



Ministry of
JUSTICE

legal services
COMMISSION

Framework Document

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Joint introduction by The Rt Hon Kenneth Clarke QC MP, Secretary of State and Lord Chancellor and Sir Bill Callaghan, Chair, Legal Services Commission (LSC)

The relationship between each Non-Departmental Public Body (NDPB) and its sponsoring Government Department must be clearly defined in a way that supports the appropriate degree of delegation and operational independence of the body in question. The sponsoring Minister and Department must also be assured that management arrangements ensure propriety, regularity, value for money, and good quality services for the public.

NDPBs are accountable to Parliament and to the public for the way in which they carry out their functions. Ministers are accountable to Parliament for the performance and effectiveness of these bodies, and for the direction of the strategies and policies they were set up to fulfil. As an executive NDPB sponsored by the Ministry of Justice (MoJ), the Legal Services Commission must operate in accordance with the relevant statutory provisions, which in this case are laid out in the Access to Justice Act 1999 (the Act). These include its role to maintain and develop the Criminal Defence Service and Community Legal Service.

The LSC also operates with an appropriate degree of delegation and independence as set out in the relevant Cabinet Office guidance, and the day-to-day decisions that the Commission makes will be independent of Ministers. This is particularly relevant in relation to individual cases where it is essential that decisions taken around the grant of legal aid are made both fairly and objectively with reference to published criteria and guidance.

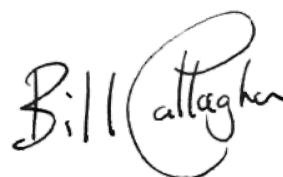
This Framework Agreement sets out the respective responsibilities of the Chair, Commissioners and the Chief Executive of the LSC as well as those for MoJ Ministers and their senior officials. It sets out the way in which relationships will be conducted between the two organisations, fostering a spirit of co-operation, joint working and transparency.

This document is therefore designed to support the work of both organisations, and to ensure effective and efficient operational and strategic policy development for legal aid – to ensure that it continues to provide an important service to many of the most vulnerable in society.

This Document has been produced following Sir Ian Magee's review into the delivery and governance of legal aid and replaces the 2004 Framework Document. In responding to the review the government stated its intention to convert the LSC to an executive agency of the MoJ. Legislation to bring this change of status into effect will be introduced as soon as Parliamentary time allows. This Framework Document will govern the relationships between the LSC, MoJ and its Ministers during the transitional period and until such time as the LSC is established as an executive agency. At that time a new Framework Document will be published.



**The Rt Hon Kenneth Clarke QC MP,
Secretary of State and Lord Chancellor**



Chair, Legal Services Commission (LSC)

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Introduction

This Framework Document has been drawn up by the MoJ in consultation with the LSC. This document sets out the broad framework within which the LSC will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by MoJ and LSC. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the LSC website.

Both the LSC and MoJ are committed to developing good working relationships at all levels which demonstrate: shared values in relation to the interests of access to justice for the most vulnerable in society, partnership working to better deliver government's priorities and objectives, openness and transparency in terms of sharing information to inform good decision making and policy development, and the avoidance of unnecessary bureaucracy and duplication. The MoJ Permanent Secretary and the Chair of the LSC share a joint responsibility to foster good relations at all levels between the two organisations.

This document will apply until the LSC becomes an executive agency of the MoJ at which time a new Framework Document will be drawn up.

1. Purpose of the LSC

- 1.1. Under the Access to Justice Act 1999 (the Act), the LSC was set up in order to support the strategic aims of the MoJ. Its main aim is to run the legal aid service in England and Wales.
- 1.2. Its statutory duties are to establish, maintain and develop two services: the Community Legal Service and the Criminal Defence Service. The Act prescribes the objectives of the two services as follows:
 - the Community Legal Service exists to ensure that for civil legal aid, individuals have access to services that effectively meet their needs within the resources available.
 - the Criminal Defence Service exists to ensure that for criminal legal aid, individuals involved in criminal investigations or criminal proceedings have access to such advice, assistance and representation as the interests of justice require.
- 1.3. The LSC's strategic aims are to ensure fair access to justice and to:
 - maximise access to quality services to meet the diverse needs of the clients it serves;
 - deliver a sustainable legal aid scheme and an efficient and diverse organisation; and
 - ensure the efficient delivery of justice and wider government priorities.

- 1.4. Its mission statement is:

The LSC will deliver, through high quality service providers, criminal advice and representation to people accused of a crime; and civil advice, assistance and representation to people with legal problems. By doing this, the LSC will enable people to safeguard their rights and address their problems.

