with colleagues in all matters affecting them. We hold regular all-colleague meetings and consult with colleagues on matters affecting their employment and welfare. During 2023/24, we carried out regular pulse surveys to assess colleagues' welfare and followed these surveys with conversations, at the individual and organisational level. We carried out a diversity survey and a separate inclusion survey and the LSB is committed to implementing the action points that emerged from those surveys.

During the course of the year the LSB maintained its commitment to professional development for all colleagues by providing both internal and external training as required.

Staff numbers and related costs (audited)

(a) The cost of staff remuneration was:

	2023/24 Permanent staff	2023/24 LSB Board	2023/24 OLC Board	2023/24 Consumer Panel	2023/24 Total	2022/23 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,179	179	123	170	2,651	2,543
Social security costs	256	17	8	15	296	296
Pension costs	383	-	-	19	402	310
Other staff costs	11	-	-	-	11	11
Total	2,829	196	131	204	3,360	3,160

⁹ <https://legalservicesboard.org.uk/about-us/our-staff>

The remuneration of the Chief Executive is included in staff remuneration.

- Wages and salaries include a 10% benefits allowance paid to all staff, excluding the Chief Executive, as part of the LSB's Total Reward Scheme. Staff can purchase benefits from a menu of choices or take this as salary. The LSB operates a salary sacrifice scheme.
- Other costs include the cost of insurance for death-in-service and items such as childcare vouchers.
- Consumer Panel costs include the fixed fees paid to Panel members as well as the supporting secretariat of two LSB colleagues.
- LSB Board fees, which are disclosed in 'Wages and salaries' are also included in Remuneration of Chair and Board Members table.
- Employer pension contributions increased from 1 July 2023 to 12% of basic salary (was 10%).

The average monthly number of full-time equivalent staff including secondees from government departments, other organisations, staff employed on short-term contracts and temporary staff was:

	2023/24 Permanent staff	2023/24 Specialist contractor	2023/24 Total	2022/23 Total
Directly employed – LSB	33.1	0.0	33.1	33.2
Directly employed – Panel secretariat	2.0	0.0	2.0	2.0
Total	35.1	0.0	35.1	35.2

Redundancy costs are accounted for in full in the year that an irrevocable decision has been made. There were no redundancies in 2023/24 (2022/23: none). There were no costs of redundancy payments in 2023/24 (2022/23 £0k).

Parliamentary Accountability and Audit Report

The LSB is accountable to Parliament through the Lord Chancellor and is sponsored by the MoJ. The relationship between the LSB and the MoJ is detailed in the Framework Agreement, which sets out the principles and strategic framework under which the LSB and the MoJ will operate. The Agreement looks at how both parties will:

- meet their responsibilities
- ensure regular contact and communicate with one another
- undertake proper planning and ensure accountability, and
- support each other.

The LSB's Framework Agreement states that the overall aim of the LSB is to contribute to the reform and modernisation of the legal services marketplace in the interests of consumers, enhancing quality, ensuring value for money and improving access to justice across England and Wales.

It does this by working to improve the delivery of legal services by providing oversight of the regulation of the legal services sector. This includes ensuring that the performance of the approved regulators meets the standards expected of them by society.

In relation to the approved regulators, this includes ensuring that the principles of better regulation are adopted and that the regulatory objectives outlined in the Act are promoted. In addition, the LSB has a number of responsibilities relating to the governance of the OLC.

Regularity of expenditure (audited)

Losses and special payments – there were no losses or special payments in 2023/24 (2022/23: nil). Redundancy payments – there were no redundancy payments made during 2023/24 (2022/23: £0k). Contingent liabilities – there were no contingent liabilities in 2023/24 (2022/23: nil).

Long term expenditure trends, which are unaudited, show budgeted expenditure for 2024/25 to be £5.271m. The LSB continues to strive to achieve value for money and this is a realistic level of expenditure provided that the underlying assumptions remain consistent with the LSB's ability to fulfil its statutory function.

Holly Perry
Accounting Officer
8 July 2024

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Legal Services Board for the year ended 31 March 2024 under the Legal Services Act 2007.

