



LEGAL SERVICES  
**BOARD**

# **Legal Services Board**

Annual Report and Accounts for  
the Year Ended 31 March 2023



## **LEGAL SERVICES BOARD**

### **Annual report and accounts 2022-2023**

For the period 1 April 2022 to 31 March 2023

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

Ordered by the House of Commons to be printed on 22 June 2023



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Any enquiries regarding this publication should be sent to us at

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## CORRECTION SLIP

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### Correction:

Text currently reads:

Page 26 – In the table titled, 'Decisions on applications to alter regulatory arrangements', the figures for 2021/22 read:

Total decisions made – 11

Decisions made in the initial decision period of 28 calendar days - 5

Decisions made within an extended decision period of 90 calendar days - 6

Average decision time (calendar days) - 53 days

Exemption directions issued - 17

Text should read:

Total decisions made – 17

Decisions made in the initial decision period of 28 calendar days - 10

Decisions made within an extended decision period of 90 calendar days - 6

Average decision time (calendar days) - 41 days

Exemption directions issued - 14

Date of correction: 27/06/23

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# Performance Report

## Overview - Statement from the Chair

This report for 2022/23 describes the work that the LSB completed and its impact in delivering the second year of its Reshaping Legal Services strategy under the leadership of Dr Helen Phillips.

Helen's term of office as Chair of the LSB ended on 31 March 2023. She joined the organisation as a lay member of the Board in 2015, became interim Chair in 2017, and was appointed Chair in 2018. This report is a testament to her dedication to improving legal services for people who need them.

On behalf of the Board and colleagues at the LSB, I want to thank Helen for her hard work and commitment. As this report illustrates, she has handed over to me a well-led and well-run organisation. Helen has ensured that regulation plays a significant role in helping people identify when they have a legal problem and then find the right help to suit them at the right price. The LSB has encouraged competition and innovation in the legal services market while ensuring protections are in place for the public. I will build on this and, in pursuit of the regulatory objectives, work to ensure legal services work better for everyone.

As the Reshaping Legal Services strategy recognises, achieving this vision requires collaboration. I look forward to working with the frontline regulators and other stakeholders across the sector to achieve our shared ambition. We have a common interest in enabling legal services and practitioners to be as good as they can be.

In 2023/24, we will press on with existing priorities, including implementing our revised regulatory performance framework and policy statements on consumer empowerment and ongoing competence. We will also continue to advance our work on equality, diversity and inclusion and publish a new statement of policy to replace our existing guidance.

Our new business plan also includes new projects aimed at increasing access to justice, including considering the role of regulation in improving access to the publicly-funded justice system and scoping future work in this area. We will also build on our work focused on consumers in vulnerable circumstances to develop and agree principles to ensure the legal services market works well for everyone.

In April 2022, Habib Motani joined the Board as a new non-lay member (solicitor) of the LSB. Michael Smyth QC stepped down at the end of his second term of office as a non-lay member (solicitor). I want to thank Michael on behalf of the Board for his contribution to the LSB during his six years.

In July 2022, the Board and colleagues were saddened by the loss of Board Member Ian Hamer. Ian had served on the Board as a lay member since October 2019, and Board Members deeply miss his conscientiousness and commitment.

Board Member Jemima Coleman's second term was due to end in mid-April, but her tenure was extended to the end of May. I want to thank her for her dedication over the last seven years as a non-lay (solicitor) member of the Board. We welcomed Kate Briscoe (lay member) and Clare Brown (non-lay member, barrister) to the Board on 1 June 2023.

Our business plan for 2023/24 will build on the progress the LSB is making to overcome the challenges impacting on the sector. It outlines where the LSB and robust regulation will help make legal services accessible for everyone and meet the needs of consumers and society.

**Alan Kershaw**  
**Chair**  
**9 June 2023**

## Overview - Statement from the Chief Executive

We have continued to make good progress since publishing Reshaping Legal Services, our consumer-focused strategy. Our work has focused on ensuring legal services are accessible and meet the needs of society.

### Fulfilling our oversight role

During the year, we continued to consider applications for alterations to regulatory arrangements, practising certificate fee (PCF) applications in line with our Practising Fee Rules, and monitoring the regulators' performance. Our annual assessment of the regulators identified several common themes that need to be addressed by all of them. We expect all the regulators to continue improving their performance, benefiting the profession, consumers and society.

### Equality, diversity, and inclusion

We want to dismantle barriers to a diverse and inclusive profession so that the sector better reflects the society it serves.

During the year, we researched underrepresented lawyers' experience of getting into and progressing through the legal services sector. This was published in Spring 2023. We have continued to play an active part in the Judicial Diversity Forum, including leading work to develop its judicial diversity action plan focusing on evaluating initiatives more effectively.

We are scoping a policy statement on equality, diversity, and inclusion (EDI) to replace our current guidance.

### Our first Reshaping Legal Services Conference

EDI was a key focus of our inaugural annual conference in October 2022, which brought stakeholders together to discuss addressing the issues facing the sector. We were delighted to be joined by many people from across the

profession, including regulators, lawyers, the judiciary, academia, students, and consumer groups.

The theme of the conference was 'a diverse public deserves a strong, ethical and diverse profession,' and it has helped inform our programme of work on EDI and on professional ethics and the rule of law.

### Setting clear expectations for regulators to empower consumers

We want to make sure consumers can easily navigate the legal services market. In April 2022, we issued a statement of policy on empowering consumers to better access information about the service and quality of legal services providers. The statement outlines how the regulators should ensure that people and small businesses who need legal advice have the information they need to shop around and choose the provider most suited to their legal needs. This includes information about the price, quality and service of legal services providers. We have continued to monitor regulators' progress in meeting the outcomes, including through our leadership of the Market Transparency Co-ordination and Oversight Group. This group offers a forum for the regulators and Legal Services Consumer Panel to share insight and collaborate.

### Promoting technology for access

Technology has the transformative potential to open up access for consumers and small businesses currently excluded from the legal services market and improve quality by enabling providers to deliver services in different ways that better meet people's needs.

So, we continue to set an open stance for regulation and technology. We completed the third wave of our technology and innovation survey, which quantifies levels of innovation and technology in the legal sector. We began to



develop statutory guidance to set out the pro-innovation outcomes that we expect regulators to work towards.

We also commissioned a study to assess how regulatory information can be more readily accessible to consumers. We will publish our recommendations following this study in 2023/24.

### **Ensuring better support for vulnerable consumers**

In promoting a consumer-focused approach to regulation, we want to ensure that legal services meet the needs of everyone in society. In June 2022, we published case study research exploring the vulnerabilities that exist when people use legal services and the barriers they experience. The research shows that, while it can be difficult for anyone with a legal problem to navigate the legal system, people with particular circumstances and/or characteristics may find it particularly challenging.

In July 2022, we hosted an event to discuss the research and consider how the sector can work together to design legal services that meet the needs of individuals and the wider society.

### **Continued focus on ongoing competence**

The public must be confident that lawyers and legal services professionals have the right skills, knowledge and behaviours to protect our interests, enforce our rights and keep us safe. In July 2022, we issued our statement of policy on ongoing competence. It sets clear outcomes that the legal services regulators should meet to ensure that lawyers have the necessary skills, knowledge and behaviours to provide good quality legal services. Six months later, we reviewed regulators' progress reports and action plans and expect the outcomes to be met by January 2024. We will continue to monitor regulators' activities on these issues and assess progress through the revised regulatory performance framework.

### **Financial protection arrangements for consumers**

Our workstream on financial protection arrangements responds to mounting concerns about regulators' compensation fund arrangements and the professional indemnity insurance (PII) market. In 2022/23, we continued our work to ensure that an appropriate level of protection exists for consumers and that the cost to the profession is sustainable and affordable in the long term.

Our work aims to provide regulators with sufficient evidence and a framework to carefully consider whether to change their existing PII and Compensation scheme arrangements. They can then address the root cause of the risks in the legal sector, which may be contributing to higher costs.

In May 2022, we published research highlighting the need to ensure legal services consumers understand the arrangements in place to protect them in the event of professional negligence.

Legal services providers must take out PII to ensure consumers are protected from harm should something go wrong, causing the consumer to suffer financial loss. However, most consumers are unaware of this. The research found that most people assume protection is part and parcel of the service/system. Nevertheless, once informed about the arrangements, consumers welcome the knowledge that PII exists to protect them and lawyers.

## **Effective governance and enabling our organisation**

We have continued to ensure we have the right people and resources. We achieved “Cyber Essentials Plus” accreditation to ensure our organisation is protected against common security threats. Recognising that we will only achieve our vision for the sector through collaboration, we have continued to actively engage broadly with the sector through our communications and stakeholder engagement. We have maintained our focus on value for money, ensuring we deliver an effective and efficient service for levy payers and the public.

**Matthew Hill**  
**Chief Executive**  
**9 June 2023**

# Overview of our sector-wide strategy, Regulatory objectives and behaviours in 2022/23

## 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

## 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

# 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
- making policy change tools available for consumers and innovators to use
- 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 of the legal profession. By way of illustration, if averaged across all those authorised to undertake reserved

activities, our levy in 2022/23 corresponded to £22.80 per person (2021/22 £22.11). The average for the previous three years (2020/21 to 2022/23) was £22.29, 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
- 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:

- approval and recognition – 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
- monitoring and investigation – we monitor regulators' compliance with regulatory requirements; oversee aspects of the performance of the OLC; and perform some specific duties in relation to the 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 and disciplinary activities – 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 fine, 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
- regulation, education and training – 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 2022/23, the LSB maintained its active management of risks in line with our risk management strategy. The following four risks were of particular concern:

- Regulators lack capacity and/or capability to deliver against our expectations
- Board turnover in 2023 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 2022/23<sup>1</sup> is the second year of our sector-wide strategy<sup>2</sup>. The Plan set out an ambitious programme of work, including longer-term projects designed to reshape legal services.

The Plan was agreed with the understanding that the LSB would remain agile during the Covid-19 pandemic, reviewing its objectives and, if necessary, adapting its approach.

As of 31 March 2023, 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 2023/24, including workstreams in our business plan for 2023/24.

## Financial performance

Our income this year, including prior year deferred income, was £4.292m and our actual outturn was £4.260m, resulting in an underspend of £32k. 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. We have reached a broadly optimal level of resourcing which we believe is necessary for the successful delivery of our work but which keeps our costs at an acceptable level.

The average levy of £22.80 per person is calculated based on £4.237m billed to approved regulators in 2022/23, up from £4.080m in 2021/22. 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 increase in the budget underspend from £18k in 2020/21 to £51k in 2021/22 has helped reduce the increase in the average levy per authorised person to 69p for 2022/23 (16p increase for 2021/22).

	2022/23	2021/22
	£'000	£'000
Budget	4,287	4,098
<b>Income received</b>	<b>4,292</b>	<b>4,104</b>
Expenditure	4,260	4,032
PAYE Provision movement	-	(21)
Expenditure excluding PAYE provision movement	<b>4,260</b>	<b>4,053</b>
<b>Underspend</b>	<b>32</b>	<b>51</b>

<sup>1</sup> <https://legalservicesboard.org.uk/wp-content/uploads/2022/03/LSB-Business-Plan-202223-FINAL.pdf>

<sup>2</sup> [https://legalservicesboard.org.uk/wp-content/uploads/2021/03/Strategy\\_FINAL-For-Web2.pdf](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 £4.679m for 2023/24 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. 2022/23 was the second year we are working towards our 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.<sup>3</sup>

A detailed breakdown of work carried out in 2022/23 is set out in the following pages.

<sup>3</sup> 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 2022/23

### In 2022/23, we were engaged in the following work to reshape legal services

#### Equality, diversity, and inclusion (EDI)

C3

RO1

RO3

RO4

RO6

RO8

This column outlines the challenges and regulatory objectives each project relates to – see page 10 for full description.

In 2022/23 we engaged the sector in our inaugural Reshaping Legal Services conference with the theme ‘a diverse public deserves a strong, ethical and diverse profession’. We heard from some of the many stakeholders working to improve the diversity of the profession.

We were active contributors in collaborative forums. We are a proactive participant of the EDI Legal Regulators Forum and have led a work group of the Judicial Diversity Forum to reshape its action plan for judicial diversity focusing on the effective evaluation of initiatives.

We improved our evidence base by conducting a study on the lived experience of professionals which identified continued barriers for those from underrepresented groups.

We began scoping a statement of policy on EDI to replace our current guidance and provide regulators with clearer expectations to improve progress.

We are gathering information from regulators to understand their existing approaches to delivering change and will consult and publish the statement in 2023/24.

#### Consumer empowerment

C1

C2

C3

C4

C6

C7

RO3

RO4

RO5

RO7

Too many consumers still do not have the right tools and information to engage effectively with the legal services market and make informed choices.

In April 2022, we issued a statement of policy on empowering consumers. This sets high-level expectations of what regulators should do to ensure consumers have the knowledge and capability to engage effectively with the legal services market. This includes ensuring consumers can access useful information about the price, quality and service of legal services providers.

We monitored regulators’ progress in meeting the outcomes, including through our leadership of the Market Transparency Co-ordination and Oversight Group. This group offers a forum for the regulators and Legal Services Consumer Panel to share insight and collaborate on how to better empower consumers.

We will continue to monitor regulators’ progress in 2023/24.

## In 2022/23, we were engaged in the following work to reshape legal services

### Technology and innovation

C8

C9

In 2022/23, we continued our work on fostering technological innovation that increases access to justice.

We completed the third wave of our technology and innovation survey which quantifies levels of innovation and technology in the legal sector.

RO3

RO4

RO5

RO6

We began to develop statutory guidance which will set-out the pro-innovation outcomes that we expect regulators to work towards. We will consult on this guidance in 2023/24.

We commissioned a study to assess how regulatory information can be made more readily accessible to consumers. We will publish our recommendations following this study in 2023/24.

We supported LawtechUK through our participation in the Regulatory Response Unit (RRU) we supported the Regulatory Pathfinding programme, whereby innovators submitted questions about the regulatory challenges that they face. We worked with LawtechUK and the RRU to support the development of a discussion paper on the adoption of AI technology in legal services.

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

### Ongoing competence

C1

C2

C3

C4

In July 2022, we issued our statement of policy on ongoing competence. This sets high-level expectations of what regulators should do to ensure that the legal professionals they regulate remain competent throughout their careers.

C5

C7

C8

The statement sets out four high-level outcomes that the regulators should seek to achieve. We assessed progress reports and action plans from regulators six months after implementation, and expect the outcomes to be met by January 2024.

RO1

RO2

RO4

RO6

We will continue to monitor regulators' activities on these issues and assess progress through the revised regulatory performance framework in summer 2023.

### Scope of regulation

C5

C6

In 2022/23, we continued our work to better understand the unregulated legal services market to support a possible future review of the reserved legal activities.

RO3

RO4

RO5

RO7

We completed our research mapping the unregulated legal services sector and published our findings in Q1 2022/23. The research indicated that the unregulated market is sizable and has a significant market share in some practice areas. It also considered the balance of evidence of benefits and detriments.

We analysed the research findings and the Board agreed to conduct further analysis considering the existing list of Reserved Legal Activities. This further analysis provides a starting point for any future work on the Scope of Regulation.

We also presented our findings to a range of interested stakeholders and continued our engagement with the unregulated part of the legal services market to continue gathering relevant evidence relating to the market.

<b>Legal support for small businesses</b>				<p>LSB research completed in 2021/22 showed that small businesses face a significant access to justice gap and struggle to engage in the market. In 2022/23, we continued our efforts to call for a small business legal support strategy to address their unmet legal needs and improve access to justice.</p> <p>This included dialogue directly with the MoJ and BEIS (now known as Business and Trade) outlining the key issues that small businesses face and ongoing engagement with community organisations and local government. Through this we strengthened our understanding of the key areas of action that will make a difference for small businesses and built support for these from a wider range of stakeholders that can implement change.</p>
C1				
RO3	RO4			
<b>People in vulnerable circumstances</b>				<p>We published case study research that explored what vulnerabilities exist when people use legal services and the barriers that they experience in June 2022. The research included a rapid review of existing literature and vulnerability in legal services and inclusive design, interviews with people working in support and advice organisations, and interviews with people who had used the services of a legal professional in the last eighteen months.</p> <p>We hosted an event in July 2022 to discuss the research findings and how the legal sector can work together to design legal services that meet individual, and wider society's needs.</p> <p>Subject to our business plan consultation, we plan to develop our understanding of best practice across the sector, with a view to developing principles on how to support consumers in vulnerable circumstances in 2023/24.</p>
C2	C4			
RO1	RO2	RO3	RO4	
<b>Financial protection arrangements for consumers</b>				<p>In 2022/23, we continued our work to review the financial protection arrangements for consumers which include Professional Indemnity Insurance (PII) and Compensation schemes to ensure that an appropriate level of protection exists for consumers and the cost to the profession is sustainable and affordable in the long term.</p> <p>The work will aim to provide regulators with sufficient evidence and a framework to carefully consider whether to make changes to their existing PII and Compensation schemes arrangements and to start to address the root cause of the risks in the legal sector which may be contributing to higher costs.</p> <p>We published consumer research on the hypothetical idea of introducing consumer choice into the PII landscape in legal services in May 2022, gathered data in respect of insurance premiums, claims and firm characteristics and conducted interviews with firms, brokers, and insurers. We will continue our work in 2023/24, by jointly commissioning econometric analysis of the data with the SRA, to support our policy development. We intend to publish the econometric report and consider potential policy proposals in Q2 2023/24. We expect to finalise our policy proposals in Q4 2023/24.</p>
C5				
RO2	RO6	RO8		

**Disciplinary and enforcement processes**

	C4	C5	
RO1			RO4
	RO6		RO8

In 2022/23, we began desk research to understand the disciplinary and enforcement processes that regulators currently have in place. This work has been reprioritised due to the resources required for the LSB's investigation into CILEX and CILEx Regulation. We will recommence this project in 2023/24.