The financial statements comprise the Legal Services Board

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Legal Services Board's affairs as at 31 March 2024 and its net income for the year then ended; and
- have been properly prepared in accordance with the Legal Services Act 2007 and Lord Chancellor directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Legal Services Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Legal Services Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Legal Services Board's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Legal Services Board is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Lord Chancellor directions issued under the Legal Services Act 2007.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability report subject to audit have been properly prepared in accordance with Lord Chancellor directions made under the Legal Services Act 2007; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Legal Services Board and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance report and Accountability report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the Legal Services Board or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Legal Services Board from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with Lord Chancellor directions issued under the Legal Services Act 2007;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with Lord Chancellor directions issued under the Legal Services Act 2007; and
- assessing the Legal Services Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Legal Services Board will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Services Act 2007.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Legal Services Board's accounting policies;
- inquired of management, the Legal Services Board's head of internal audit and those charged with governance, including obtaining

and reviewing supporting documentation relating to the Legal Services Board's policies and procedures on:

- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Legal Services Board's controls relating to the Legal Services Board's compliance with the Legal Services Act 2007 and Managing Public Money;
- inquired of management, the Legal Services Board's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Legal Services Board for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Legal Services Board's framework of authority and other legal and regulatory frameworks in which the Legal Services Board operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Legal Services Board. The key laws and regulations I considered in this context included the Legal Services Act 2007 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- testing the appropriateness of expenditure incurred and ensuring that levy charged is to approved bodies and in line with the Legal Services Act 2007.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
July 2024

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure for 12 months ended 31 March 2024

	Note	2023/24	2022/23
		£'000	£'000
Programme costs			
Staff costs	5	3,360	3,160
Depreciation/amortisation	2, 6, 7, 8	183	198
Other programme costs	2	1,116	902
		4,659	4,260
Income			
Levy income	3	4,550	4,255
Other income	4	109	5
		4,659	4,260
Net (income) / expenditure		-	-

All operations are continuing. There were no acquisitions or disposals of operations during the year.

The notes on pages 63 to 76 form part of these financial statements.

Statement of Financial Position as at 31 March 2024

	Note	31 March 2024	31 March 2023
		£'000	£'000
Non-current assets			
Property and equipment	6	54	103
Right of use asset	7	173	156
Intangible assets	8	0	4
Total non-current assets		227	263
Current assets			
Trade and other receivables due within one year	10	144	110
Cash and cash equivalents	11	6,713	6,408
Total current assets		6,857	6,518
Total assets		7,084	6,781
Current liabilities			
Trade and other payables	12	591	286
Lease liabilities	16	123	132
Total current liabilities		714	418
Non-current liabilities			
Provisions	13	24	24
Lease liabilities	16	32	25
Total non-current liabilities		56	49
Total assets less total liabilities		6,314	6,314
Taxpayers' equity			
Income and expenditure reserve		6,314	6,314
Total taxpayers' equity		6,314	6,314

The notes on pages 63 to 76 form part of these financial statements.

Holly Perry
Accounting Officer
8 July 2024

Statement of Cash Flows for the year ended 31 March 2024

	Note	2023/24	2022/23
		£'000	£'000
Cash flows from operating activities			
Net operating income / (cost)		-	-
Adjusted for:			
Depreciation/Amortisation	6, 7, 8	183	198
Notional finance costs / (unwinding of costs)	2	3	(3)
(Increase)/decrease in trade and other receivables	10	(34)	23
Increase/(decrease) in trade and other payables	12	305	(162)
Non-cash reclassification of lease liability to/(from) ROU asset		-	(19)
Use of provisions	13	-	-
Net cash inflow from operating activities		457	37
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(20)	(14)
Disposal of intangible assets	8	-	1
Net cash outflow from investing activities		(20)	(13)
Cash flows from financing activities			
Capital element of payments in respect of leases		(132)	(132)
Net cash outflow from financing activities		(132)	(132)
Net increase /(decrease) in cash and cash equivalents in the year		305	(108)
Cash and cash equivalents at the beginning of the year	11	6,408	6,516
Cash and cash equivalents at the end of the year	11	6,713	6,408