In 2023/24, we plan to develop principles that underpin effective disciplinary and enforcement processes. We will also consider conducting thematic reviews of regulators' current approaches



## In 2022/23, we were engaged in the following work to reshape legal services

### Policy framework assessment

C1	C2	C3	C4
C5	C7	C8	
RO1	RO2	RO3	RO4
RO5	RO6	RO7	

In 2021/22, we catalogued and analysed all the rules, guidance and policy statements made by the LSB to establish our priorities for future review. This work informed our proposed workplan for 2022/23.

### Review of education and training guidance

RO1	RO2	RO4	RO5
RO6	RO8		

In 2022/23 we began our work to review the LSB's guidance on regulatory arrangements for education and training, to ensure it is focussed on fostering the professionalism, competence and ethical practice that is essential to public confidence and reflects our expectations on ongoing competence. This work has been reprioritised due to the resources required for the LSB's investigation into CILEX and CILEx Regulation. This project will continue into 2023/24, and we expect to consult on, and publish, revised expectations for regulators on education and training requirements during this business plan year.

### Consumer redress

C5	C6		
RO3	RO4	RO5	RO7

In 2022/23, we commenced work on a project to review our statutory Requirements and Guidance on first tier complaints handling. As well as a general review and updating being timely, we were aware of other evidence that the 2016 Requirements and Guidance might not be as clear as they could be in ensuring that regulators have effective arrangements in place for first tier complaints handling. The project began in the summer with a desk review of existing practice and research in this area and a literature review into silent sufferers.

We then carried out primary research with members of the Public Panel in December to explore their experiences of making first tier complaints. In February we held a collaborative workshop in which members of the Public Panel discussed with representatives from regulators, ombudsmen and practitioners the key areas for improvement in relation to first tier complaints handling. The project will continue in 2023/24 with a consultation on expectations and requirements for regulators scheduled for the summer.

**Professional ethics, rule of law and regulation**

C4

RO3

RO4

RO5

In 2022/23, we commenced work on professional ethics, the rule of law and regulation. This work aims to ensure that there is clarity and consensus within the sector on the range and types of professional ethical conduct that may not be consistent with upholding the rule of law. This will include consideration of a number of high profile matters such as the misuse of non-disclosure agreements and strategic litigation against public participation (SLAPPs).

We will also seek to ensure that the regulatory infrastructure clarifies, supports, and incentivises professional ethical practices to uphold the rule of law, by regulated individuals and organisations and the role of lawyers in upholding the rule of law is embedded in workplace culture to facilitate professional ethical decision-making. We have conducted a literature review and engaged with a wide range of stakeholders on this work.

We will continue our work in 2023/24, including engaging with a wide range of stakeholders, conducting research, and undertaking policy development. We plan to issue a call for evidence in Q1 2023/24 on the misuse of non-disclosure agreements.

## Discharging our oversight role

### In 2022/23, we were engaged in the following work to discharge our oversight role

<b>Regulatory performance</b>				<p>We assess regulators against a set of standards to ensure that consumers can rely on them to provide good quality regulation. In January 2023, we published our annual assessment of regulators' performance against the standards in our 2018-22 performance framework.</p> <p>Our report considered regulators' general performance and their responses to policy developments during the year. We also monitored the BSB and FO's progress on completing their Well-led review action plans and how other regulators had taken account of the FO's Well-led review.</p> <p>In summary, several regulators did not meet the Well-led and Regulatory Approach standards. We considered that some regulators should be taking a more proactive approach to supervision and ensuring that they have the necessary resources to carry out enforcement effectively.</p> <p>Our next assessment will begin in June 2023. This will build on the themes identified in our 2022 assessment and any concerns relating to individual regulators.</p>
C4	C5	C7		
RO1	RO4	RO8		
<b>Regulatory performance framework review</b>				<p>In 2022/23 we completed our review of our regulatory performance framework. We took account of the responses we received to our consultation and published our new framework, which came into effect on 1 January 2023.</p> <p>Our new framework invites regulators to demonstrate that they are well-led, have an effective approach to regulating in the public interest and deliver regulatory activities effectively.</p> <p>To ease the transition to our new framework, our latest assessment report, published in January 2023, assessed regulators' performance against the standards from the previous framework but presented the assessments in the new framework's narrative format.</p> <p>We have written to all regulators encouraging them to prepare for our next assessment by identifying in advance how they would provide assurance that they are demonstrating the framework's characteristics and meeting its standards.</p>
C4	C5	C7		
RO1	RO5	RO8		
<b>Review of process for alterations to regulatory arrangements</b>				<p>In December 2021, we completed a wholesale review of the materials and processes used for statutory decisions, including our rules for applications to alter regulatory arrangements. This included specific consideration of our expectations for applications regarding evidence and assessment of impact.</p> <p>Following the review and a consultation, we published updated rules and guidance to improve the quality of applications for alterations to regulatory arrangements. This will enable us to scrutinise applications robustly and efficiently.</p>
C2	C3	C5		
RO1	RO4			

# Strategy development

In 2022/23, we were engaged in the following work to support our strategy

Curating the strategy				<p>In 2022/23, we continued engaging with a broad range of stakeholders to collaborate and deliver on the 10-year Reshaping Legal Services Strategy. As part of our work on ‘curating the strategy’, 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. Stakeholders were involved in the site’s design and continue to collaborate and share content.</p> <p>We also convened our inaugural annual conference in 2022/23. This brought together those with a role in reshaping legal services, promoted sector collaboration and highlighted examples of good practice to encourage everyone to play a part in delivering fairer outcomes, stronger confidence and better services for consumers.</p>
C1	C2	C3	C4	
C5	C6	C7	C8	
C9				
RO1	RO2	RO3	RO4	
RO5	RO6	RO7	RO8	

## Enabling our business

### In 2022/23, we were engaged in the following work to enable our strategy

#### Value for money

The LSB set its revenue expenditure budget for 2022/23 at £4.287m in March 2022. Even taking into account inflation increasing to 11.1% during the financial year at one stage, the LSB's actual expenditure outturn was £4.260m, a variance of £27k (0.6%) to budget so coming well within the MoJ's variance threshold target of 1%.

Value for money was achieved through proactive and judicious in-year budget management, using quarterly reforecasting exercises and by robust contract management and negotiation.

Following an internal audit, the LSB Procurement Policy was updated in 2022/23. We introduced several measures to achieve value for money in the updated policy, for example, not having to secure different quotes for amounts under £500. This gave budget holders discretion in how to achieve value for money when procuring goods and services under this amount and removed the previous prescriptive requirement which was inefficient - the previous process often cost the LSB more than the value of the goods or services being procured.

The LSB attrition rate for 2022/23 was 13% which was a fall on the attrition rate of 21% for the prior year 2021/22. This material reduction delivered value for money in several areas. Economy savings were made from LSB recruitment costs falling by £7k (17%) from £41k in 2021/22 to £34k in 2022/23. There were also efficiency and effectiveness savings from a reduction in hours spent on recruitment and from less time being spent on training new staff, as well as from new staff needing time to get up to speed before they could deliver tangible outputs.

#### Information Technology

During 2022/23, the LSB engaged with cyber consultants from the Government Security Centre for Cyber on a project to ensure that the LSB were signed up to various cyber security functionality available through the National Cyber Security Centre. This project saw the LSB implement:

- Email security controls to ensure our domains cannot be used for phishing attacks. The anti-spoofing controls enable email recipients to have confidence our legitimate emails are genuine and instructs recipients of spoofed email to not deliver these emails.
- Improved security for email traffic in transit, to protect against attacks where emails may be read and manipulated.
- The scanning of our websites using Web Check, to give us confidence that there are no known vulnerabilities for these websites that could be easily utilised by attackers.