The notes on pages 63 to 76 form part of these financial statements

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

Income and Expenditure Reserve		
	Note	£'000
Balance as at 1 April 2022		6,314
Changes in Taxpayers' Equity 2022/23		
Comprehensive net expenditure for the year		-
Notional transfer to Consolidated Fund		(4,260)
Notional receipt from sponsoring department		4,260
Balance at 31 March 2023		6,314
Balance at 1 April 2023		6,314
Changes in Taxpayers' Equity 2023/24		
Comprehensive net income for the year		-
Notional transfer to Consolidated Fund	1.3	(4,659)
Notional receipt from sponsoring department	1.3	4,659
Balance at 31 March 2024		6,314

The notes on pages 63 to 76 form part of these financial statements

1. Statement of accounting policies

1. Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with the 2023/24 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the LSB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LSB are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

There were no critical accounting judgements made in the current year. There were no key sources of estimation uncertainty in the current year.

The functional and presentational currency of the LSB is the British pound sterling (£).

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified by the revaluation of certain assets and liabilities to fair value, where appropriate, as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in the FReM.

1.3 Income

The Legal Services Act 2007 (the Act) makes provision for the costs of the LSB to be recovered through the imposition of a levy on approved

regulators (ARs). Before the end of the financial year a levy is calculated and applied on ARs based on an estimate of the LSB's aggregate net expenditure, as adjusted for the difference between the previous estimate and actual expenditure for the prior year. The total levy is apportioned pro rata to each regulator based on the number of practitioners certified to the LSB by ARs at the beginning of the period, subject to a minimum levy of £3,000 per AR.

The levies imposed are recognised as income in the Statement of Comprehensive Net Expenditure (SoCNE) and any excess of imposed levies over the LSB's actual aggregate net expenditure in the period is deferred to the following year while any shortfall in imposed levies below actual aggregate net expenditure is released to the SoCNE from funds deferred in previous periods.

The effect of this treatment ensures that the total income recognised and leviable in the period corresponds to the LSB's actual aggregate net expenditure in the period as intended by the Act whilst timing differences between actual leviable expenditure and estimates billed are dealt with through the deferred income account.

Any cash received as "Prescribed Fees" (designation, application and termination fees) relating to applications for designation or application to become an approved regulator or the termination from being an approved regulator are initially recognised in the Statement of Financial Position (SoFP) as deferred income and subsequently recognised as income in the SoCNE on a stage of completion basis.

IFRS 15: Revenue from contracts with customers requires entities to implement a five-step approach to revenue recognition. The application of these steps in relation to LSB's income is outlined below:

1. Identify the contract with the customer: The FReM adaptation of IFRS15 expands the definition of a contract to include legislation and regulations which enables an entity to obtain revenue. In LSB's case, as outlined above, this legislation is the Legal Services Act 2007 which stipulates that the costs of the LSB should be recouped by means of a levy imposed on the approved regulators no later than 31st March of the 12 month period to which the levy relates.
2. Identify the performance obligations in the contract: Under the Act the LSB's role is to monitor the performance of the approved regulators to ensure they meet expected standards.
3. Determine the transaction price: The total costs incurred by LSB in the financial year are allocated to approved regulators on the basis described above.
4. Allocate the transaction price to the performance obligation: The levy income is accrued and matched with the LSB's net expenditure in the period to ensure that expenditure incurred is recovered in the same period that the regulatory activity is performed.
5. Recognise revenue when (or as) the entity satisfies a performance obligation: Revenue is recognised over time as expenditure relating to the regulatory activity of the LSB is incurred.

Under a strict interpretation of s175 of the Act, the LSB is required to surrender all amounts it receives from the levy and prescribed fees to the Consolidated Fund. However, the LSB, the MoJ and HM Treasury are in agreement that this was not the original intention of the parties and the current practice, as agreed between the parties, is for the LSB to retain all amounts received in order to fund its operations.

Until a suitable legislative vehicle is devised to reflect the current practice and intention of all parties, the MoJ will be responsible for making a payment on behalf of the LSB to the Consolidated

Fund equivalent to the income received by the LSB for the year from the levy and prescribed fees. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity. An equal amount is shown as a notional receipt from the sponsoring department.

1.4 Expenditure

Expenditure is accounted for on an accruals basis when either the goods have been received or the service performed. Irrecoverable VAT is included with the item of expense to which it relates. Where a payment is made in advance of the accounting period to which it relates, the accounts show an asset for the amount that has been prepaid.