All of the above means a cyber attack against the LSB now requires much more sophisticated capability, and the risk of this occurring is greatly reduced.

## In 2022/23, we were engaged in the following work to enable our strategy

### Human resources

In 2022/23, we conducted our biennial diversity survey and our inclusion survey. Following this, we created an action plan to maintain our high scores and improve on other areas.

We carry out regular surveys to assess colleague engagement and their commitment to the LSB. The surveys show that we have colleagues who are highly engaged and committed to the LSB. We plan to continue the surveys in 2023/24.

See page 51 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. In October 2022, we delivered the inaugural 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 focused on key themes of the strategy: diversity and inclusion, professional ethics, and public trust. It involved 22 speakers and comprised keynote speeches, presentations, and panel discussions. 242 people attended the event in person, and 132 unique viewers watched it online.

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. The conference was the first time many attendees had had contact with the LSB.



## 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, licensing authority or an extension to an approved regulator's scope of regulation.

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

Some of these activities have statutory performance deadlines set out in the Act and we have also 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 2022/23 is shown below. These figures are derived from ongoing records that the LSB maintains of our processing of applications.

Activity	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Decisions on applications to alter regulatory arrangements:</b>					
■ Total decisions made	13	14	11	17	15
■ Decisions made in the initial decision period of 28 calendar days	7	7	5	10	8
■ Decisions made within an extended decision period of 90 calendar days	6	7	6	6	7
■ Average decision time (calendar days)	39 days	52 days	53 days	41 days	43 days
Exemption directions issued	14	13	17	14	6
<b>Publication within target of two working days (internal target):</b>					
■ applications to alter regulatory arrangements	100% (18/18)	100% (13/13)	89% (16/18)	87% (13/15)	100% (15/15)
■ decisions	100% (13/13)	93% (14/15)	100% (11/11)	100% (17/17)	100% (15/15)
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	2	-	-	-	1

In 2022/23, we received 19 new applications concerning a range of regulatory arrangements and made 15 decisions. A total of 4 applications were outstanding at the start of 2023/24.

2022/23 was the first year of operation of the Applications To Alter Regulatory Arrangements Rules 2021 and linked Guidance. While there was a reduction in decisions compared to 2021/22, it was still a busier year for decisions than any of 2018-2021. Notably, the number of exemption directions issued was significantly reduced, with just 6 issued in 2022/23 compared to 14 in 2021/22. The average time per decision, was up slightly from 41 days to 43 days.

We dealt with several significant applications during the year. An application from the ACCA to remove its regulatory arrangements that was linked to its application to cancel its designation as an approved regulator. The application to cancel the ACCA's designation led to a recommendation to approve the cancellation being sent to the Lord Chancellor. We also received an application from IPReg to implement an entirely new core regulatory framework and an application from ICAEW that significantly amended its disciplinary framework.

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:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Budget	3,798	3,798	3,923	4,098	4,287
Income received	3,798	3,798	3,923	4,104	4,292
Expenditure	3,725	3,796	3,979	4,032	4,260
PAYE Provision movement	-	-	74	(21)	-
Expenditure excluding PAYE movement	3,725	3,796	3,905	4,053	4,260
Underspend	73	2	18	51	32

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 2022/23 was £4.237m (£4.080mm in 2021/22). The amount of funds released from deferred income was £51k (£18k released from deferred income in 2021/22). Any underspend that the LSB achieves 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. Such 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 are offset against the LSB's expenditure and also reduce the levy payable by all approved regulators. There was a legal cost recovered of £5k received in 2022/23 (the LSB was awarded costs in the Clarke case). This has been treated as deferred income from other fees as at 31 March 2023.

### **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 Department for Business, Energy and Industrial Strategy and the Cabinet Office, we aim to pay all authorised invoices that are not under dispute within 10 working days from receipt. Throughout 2022/23, 100% of these invoices were paid within 10 working days (2021/22: 99%). 100% of invoices were paid within 30 calendar days (2021/22 100%).

### **Collection of debt**

For the levy relating to 2022/23, £4.225m (100%) was collected within 30 calendar days (2021/22 £4.077m, 100%). There was one late levy payment, £13.2k from the Institute of Chartered Accountants in England and Wales (ICAEW) which was received just before year end. The average time to pay was 19 calendar days (2021/22 21 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 867 licenses issued in total at the end of 2016/17 to 1,861 at the end of 2022/23. 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 2022/23, there has been a total of 1,377 ABS licensed

issued by the Solicitors Regulation Authority, 276 by the Institute of Chartered Accountants in England and Wales, 100 by the Council for Licensed Conveyancers, 74 by Intellectual Property Regulation Board and 34 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 2022/23, we received 38 requests, and on average these were responded to within 10 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. Four subject access requests were received in 2022/23.

We continued our work during 2022/23 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 report<sup>4</sup> 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 51.

During the course of the year, our colleagues supported the London Legal Support Trust by participating in the London Legal Walk and the Great Legal Bake, as well as a sponsored 10km run. A total of nearly £1,600 was raised this year.

<sup>4</sup> 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 500m<sup>2</sup> and has fewer than 50 FTE staff.

# Key Risks

During 2022/23, the LSB maintained its active management of risks in line with the organisation's risk management strategy (see page 41). 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 (following developments on the outbreak of war in Ukraine) ⬆

<p><b>What is the risk?</b></p> <p>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 or do not have enough resources/capacity to deliver what is required.</p>	<p><b>What is the impact?</b></p> <p>Regulation is not focused on the public interest and fails to protect consumers effectively.</p> <p>Regulators fail to spot changing societal and legal challenges and are slow to consider regulatory action, where it is appropriate.</p>
<p><b>How is this risk monitored and mitigated?</b></p> <p>A new Regulatory Performance Framework is in place with a hybrid approach having been taken in 2022 and with full implementation expected in 2023.</p> <p>Rules and guidance for assessing applications to change regulatory arrangements which strengthen our ability to hold to account and link up better with our other tools are in place.</p> <p>Work in the 2023/24 business plan includes regulators disciplinary processes, to include an in-depth review of some regulators.</p> <p>This risk continues to be monitored via roundtables on specific issues such as sanctions, regular relationship management meetings and targeted engagements with regulators of particular concern.</p>	<p><b>How has this risk changed from the previous year?</b></p> <p>This risk has increased based on the continuing lack of improvement at some regulators and specific concerns in relations to items such as internal sanctions.</p>

## 2. Board Turnover in 2023 has a destabilising effect ↑

### What is the risk?

Three Board Members' second terms end in 2023, comprising the Chair and the two Committee Chairs alongside an unexpected vacancy which arose in Summer 2022. The three departing members are all women which could impact Board diversity. The MoJ-led process fails to attract a high-quality pool of applicants, and delays in making the appointments results in high-quality candidates withdrawing, and quorum issues.

### How is this risk monitored and mitigated?

Committee Chairs have been replaced ahead of Board Members' terms ending to preserve leadership continuity.

Early engagement and flagging of this risk to MoJ via twice yearly Business Assurance Meetings and fortnightly meetings with the MoJ Public Appointments Team.

The LSB has used its own additional outreach for the non-Chair appointments.

MoJ confirmed the appointment of a new LSB Chair in February 2023 who took up post in on 1 April 2023.

### What is the impact?

Loss of continuity in leadership, particularly in relation to the Chair of the Board, and in the chairing of ARAC and RNC alongside the loss of corporate memory on the Board. Issues of quoracy on the Board and committees may also arise.

### How has this risk changed from the previous year?

This was a new risk for the LSB in 2022/23 – the risk increased in the latter part of the financial year owing to MoJ delays.

On 1 June, two new Board Members were appointed to the Board: Clare Brown, non-lay member and Kate Briscoe, lay member. The risk has therefore significantly reduced in the first quarter of 2023/24.

## 3. Poorer consumer outcomes and low confidence in the legal services sector owing to lack of diversity in the profession →

### What is the risk?

There is a lack of clarity in the sector on diversity goals across all protected characteristics and it is not clear what interventions are needed to make a meaningful impact on improving diversity and inclusion.

There are shortcomings in the evidence base of barriers to entry and progression within the regulated community.

The LSB Board is not diverse in relation to the majority of protected characteristics.

### 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 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 hosted a successful conference in October 2022 titled "A diverse public deserves a strong, ethical and diverse profession".

### What is the impact?

Consumers are not able to access the help they need that takes account of their circumstances as the legal profession is not representative of the public it serves. Failure to meet the regulatory objective - a duty to encourage an independent, strong, diverse and effective legal profession.

The LSB Board lacks credibility with stakeholders and staff in relation to diversity issues, as a result of its own lack of diversity.