1.5 Non current assets

Property and equipment comprise information technology equipment such as laptops and audio visual equipment as well as office furniture, fixtures and fittings and office leasehold improvements.

Intangible assets comprise of consultancy expenditure directly attributable to bringing an asset into operation which has a life of more than one year.

Initial recognition and capitalisation threshold

Expenditure on major information technology is recognised at cost. This includes expenditure directly incurred on hardware, software and, if appropriate, consultancy costs.

Non-current assets are capitalised where the cost is £1,000 or more. However, for grouped purchases of IT equipment, IT software or furniture, fixtures and fittings, individual items are also capitalised where the total grouped purchase is £1,000 or more.

Assets under construction are recognised at cost and depreciated from the date that they become operational.

Impairment and revaluation

The LSB undertakes an annual impairment review of assets across all significant asset categories.

If indicators of impairment exist, the assets in question are tested for impairment by comparing the carrying value of those assets to their recoverable amount. An impairment reflects a permanent diminution in the value of an asset as a result of a clear reduction of economic benefits or service potential and is charged to the SoCNE.

Depreciated historical cost is used as a proxy for fair value as this realistically reflects consumption of the assets as allowed by the FReM. Revaluation would not cause a material difference and the total value of all asset classes is defined as 'low'.

Depreciation and amortisation

Depreciation and amortisation is charged to the SoCNE on a straight-line basis at rates calculated to write off the value of assets, less any estimated residual value, over their estimated useful lives.

Depreciation commences in the month following acquisition with a full month's charge in the month of disposal. Estimated useful asset lives are within the following ranges:

Tangible property and equipment	
Information technology	4 years
Furniture, fixtures and fittings	5 years
Leasehold improvements	over the remainder of the lease or if shorter, over their estimated useful asset lives
Right of use asset	
Office lease	over the remainder of the lease

1.6 Leases

Scope and exclusions – LSB as Lessee

In accordance with IFRS 16 Leases, contracts, or parts of contracts, that convey the right to control the use of an asset for a period of time are accounted for as leases.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, incorporating both the right to obtain substantially all the economic benefits from the asset and to direct its use. If so, the relevant part of the contract is treated as a lease.

Recognition

At the point of signing a lease, the LSB recognises a right-of-use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing. This rate is advised annually by HM Treasury. The right of use asset is measured at the value of the lease liability, adjusted for: any lease payments before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease.

When making the assessment, the LSB excludes low value item leases. These are leases which LSB considers as those where the underlying asset would have a cost of less than £10,000 when new, provided those items are not highly dependent on or integrated with other items.

IFRS 16 Leases was adopted by the Ministry of Justice Group (MOJ Group) from 1 April 2021.

The only current leases to which IFRS 16 applies in relation to LSB are the London premises leases, both the existing lease which has an expiry date of 3 September 2024 and the 12 month extension lease which has a start date of 4 September 2024 and an expiry date of 3 September 2025. For

the material arrangements within the scope of IFRS 16, there are assets and liabilities of £173k and £155k respectively as at 31 March 2024.

Further details of the impact of the standard are disclosed at Notes 7 and 16.

Subsequent measurement

The lease liability will be adjusted for the accrual of interest, repayments, reassessments and modifications.

After initial recognition, the right-of-use asset will be measured using the fair value model. The LSB considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value, in the case of non-property leases, and for property leases of less than five years or with regular rent reviews.

The value of the asset will be adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described above. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset, together with any impairment of the right-of-use asset and any change in variable lease payments, that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or with a term under twelve months, are also expensed.

1.7 Value Added Tax

LSB are not VAT registered. Therefore output tax does not apply and input tax on purchases is not recoverable.

1.8 Employee benefits

Pension

The LSB has established a defined contribution group personal pension scheme under which the LSB makes fixed contributions of 12% of the salary for all colleagues (from 1 July 2023, 2022/23 10%) and has no other liabilities. Pension contributions are charged to the SoCNE in the year in which they are incurred.

Employee leave accrual

An accrual is made for untaken employee annual leave.

1.9 Going concern

The Act makes provision for the LSB to receive funding from the Approved Regulators through the levy and changes to this arrangement would require primary legislation, which is not expected in the next financial year (or indeed, to the best of our knowledge, in the subsequent year).

In light of the impact of the ongoing cost of living on the UK economy, we have reviewed the mechanism by which the LSB is funded and assessed what the impact on our funding might be. We have noted that as at 1 April 2023, the numbers of regulated professionals actually increased by 3.4% from same point in the previous year, thus giving assurance on the income streams of the Approved Regulators who in turn fund LSB.

The LSB bank account has sufficient funding to cover 12 months of expenditure.

It is therefore appropriate to adopt a going concern basis for the preparation of these financial statements.

2. Other costs

	2023/24 £'000	2022/23 £'000
External legal costs	86	34
Accommodation - VAT on licence to occupy fee	26	8
Accommodation - rates, services and other costs	132	93
Outsourced services	163	160
Research costs	288	227
Other programme costs	121	108
Recruitment LSB Staff	32	34
Recruitment OLC Members	7	24
Recruitment Consumer Panel	23	-
Legal library services & reference	6	5
Consumer Panel (non pay)	79	58
Professional advisers	9	37
Training	62	50
Travel and subsistence - LSB Staff	6	7
Travel and subsistence - LSB Board	15	5
Travel and subsistence - OLC Board	8	7
Fees for statutory external audit work	35	32
Internal audit fees	15	15
Dilapidations	-	-
Notional finance costs / (unwinding of cost)	3	(3)
Loss / (Gain) on disposals	0	1
Other programme costs	1,116	902
Depreciation	179	185
Amortisation	4	13
Notional finance costs / (unwinding of cost)	-	-
Depreciation/amortisation	183	198
Total other costs	1,299	1,100

3. Levy Income

	2023/24 £'000	2022/23 £'000
Levy income from approved regulators	4,550	4,255
Total	4,550	4,255

4. Other income

	2023/24 £'000	2022/23 £'000
Licensing authority application fees	-	-
Termination fee	-	-
Legal costs recovered	-	5
Other income	109	-
Total	109	5

5. Staff costs

	2023/24 Permanent Staff £'000	2023/24 LSB Board £'000	2023/24 OLC Board £'000	2023/24 Consumer Panel £'000	2023/24 Total £'000	2022/23 Total £'000
Wages and salaries	2,179	179	123	170	2,651	2,543
Social security costs	256	17	8	15	296	296
Pension costs	383	-	-	19	402	310
Other staff costs	11	-	-	-	11	11
Total	2,829	196	131	204	3,360	3,160

6. Property and equipment

	2023/24 £'000	2023/24 £'000	2023/24 £'000	2023/24 £'000
	Information technology	Furniture, fixtures & fittings	Leasehold improvements	Total
Cost				
At 1 April 2023	84	211	39	334
Additions	20	-	-	20
Disposals	(14)	-	-	(14)
At 31 March 2024	90	211	39	340
Depreciation				
At 1 April 2023	57	147	27	231
Charged in year	17	44	8	69
Disposals	(14)	-	-	(14)
At 31 March 2024	60	191	35	286
Carrying amount at 31 March 2024	30	20	4	54
Carrying amount at 31 March 2023	27	64	12	103

	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000
	Information technology	Furniture fixtures & fittings	Leasehold improvements	Total
Cost				
At 1 April 2022	81	206	57	344
IFRS 16 Adjustments	-	-	(18)	(18)
Additions	10	5	-	15
Disposals	(7)	-	-	(7)
At 31 March 2023	84	211	39	334
Depreciation				
At 1 April 2022	43	105	27	175
IFRS 16 Adjustments	-	-	(9)	(9)
Charged in year	19	42	9	70
Disposals	(5)	-	-	(5)
At 31 March 2023	57	147	27	231
Carrying amount at 31 March 2023	27	64	12	103
Carrying amount at 31 March 2022	38	101	30	169

The IFRS16 adjustment posted in 2022/23 includes the legal and associated costs incurred in 2019 to put the ROU asset in place and removes the historic accrued VAT element from the ROU asset.