### How has this risk changed from the previous year?

This risk has remained static compared to the previous year.



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

<p><b>What is the risk?</b></p> <p>Operational performance at LeO fails to improve to expected standards in line with forecast trajectories, or declines, and there are concerns about delivery capability of the senior leadership team below Chief Legal Ombudsman and Chief Operating Officer level. Should Ministers decide to replace OLC this would reduce confidence in LeO and could have reputational consequences for the LSB given the decision to approve its budget application.</p>	<p><b>What is the impact?</b></p> <p>OLC performance continues to fall short of expectations, or declines from the current position, impacting on consumers and the profession. Poor outcomes for legal services consumers and reduced public trust and confidence in the sector. Deterioration of relationships with OLC and reduced opportunities for OLC 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.</p>
<p><b>How is this risk monitored and mitigated?</b></p> <p>The OLC Board has been strengthened and a budget agreed by the LSB capable of supporting sustainable performance recovery. The LSB agreed to new Scheme Rules in 2022/23 to help improve performance.</p>	<p><b>How has this risk changed from the previous year?</b></p> <p>This risk has decreased from the previous year as there is improving performance of the OLC.</p>

Matthew Hill  
Accounting Officer  
9 June 2023

# 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 2022/23 the LSB continued to oversee ten approved regulators, collectively responsible for regulating over 185,000 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.

The LSB takes account of the full range of risks that exists in the legal services market to 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 website.<sup>5</sup> Members are also required to declare any conflicts or 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.

<sup>5</sup> <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 and
- 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.

The Principal Accounting Officer for the MoJ has

appointed the Chief Executive as Accounting Officer for the LSB. 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

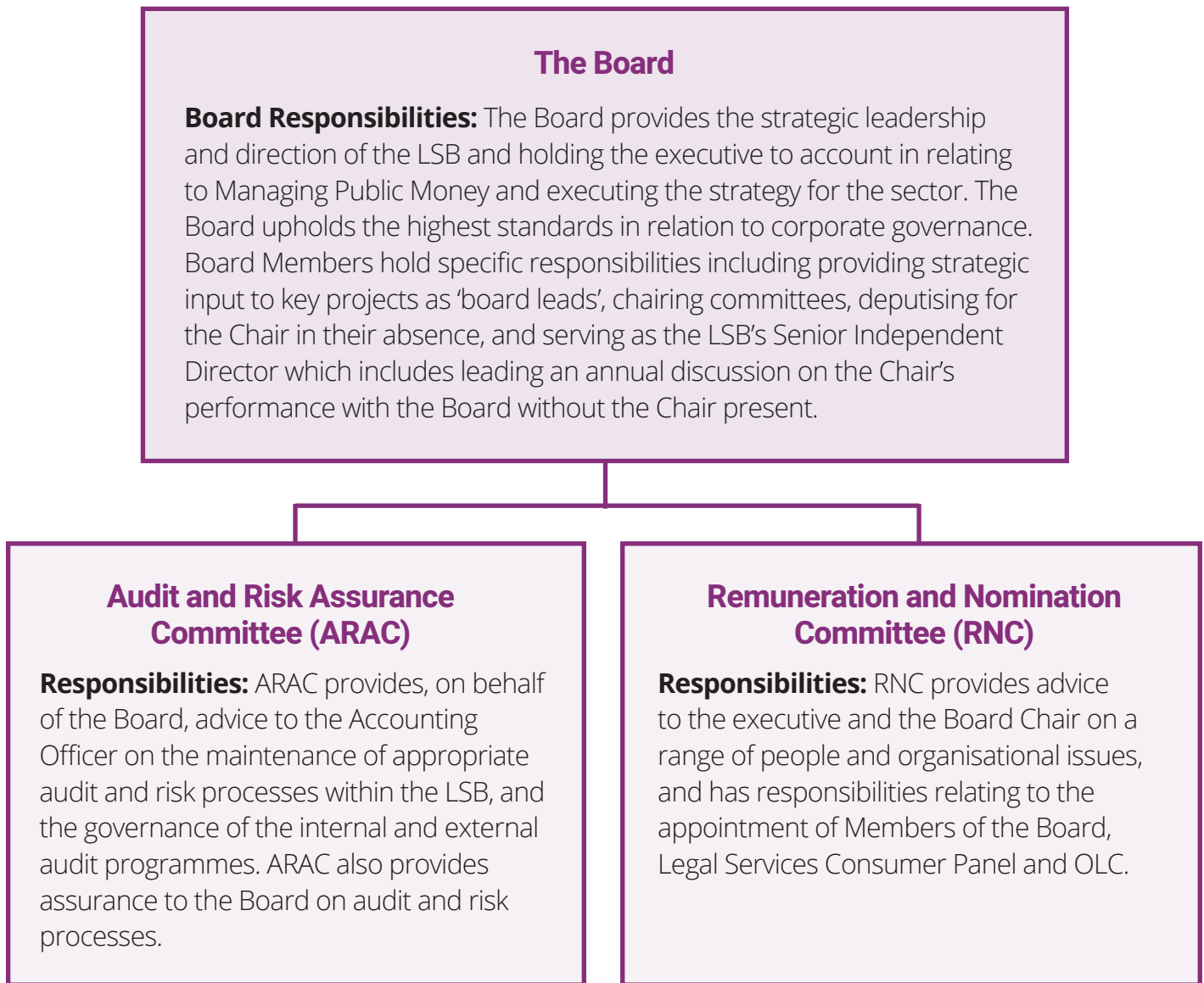
Internal audit services for the period of this report were provided to the LSB by Crowe LLP.

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 2023, a fee of £32k was charged for the external audit work that has been performed.

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



## Senior Leadership Team Membership:

- Chief Executive
- Director, Enabling Services
- Director, Regulation and Policy
- General Counsel
- Head, Finance and IT
- Head, Communications and Engagement
- Head, Performance and Oversight
- Head, Strategy and Policy

**Responsibilities:** Delivery of the LSB's strategic and business plans, related performance, management and financial information and ensures delivery of all executive activity and key business processes.

# The LSB's Annual Governance Statement 2022/23

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.

I am an executive member of the Board of the LSB. 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.<sup>6</sup> 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.

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<sup>6</sup> <https://legalservicesboard.org.uk/wp-content/uploads/2023/01/Governance-Manual-October-2022-FINAL-2.pdf>

## LSB Board

The LSB Board comprises both non-executive Members (including the Chair) and the Chief Executive. The Board met formally on 12 occasions during the period 1 April 2022 to 31 March 2023.

Board meetings are generally scheduled at least 12 months ahead, however extraordinary meetings can be called at shorter notice. Dates for these meetings are selected based upon the majority of members' availability.

Meeting attendance	
Dr Helen Phillips (Chair, Lay Member)	12/12
Catherine Brown (Lay Member)	11/12
Gary Kildare (Lay Member)	11/12
Stephen Gowland (Non Lay Member)	7/11
Habib Motani (Non Lay Member)	11/12
Jemima Coleman (Non Lay Member)	11/12
Ian Hamer (Lay Member)	2/2
Flora Page (Non Lay Member)	10/12
Catharine Seddon (Lay Member)	9/12
Matthew Hill (Chief Executive, Lay Member)	12/12

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.

## 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 2022/23, 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

Catharine Seddon (Chair)	1/1
Gary Kildare	4/4
Catherine Brown (Chair)	3/4
Stephen Gowland	1/3

### Remuneration and Nomination Committee

Gary Kildare (Chair)	2/2
Catharine Seddon	1/2
Jemima Coleman	2/2



## 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 reviewed in 2022/23 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 2023/24, 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 2023/24, including data on the number of new cases in the current year to date and an assessment of the likely impact of key external factors e.g. Covid 19 on demand. Further, information about how the organisation would respond in the event of volume fluctuation
  - b. staff costs and numbers broken down by function, making reasonable assumptions for vacancies
  - c. estimated split of expenditure between:
    - i. handling complaints about legal services
    - ii. policy and impact work, in particular to analyse and feed back to the sector learnings from handling complaints
- iii. anything else not covered by (i) and (ii).
- transparency about performance:
  - a. analysis of actual performance in 2022/23, with reference to the minimum delivery expectations in the 2022/23 budget application
  - b. risks and how they were to be managed and mitigated, for: i) the remainder of 2022/23; ii) 2023/24, 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 staff morale), 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 any 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 2023/24**

The OLC's draft application indicated a proposed budget increase for 2023/24 of 9.6%, which included estimates for inflation at 10% and a pay remit of 8%. Before adjusting for inflation and pay, the proposed budget was 1.4% higher than in 2022/23.

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

In approving the budget, the Board noted the performance improvement achieved by the OLC in 2022/23, despite it falling short of some targets. The Board recognised the need for the OLC to continue focusing on pursuing a pathway of stabilisation and recovery so that the Legal Ombudsman is delivering sustainable and acceptable performance; and that the budget should be set at the level which supports the OLC to deliver this.

### **Consent to Scheme Rules changes**

The Act requires the LSB to consent to changes the OLC proposes to make to the Scheme Rules. The OLC applied for a suite of significant changes in 2022/23 that are intended to reduce long customer wait times and improve the customer journey. The LSB Board consented to the changes, which will go live on 1 April 2023, including amendments to:

- reduce the time allowed to bring complaints
- limit the grounds for escalation of cases to a more limited set of circumstances
- extend the grounds for dismissal of complaints.

### **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 provide high quality, evidenced-based advice to the Legal Services Board, 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](http://www.legalservicesconsumerpanel.org.uk)

### **Executive leadership and key business processes**

#### **Senior Leadership Team (SLT)**

Chaired by the Chief Executive 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 and include 360 feedback from other Board Members.

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 focus 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.

The Board evaluation assessment for 2022 was conducted externally by Campbell Tickell following a competitive tender and is available on the LSB website.<sup>7</sup>

The evaluation confirmed that the Board observes principles of collective responsibility, support and respect. The Board also observed generally accepted principles of good corporate governance. Practical considerations such as induction, initial training, frequency and length of meetings were judged as being appropriate. The Board agreed a number of areas for development including:

- Whether 'SMARTer' measures could be deployed to support the Board in assessing progress on delivery of business plan objectives, and determining whether desired outcomes are being achieved
- Whether, from time to time, Board agendas could accommodate time for anticipatory / strategic thinking, and to consider 'lateral challenges' brought to it
- Consideration of options to bring diverse voices into the boardroom.

An action plan was developed based on these areas for development and progress is monitored and reported to the Board.

The Board committees – ARAC and RNC – assess their effectiveness by reviewing their performance against their Terms of Reference each year. This includes 360 feedback. 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 2022/23 were presented at the 21 March 2023 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

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<sup>7</sup> [https://legalservicesboard.org.uk/wp-content/uploads/2023/01/LSB-External-Board-Evaluation-2022-Final-report\\_November-2022.pdf](https://legalservicesboard.org.uk/wp-content/uploads/2023/01/LSB-External-Board-Evaluation-2022-Final-report_November-2022.pdf)

Money, and ongoing support to assist them in settling into their new roles. All new 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 2022 and in November 2022.

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 "deep dive" in 2022/23, looking at the LSB's communications and engagement 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 Chief Executive and 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 2022/23 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 2022/23 are ongoing, while others arise in year.

Specific risks managed in 2022/23 were as follows:

- regulators lack capacity and/or capability to deliver against expectations (following developments on the outbreak of war in Ukraine)
- the prospect of Board turnover during 2023 having 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 (page 30).

## Future risk considerations

The lease for the LSB's current premises in central London ends in September 2024 (although we have secured approval to negotiate a new short lease of one year). 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 (ie 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 2024/25 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 undertook a review of our functions against the Functional Standards in Spring 2022 in order to determine which particular standards and which domains applied to the LSB, and which did not. Each internal audit undertaken reviews our processes against the relevant Functional Standard and no issue were found as part of the audits conducted in 2022/23. Work planned for 2023/24 includes developing a methodology for reporting progress to our 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 2022/23 by Crowe LLP were as follows:

- A review of the Practising Certificate Fees



(substantial assurance)

- A review of Recruitment and Retention (substantial assurance)
- A review of the Regulator EDI (substantial assurance)
- A review of the LSB's approach to transparency (substantial assurance)

The Head of Internal Audit provided substantial assurance in respect of governance, risk management and internal controls in operation for the 2022/23 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 security remains a priority. The LSB attained Cyber Essentials Plus certification for the first time in 2021/22 and in March 2023, the LSB received re-accreditation for a further 12 months to March 2024.

During 2022/23 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 organisation.

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 2022/23, 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 2022 and to the Board in November 2022.

There were no whistleblowing incidents reported during the year.

## Quality of the data used by the Board

The SLT, chaired by the 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 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 Members 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.

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 2023, there were 9 Board Members – 4 men and 5 women.

## 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
Dr Helen Phillips (Chair)	9 March 2015	31 March 2023
Catharine Seddon	1 October 2016	30 September 2023
Catherine Brown	1 April 2019	31 March 2027
Flora Page	1 August 2020	31 July 2024
Gary Kildare	1 April 2021	31 March 2025
Jemima Coleman	18 April 2016	31 May 2023
Matthew Hill (Chief Executive)	20 August 2019	(see termination note above)
Stephen Gowland	1 August 2020	31 July 2024
Habib Motani	18 April 2022	17 April 2026

The table below has been audited and provides details of the remuneration of LSB Board Members who served during 2022/23:

Remuneration of Chair and Board Members		2022/23				2021/22				
LSB Board Member	Annual salary Rate	Salary	Pension	Bonus	Total	Annual salary Rate	Salary	Pension	Bonus	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dr Helen Phillips	60-65	60-65	-	-	<b>60-65</b>	60-65	60-65	-	-	<b>60-65</b>
Catherine Brown	10-15	10-15	-	-	<b>10-15</b>	15-20	15-20	-	-	<b>15-20</b>
Jemima Coleman	10-15	10-15	-	-	<b>10-15</b>	10-15	10-15	-	-	<b>10-15</b>
Catharine Seddon	10-15	10-15	-	-	<b>10-15</b>	10-15	10-15	-	-	<b>10-15</b>
Matthew Hill	140-145	140-145	14	15-20	<b>175-180</b>	140-145	140-145	14	10-15	<b>170-175</b>
Flora Page	10-15	10-15	-	-	<b>10-15</b>	10-15	10-15	-	-	<b>10-15</b>
Stephen Gowland	10-15	10-15	-	-	<b>10-15</b>	15-20	15-20	-	-	<b>15-20</b>
Gary Kildare	10-15	10-15	-	-	<b>10-15</b>	15-20	15-20	-	-	<b>15-20</b>
Habib Motani (from 18 April 2022)	10-15	10-15	-	-	<b>10-15</b>	-	-	-	-	<b>-</b>
Ian Hamer (until 4 July 2022)	10-15	0-5	-	-	<b>0-5</b>	10-15	10-15	-	-	<b>10-15</b>
Michael Smyth CBE QC (Hon) (until 17 April 2022)	10-15	0-5	-	-	<b>0-5</b>	10-15	10-15	-	-	<b>10-15</b>

All expenses related to Board attendance in London are reviewed to ensure the correct PAYE and Employer National insurance contributions are paid to HMRC.

Dependent on Board Members' location, these contributions have caused some variation in the salary band category between LSB Board Members.

From 2022, any additional PAYE or NICs due are paid to HMRC through a PAYE Settlement Agreement (PSA).

## Remuneration of Chair and Board Members

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.

# 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 2023, the LSB had 27 full-time employees and 12 part-time employees (2021/22: 29 full-time employees and 10 part time employees). 74% of the staff complement was female (2021/22: 62%) and 26% was male (2021/22: 38%). The LSB supports a range of flexible working patterns.

The LSB's average sickness absence was 5.8 days per full-time equivalent (2021/22: 3.4 days). Although the figure is higher than in 2021/22, we have also had higher-than-average long term sickness levels and when we account for that, the average sickness absence is 3 days per full-time equivalent.

The LSB's turnover rate was 13% in 2022/23 (2021/22: 21%).

The LSB does not engage any 'off payroll' staff. No specialist contractors were employed during 2022/23 (no specialist contractors were used in 2021/22).

## 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 2023, the six Senior Civil Service equivalents on the Senior Leadership Team, excluding the Chief Executive, comprised two men and four women.

## Senior civil servant equivalent by pay band

Salary band £'000	Number of senior civil service equivalent within band as at 31 March 2023	Number of senior civil service equivalent within band as at 31 March 2022
70-80	4	4
80-90	0	0
90-100	2*	3

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

## 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	5	3	0
Senior Civil Service equivalents	2	4	0
All others	7	25	0

Diversity information on LSB Board Members, the Consumer Panel and the executive is available on our website.<sup>7</sup>

<sup>7</sup> <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.