7. Right of use

	2023/24 £'000		2022/23 £'000
Cost	Land and buildings	Cost	Land and buildings
At 1 April 2023	365	At 1 April 2022	343
IFRS 16 Adjustments	-	IFRS 16 Adjustments	22
Remeasurement	128	Additions	-
Disposals	-	Disposals	-
At 31 March 2024	493	At 31 March 2023	365
Depreciation		Depreciation	
At 1 April 2023	209	At 1 April 2022	100
Charged in year	111	Charged in year	109
Disposals	-	Disposals	-
At 31 March 2024	320	At 31 March 2023	209
Carrying amount at 31 March 2024	173	Carrying amount at 31 March 2023	156
Carrying amount at 31 March 2023	156	Carrying amount at 31 March 2022	243

The right of use asset relates to the lease on the London office of LSB.

The original lease term is 5 years and the lease will mature in September 2024.

A lease extension has been signed for a further 12 months to September 2025.

The maturity analysis for the lease can be found in Note 16 Lease liabilities.

The IFRS16 adjustment in 2022/23 relates to the transition to IFRS16 and includes the legal and associated costs incurred in 2019 to put the ROU asset in place and removes the historic accrued VAT element from the ROU asset.

8. Intangible assets

Intangible assets	2023/24 £'000
Cost	
At 1 April 2023	93
Additions	-
Disposals	-
At 31 March 2024	93
Amortisation	
At 1 April 2023	89
Charged in year	4
Disposals	-
At 31 March 2024	93
Carrying amount at 31 March 2024	-
Carrying amount at 31 March 2023	4

Intangible assets	2022/23 £'000
Cost	
At 1 April 2022	94
Additions	-
Disposals	(1)
At 31 March 2023	93
Amortisation	
At 1 April 2022	76
Charged in year	13
Disposals	-
At 31 March 2023	89
Carrying amount at 31 March 2023	4
Carrying amount at 31 March 2022	18

9. Financial instruments

The LSB is party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, receivables and payables which are all measured at amortised cost. IFRS 7: ‘Financial Instruments: Disclosures’, requires disclosure of the role that financial instruments have had during the year in creating or changing risks an entity faces in the course of its operations. As a levy funded body which collects all of the levy imposed on ARs within a short time frame (less than 30 days), the LSB is not exposed to the same degree of financial, credit or liquidity risk faced by typical commercial entities. The LSB has no powers to borrow or invest surplus funds. Its financial assets and liabilities which arise from normal operating activities are not held to manage risks arising from these activities.

Consequently, the LSB is not exposed to significant liquidity, credit, interest rate or foreign currency risk.

a) Carrying amount and fair values

The fair value of cash balances approximates their carrying amount largely owing to the short-term maturity of this financial instrument which is less than three months. The fair values of receivables and payables approximate their carrying amount at initial recognition and these assets are not revalued subsequent to initial recognition as they are simple instruments with short-term maturities.

b) Liquidity risk

Liquidity risk is the risk that the LSB will encounter difficulty raising liquid funds to meet its commitments as they fall due. Through effective budgetary planning and controls, the LSB’s operational expenditure corresponds to the amount it collects in levies from approved regulators. Additionally, the LSB has built up surplus funds from Grants in Aid and Levy received in earlier years of operation to cater for adverse timing differences between payment of liabilities as they fall due and collection of levies imposed on ARs in arrears. Consequently, it does not have significant liquidity risk.

c) Credit risk

Credit risk is the risk that a party will default on its obligation to the LSB, thereby causing it to incur a loss. Credit risk arises from deposits with banks and receivables. The maximum exposure to credit risk at the balance sheet date is:

Maximum exposure to credit risk	2023/24 £'000	2022/23 £'000
Cash at bank	6,713	6,408
Levy income receivable	-	-
Other receivables	-	-
	6,713	6,408

Cash at bank comprises liquid bank balances held with a commercial bank in a Government Banking Service account. Cash balances are maintained with strong investment grade banks. The LSB has not recorded impairments against cash balances and nor have any recoverability issues been identified with such balances.