	2022/23 £000s	Restated 2021/22 £000s	% change
Band of highest paid director's total remuneration (£000)*	160-165	155-160	3%
LSB employees average total remuneration	61,445	60,172	2%
Upper quartile total remuneration (£)	72,629	71,176	2%
Median total remuneration (£)	57,443	55,504	3%
Lower quartile total remuneration (£)	47,130	44,275	6%
Pay Multiple to Upper Quartile	2.24	2.21	
Pay Multiple to Median	2.83	2.84	
Pay Multiple to Lower Quartile	3.45	3.56	
	2022/23 £000s	Restated 2021/22 £000s	% change
Highest paid director's salary and allowances	147,500	142,500	4%**
Highest paid director's bonuses and performance pay	17,500	15,000	17%
LSB employees average salary and allowances	61,029	59,948	2%
LSB employees average bonuses and performance pay	416	224	86%
Upper quartile salary and allowances (£)	72,435	70,876	2%
Median basic salary and allowances (£)	56,210	55,060	2%
Lower quartile salary and allowances (£)	46,683	44,275	5%
Pay Multiple to Upper Quartile	2.04	2.01	
Pay Multiple to Median	2.62	2.59	
Pay Multiple to Lower Quartile	3.16	3.22	

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

\*\* The highest paid director's actual pay award was 2% in 2022/23, in line with other LSB colleagues.

The prior year comparisons have been restated to include the benefits allowance in the calculation of the total remuneration, previously excluded, and to remove the highest paid director in the calculation of the median and percentiles of the employees average total remuneration and average salary and allowance, previously included. This has decreased the pay multiple to median for total remuneration by 0.26. In addition we have restated the disclosure to incorporate the median and quartiles salary and allowances balances and multiples as required by the FReM.

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.

The salary amount used is the salary as at 31 March 2023 not the salary amount paid in 2022/23.

Part time colleagues have been grossed up to full time equivalent salaries.

In 2022/23 the annual full-time equivalent rate of total remuneration ranged from £30,000 - £35,000 to £105,000 - £110,000 (2021/22: £25,000 - £30,000 to £100,000 - £105,000).

The pay award made to colleagues in 2022/23 was 2%, in line with the 2022 pay remit directive from the Cabinet Office.

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

## Remuneration of Executive directors (audited)

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	95-100	9	-	105-110
Restated 2021/22					
LSB Executive Directors	Annual salary Rate	Salary	Pension	Bonus	Total
	£000s	£000s	£000s	£000s	£000s
Danielle Viall*	100 -105	100-105	9	-	110-115
Holly Perry	100 -105	100-105	9	-	110-115
Chris Nichols (until 3 March 2023)	100 -105	100-105	9	-	110-115

\*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.

Annual salary rate reflects the full time equivalent salary and benefit allowance for the full financial year.

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

The prior year executive directors' remuneration has been restated to include the benefits allowance offered to all staff as part of their salary and benefits as required by the FReM, previously this was excluded from the director's salary. In addition the pension column has been restated to remove any employee contributions made to the employee's pension fund, as the FReM requires that this only incorporates the employer's contributions, which were included in the prior year. This has increased the total remuneration range by £5k for both Danielle Viall and Chris Nichols.

## 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.<sup>8</sup>

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 2022/23, 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:

	2022/23 Permanent Staff	2022/23 LSB Board	2022/23 OLC Board	2022/23 Consumer Panel	2022/23 Total	2021/22 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,082	173	124	164	2,543	2,450
Social security costs	256	15	9	16	296	273
Pension costs	294	-	-	16	310	280
Other staff costs	11	-	-	-	11	16
<b>Total</b>	<b>2,643</b>	<b>188</b>	<b>133</b>	<b>196</b>	<b>3,160</b>	<b>3,019</b>

<sup>8</sup> <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 cash. 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.

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:

	2022/23 Permanent staff	2022/23 Specialist contractor	2022/23 Total	2021/22 Total
Directly employed – LSB	33.2	0	33.2	31.7
Directly employed – Panel secretariat	2.0	0	2.0	2.2
<b>Total</b>	<b>35.2</b>	<b>0</b>	<b>35.2</b>	<b>33.9</b>

Redundancy costs are accounted for in full in the year that an irrevocable decision has been made. There were no redundancies in 2022/23 (2021/22: none). There were no costs of redundancy payments in 2022/23 (2021/22 £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 2022/23 (2021/22: nil). Redundancy payments – there were no redundancy payments made during 2022/23 (2021/22: £0k). Contingent liabilities – there were no contingent liabilities in 2022/23 (2021/22: nil).

Long term expenditure trends, which are unaudited, show budgeted expenditure for 2023/24 to be £4.679m. 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.

**Matthew Hill**  
**Chief Executive and Accounting Officer**  
**9 June 2023**

# 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 2023 under the Legal Services Act 2007.

The financial statements comprise the Legal Services Board's

- Statement of Financial Position as at 31 March 2023;
- 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 2023 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 require 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 the information included in the Annual Report, but does not include the financial statements nor my auditor's certificate. The Board and Accounting Officer are 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;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Lord Chancellor directions made under the Legal Services Act 2007;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Lord Chancellor directions made 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 Board and Accounting Officer anticipate 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 Service 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 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, and bias in management estimates. In common with all audits under ISAs (UK), I am also 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;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.



**Other auditor's responsibilities**

I am required to obtain evidence sufficient 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**  
**12 June 2023**

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 2023

	Note	2022/23	2021/22
		£'000	£'000
<b>Programme costs</b>			
Staff costs	5	3,160	3,019
Depreciation/amortisation	6, 7, 8	198	214
Other programme costs	2	902	799
		<b>4,260</b>	<b>4,032</b>
<b>Income</b>			
Levy income	3	4,255	4,047
Other income	4	5	6
		<b>4,260</b>	<b>4,053</b>
<b>Net (income) / expenditure</b>		<b>-</b>	<b>(21)</b>

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

The notes on pages 64 to 77 form part of these financial statements.

## Statement of Financial Position as at 31 March 2023

	Note	31 March 2023	31 March 2022
		£'000	£'000
<b>Non-current assets</b>			
Property and equipment	6	103	169
Right of use asset	7	156	243
Intangible assets	8	4	18
<b>Total non-current assets</b>		<b>263</b>	<b>430</b>
<b>Current assets</b>			
Trade and other receivables due within one year	10	110	133
Cash and cash equivalents	11	6,408	6,516
<b>Total current assets</b>		<b>6,518</b>	<b>6,649</b>
<b>Total assets</b>		<b>6,781</b>	<b>7,079</b>
<b>Current liabilities</b>			
Trade and other payables	12	286	448
Lease liabilities	16	132	132
<b>Total current liabilities</b>		<b>418</b>	<b>580</b>
<b>Non-current liabilities</b>			
Provisions	13	24	24
Lease liabilities	16	25	161
<b>Total non-current liabilities</b>		<b>49</b>	<b>185</b>
<b>Total assets less total liabilities</b>		<b>6,314</b>	<b>6,314</b>
<b>Taxpayers' equity</b>			
Income and expenditure reserve		6,314	6,314
<b>Total taxpayers' equity</b>		<b>6,314</b>	<b>6,314</b>

The notes on pages 64 to 77 form part of these financial statements.

**Matthew Hill**  
Accounting Officer  
9 June 2023

## Statement of Cash Flows for the year ended 31 March 2023

	Note	2022/23	2021/22
		£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating income / (cost)		-	21
<b>Adjusted for:</b>			
Depreciation/Amortisation	6, 7, 8	198	214
Notional Finance costs / (unwinding of costs)	2	(3)	3
Decrease/(increase) in trade and other receivables	10	23	(40)
(Decrease) in trade and other payables	12	(162)	(14)
Non-cash reclassification of lease liability to/(from) ROU asset		(19)	112
Non-cash reclassification of prepaid rent to ROU asset		-	(33)
Use of provisions	13	-	(74)
<b>Net cash inflow from operating activities</b>		<b>37</b>	<b>189</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(14)	(10)
Purchase of intangible assets	8	1	-
<b>Net cash outflow from investing activities</b>		<b>(13)</b>	<b>(10)</b>
<b>Cash flows from financing activities</b>			
Capital element of payments in respect of leases		(132)	(132)
<b>Net cash outflow from financing activities</b>		<b>(132)</b>	<b>(132)</b>
Net (decrease)/increase in cash and cash equivalents in the year		(108)	47
Cash and cash equivalents at the beginning of the year	11	6,516	6,469
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>6,408</b>	<b>6,516</b>

The notes on pages 64 to 77 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

Income and Expenditure Reserve		
	Note	£'000
<b>Balance as at 1 April 2021</b>		<b>6,293</b>
<b>Changes in Taxpayers' Equity 2021/22</b>		
Comprehensive net expenditure for the year		21
Notional transfer to Consolidated Fund		(4,053)
Notional receipt from sponsoring department		4,053
<b>Balance at 31 March 2022</b>		<b>6,314</b>
<b>Balance at 1 April 2022</b>		<b>6,314</b>
<b>Changes in Taxpayers' Equity 2022/23</b>		
Comprehensive net income for the year		-
Notional transfer to Consolidated Fund	1.3	(4,260)
Notional receipt from sponsoring department	1.3	4,260
<b>Balance at 31 March 2023</b>		<b>6,314</b>

The notes on pages 64 to 77 form part of these financial statements.

# Notes to the Financial Statements

## 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 2022/23 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.

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 imposed 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 IFRS 15 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 comprises 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 projects 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.

Consultancy expenditure over £10,000 is capitalised if it is directly attributable to bringing into operation a distinct asset with a life of more

than one year. All other consultancy expenditure is charged to the SoCNE when incurred.

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

Intangible assets	
Consultancy	4 years

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 commencement of a lease (or on the date of transition to IFRS 16, if later), the LSB recognises a right of use (ROU) 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 (ROU) 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 lease to which IFRS 16 applies in the LSB's circumstances is the London premises lease, which has an expiry date of 3 September 2024. For the material arrangements within the scope of IFRS 16, there are assets and liabilities of £156k and £157k respectively as at 31 March 2023.

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 is 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 10% of the salary for all colleagues 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 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 2022, the numbers of regulated professionals actually increased from same point in the previous year, thus giving assurance on the income streams of the Approved Regulators who in turn fund LSB.

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

## 2. Other programme costs

	2022/23 £'000	2021/22 £'000
External legal costs	34	24
Accommodation - VAT on licence to occupy fee	8	27
Accommodation – rates, services and other costs	93	15
Outsourced services	160	139
LSB Research costs	227	267
Other programme costs	108	102
Recruitment LSB Staff	34	41
Recruitment OLC Members	24	27
Recruitment Consumer Panel	-	7
Legal library services & reference	5	6
Consumer Panel (non pay)	58	46
Professional advisers	37	15
Training	50	51
Travel and subsistence – LSB Staff	7	0
Travel and subsistence – LSB Board	5	3
Travel and subsistence – OLC Board	7	6
Fees for statutory external audit work	32	25
Internal audit fees	15	15
Dilapidations	-	-
HMRC tax provision movement	-	(21)
Notional Finance costs / (unwinding of costs)	(3)	3
Loss on disposal	1	1
<b>Total cash items</b>	<b>902</b>	<b>799</b>
Depreciation	185	170
Amortisation	13	44
<b>Total non-cash items</b>	<b>198</b>	<b>214</b>
<b>Total other programme costs</b>	<b>1,100</b>	<b>1,013</b>

### 3. Levy Income

	2022/23 £'000	2021/22 £'000
Levy income from approved regulators	4,255	4,047
<b>Total</b>	<b>4,255</b>	<b>4,047</b>

### 4. Other income

	2022/23 £'000	2021/22 £'000
Licensing authority application fees	-	-
Termination fee	-	6
Legal costs recovered	5	-
Other income	-	-
<b>Total</b>	<b>5</b>	<b>6</b>

### 5. Staff costs

	2022/23 Permanent Staff £'000	2022/23 LSB Board £'000	2022/23 OLC Board £'000	2022/23 Consumer Panel £'000	2022/23 Total £'000	2021/22 Total £'000
Wages and salaries	2,082	173	124	164	2,543	2,450
Social security costs	256	15	9	16	296	273
Pension costs	294	0	0	16	310	280
Other staff costs	11	0	0	0	11	16
<b>Total</b>	<b>2,643</b>	<b>188</b>	<b>133</b>	<b>196</b>	<b>3,160</b>	<b>3,019</b>

## 6. Property and equipment

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

	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000
	Information technology	Furniture fixtures & fittings	Leasehold improvements	Total
<b>Cost</b>				
At 1 April 2021	79	200	57	336
Additions	4	6	-	10
Disposals	(2)	-	-	(2)
<b>At 31 March 2022</b>	<b>81</b>	<b>206</b>	<b>57</b>	<b>344</b>
<b>Depreciation</b>				
At 1 April 2021	27	63	16	106
Charged in year	17	42	11	70
Disposals	(1)	-	-	(1)
<b>At 31 March 2022</b>	<b>43</b>	<b>105</b>	<b>27</b>	<b>175</b>
<b>Carrying amount at 31 March 2022</b>	<b>38</b>	<b>101</b>	<b>30</b>	<b>169</b>
<b>Carrying amount at 31 March 2021</b>	<b>52</b>	<b>137</b>	<b>41</b>	<b>230</b>

The IFRS16 adjustment 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

	2022/23 £'000		2021/22 £'000
Cost	Land and buildings	Cost	Land and buildings
At 1 April 2022	343	At 1 April 2021	343
IFRS 16 Adjustments	22	IFRS 16 Adjustments	0
Additions	0	Additions	0
Disposals	-	Disposals	0
<b>At 31 March 2023</b>	<b>365</b>	<b>At 31 March 2022</b>	<b>343</b>
Depreciation		Depreciation	
At 1 April 2022	100	At 1 April 2021	0
Charged in year	109	Charged in year	100
Disposals	-	Disposals	0
<b>At 31 March 2023</b>	<b>209</b>	<b>At 31 March 2022</b>	<b>100</b>
<b>Carrying amount at 31 March 2023</b>	<b>156</b>	<b>Carrying amount at 31 March 2022</b>	<b>243</b>
<b>Carrying amount at 31 March 2022</b>	<b>243</b>	<b>Carrying amount at 31 March 2021</b>	<b>343</b>

The IFRS16 adjustments 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.

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

The lease term is 5 years and the lease will mature in September 2024. There is no break clause in the lease.

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

## 8. Intangible assets

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

Intangible assets	2021/22 £'000
<b>Cost</b>	
At 1 April 2021	93
Additions	1
Disposals	-
<b>At 31 March 2022</b>	<b>94</b>
<b>Amortisation</b>	
At 1 April 2021	32
Charged in year	44
Disposals	-
<b>At 31 March 2022</b>	<b>76</b>
<b>Carrying amount at 31 March 2022</b>	<b>18</b>
<b>Carrying amount at 31 March 2021</b>	<b>61</b>

## 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	2022/23 £'000	2021/22 £'000
Cash at bank	6,408	6,516
Levy income receivable	-	3
Other receivables	-	23
	<b>6,408</b>	<b>6,542</b>



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	2022/23 £'000	2021/22 £'000
Levy income receivable	-	3
Other receivables	-	23
Prepayments	110	107
Deposits and advances	0	0
<b>Total trade and other receivables</b>	<b>110</b>	<b>133</b>

## 11. Cash and cash equivalents

	2022/23 £'000	2021/22 £'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	6,516	6,469
Net (decrease) / increase in cash and cash equivalents	(108)	47
<b>Balance at 31 March</b>	<b>6,408</b>	<b>6,516</b>
<b>Balances at 31 March were held at: Government Banking Service</b>	<b>6,408</b>	<b>6,516</b>

## 12. Trade and other payables

Amounts falling due within one year	2022/23 £'000	2021/22 £'000
External suppliers	3	146
Payroll tax and social security	89	87
Statutory audit fee	32	25
Deferred income	32	51
Employee leave accrual	37	42
Accruals	93	97
<b>Total trade and other payables</b>	<b>286</b>	<b>448</b>

## 13. Provisions for liabilities and charges

	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	-	-	-
<b>At 31 March 2023</b>	<b>24</b>	<b>-</b>	<b>24</b>

	2021/22 £'000	2021/22 £'000	2021/22 £'000
Provisions	Dilapidations	Tax	Total
At 1 April 2021	24	74	98
Provision raised	-	-	-
Provision utilised	-	(53)	(53)
Provision written back	-	(21)	(21)
<b>At 31 March 2022</b>	<b>24</b>	<b>-</b>	<b>24</b>

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	161
<b>Lease Liabilities recognised under IFRS16 as at 31 March 2022</b>	<b>293</b>
Current	132
Non Current	25
<b>Lease Liabilities recognised under IFRS16 as at 31 March 2023</b>	<b>157</b>
<b>Maturity analysis</b>	
2023-24	132
2024-25	25

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

## 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 no material transactions with MoJ apart from 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 £140k for 2022/23 (2021/22 - £132k). During 2022/23 OLC Board Members were paid fees of £124k (2021/22 - £117k).

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.

There are no significant events after the reporting period to report.







LEGAL SERVICES  
**BOARD**

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

[www.legalservicesboard.org.uk](http://www.legalservicesboard.org.uk)

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