10. Trade and other receivables

Amounts falling due within one year	2023/24 £'000	2022/23 £'000
Levy income receivable	-	-
Other receivables	-	-
Prepayments	144	110
Deposits and advances	0	0
Total trade and other receivables	144	110

11. Cash and cash equivalents

	2023/24 £'000	2022/23 £'000
Cash and cash equivalents recorded in the SoFP and Statement of Cash Flows include deposits held at call with banks representing short-term highly liquid investments with maturities of less than three months.		
Balance at 1 April	6,408	6,516
Net (decrease) / increase in cash and cash equivalents	305	(108)
Balance at 31 March	6,713	6,408
Balances at 31 March were held at: Government Banking Service	6,713	6,408

12. Trade and other payables

Amounts falling due within one year	2023/24 £'000	2022/23 £'000
External suppliers	108	3
Payroll tax and social security	100	89
Statutory audit fee	35	32
Deferred income	129	32
Employee leave accrual	39	37
Accruals	180	93
Total trade and other payables	591	286

13. Provisions for liabilities and charges

	2023/24 £'000	2023/24 £'000	2023/24 £'000
Provisions	Dilapidations	Tax	Total
At 1 April 2023	24	-	24
Provision raised	-	-	-
Provision utilised	-	-	-
Provision written back	-	-	-
At 31 March 2024	24	-	24

	2022/23 £'000	2022/23 £'000	2022/23 £'000
Provisions	Dilapidations	Tax	Total
At 1 April 2022	24	-	24
Provision raised	-	-	-
Provision utilised	-	-	-
Provision written back	-	-	-
At 31 March 2023	24	-	24

The dilapidations provision is non current.

14. Capital commitments

There are no capital commitments.

15. Other financial commitments

There are no other financial commitments.

16. Lease Liabilities

Current	132
Non Current	25
Lease Liabilities recognised under IFRS16 as at 31 March 2023	157
Current	123
Non Current	32
Lease Liabilities recognised under IFRS16 as at 31 March 2024	155
Maturity analysis	
2024/25	123
2025/26	32

LSB does not face a significant liquidity risk with regard to its existing lease liabilities.

The existing lease for our current premises ends in September 2024.

In December 2023, we contracted with the landlord to extend that lease by 12 months to September 2025.

Beyond this, initial indications from Government are that we will not be permitted to remain in Zone 1 in London for reasons of satisfying its policies on the location of Arm's Length Bodies.

Any option other than further extending the lease will incur material costs to the LSB, both one-off and recurring, although the scale of those costs will vary depending on the outcome.

How those costs will be funded is currently unclear. There is a question as to whether it is appropriate to use the statutory levy provided for by the Legal Services Act 2007 to fund those costs. The only realistic alternative is Grant-in-Aid funding, for which there is currently no provision.

17. Contingent liability

There are no contingent liabilities.

18. Related party transactions

The LSB is a non-departmental public body (NDPB) sponsored by the MoJ. The MoJ is regarded as a related party solely due to its sponsorship responsibility. During the year the LSB had one material transaction with MoJ, raising invoices to the MoJ for £48k relating to costs incurred relating to a specific research project which was recovered in full from the MoJ. There were also the notional transactions shown in the Statement of Taxpayers' Equity.

The LSB has had a small number of transactions with other government departments and other central government bodies.

The LSB has a direct relationship with the OLC and has some oversight responsibilities for the Ombudsman Scheme established by the OLC. Under the Legal Services Act 2007, the LSB is responsible for appointing OLC Board members and paying their salaries and expenses which amounted to £139k for 2023/24 (2022/23 - £140k). During 2023/24 OLC Board members were paid fees of £123k (2022/23 - £124k).

There were no other material transactions with the OLC during the year or with any of the members of the OLC.

During the year there were no related party transactions with LSB members, Legal Services Consumer Panel members or key managerial staff, except for remuneration paid for their services and reimbursement of business travel and subsistence expenses.

19. Events after the reporting period

In accordance with IAS 10: Events After the Reporting Period, post Statement of Financial Position events are considered up to the date on which the accounts are authorised for issue. The date the accounts are authorised for issue is interpreted as the same date the accounts are certified by the Comptroller and Auditor General.

Matthew Hill left the post of LSB CEO and Accounting Officer on 5 April 2024.

He has been replaced by Holly Perry as Interim Accounting Officer, Richard Orpin as Interim CEO and Danielle Viall as Interim CEO (Regulatory Operations). Craig Westwood has been appointed as the new CEO and Accounting Officer and will join the LSB in August 2024.



LEGAL SERVICES
BOARD

Legal Services Board
The Rookery (3rd Floor)
2 Dyott Street
London WC1A 1DE
T 020 7271 0050

www.legalservicesboard.org.uk

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