Its work is essential to the fair, effective and efficient operation of the civil and criminal justice systems, and is also critical in helping to provide access to justice and fair trials for all.

Governance and accountability

2. LSC's legal origins of powers and duties

2.1. The LSC's powers and duties stem from Part 1 and Schedule 1 of the Access to Justice Act 1999.

3. Overall aims

3.1. The Lord Chancellor has agreed that subject to 1.3, the aims of the LSC should be as follows:

- i) to manage the delivery of legal aid through the operation, maintenance and development of the Community Legal Service and Criminal Defence Service.
- ii) to ensure that the schemes contribute to the overall legal aid strategy and policy as set out by the government.

4. Ministerial responsibility

4.1. The Lord Chancellor will account for the LSC's business in Parliament.

4.2. Ministers will determine policy on who should receive legal aid and in what areas of law it is available.

5. MoJ's Accounting Officer specific accountabilities and responsibilities

5.1. The MoJ's Principal Accounting Officer has designated the Chief Executive as the LSC's Accounting Officer. (The respective responsibilities of the Principal Accounting Officer and the Accounting Officers for NDPBs and other arm's length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the LSC Accounting Officer on appointment).

5.2. The MoJ's Principal Accounting Officer is accountable to Parliament for the issue of any grant-in-aid to the LSC. The Principal Accounting Officer is also responsible for advising the responsible minister:

- on an appropriate framework of objectives and targets for the LSC in the light of MoJ's wider strategic aims;
- on an appropriate budget for the LSC in the light of MoJ's overall public expenditure priorities; and
- how well the LSC is achieving its strategic objectives and whether it is delivering value for money.

5.3. MoJ's Principal Accounting Officer is also responsible for ensuring arrangements are in place in order to:

- monitor the LSC's activities on a continuous basis;
- determine how ministerial priorities in relation to legal aid can best be delivered in terms of policy and strategy implementation, working closely with the LSC who will determine how it

can best be delivered in terms of frontline services;

- address significant problems in the LSC, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the MoJ and LSC's objectives and activities;
- inform the LSC of relevant government policy in a timely manner; and
- bring concerns about the activities of the LSC to the LSC Commission Board, requiring explanations and assurances that appropriate action has been taken.

5.4. The Sponsorship and Performance Unit (SPU) on behalf of the Director General of the Justice Policy Group (JPG) in the MoJ is the primary contact for the LSC. SPU and the JPG are the main sources of advice to the responsible minister on the discharge of his or her responsibilities in respect of the LSC. JPG and SPU also support MoJ's Principal Accounting Officer in his or her responsibilities toward the LSC. In relation to legal aid, the aims of the JPG are to:

- develop and define the overall strategy and policy for legally aided services, drawing on LSC's operational knowledge and experience; and
- identify opportunities for whole system reform and ensure that other parts of the government do not initiate policies or strategies that have impacts on legal aid without consultation with the LSC.

5.5. If any urgent issues emerge in the relationships, service level agreements and/or decision-making responsibilities between the LSC and the MoJ, the issues should be escalated to the Head of the Sponsorship and Performance Unit who will help to resolve the issues satisfactorily on behalf of the JPG.

6. Responsibilities of the Chief Executive as LSC Accounting Officer

General

6.1. The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the LSC. In addition, he or she should ensure that the LSC as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money.

Responsibilities for accounting to Parliament

6.2. The accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;

- signing a Statement on Internal Control regarding the system of internal control, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the LSC are maintained and made widely known within the LSC;
- acting in accordance with the terms of the Treasury document, Managing Public Money and other instructions and guidance issued from time to time by MoJ, the Treasury and the Cabinet Office; and
- giving evidence, normally with the Principal Accounting Officer of the MoJ, when summoned before the Public Accounts Committee on the LSC's stewardship of public funds.

Responsibilities to the MoJ

6.3. Particular responsibilities to the MoJ include:

- establishing, in agreement with the MoJ, the LSC's corporate and business plans in the light of the MoJ's wider strategic aims;
- informing the MoJ of progress in helping to achieve its policy objectives and in demonstrating how resources are being used to achieve those objectives. This will include the determination of how policy can best be delivered by the LSC in terms of frontline services; and
- ensuring that timely forecasts (prepared jointly with MoJ) and monitoring information on performance and finance are provided to the MoJ; that the MoJ is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or other means, are notified to the department in a timely fashion.

Responsibilities to the Board

6.4. The Chief Executive is responsible for:

- advising the Board on the discharge of its responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the LSC's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- taking action as set out in paragraphs 3.7.5 of Managing Public Money if the Board or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical.

7. The LSC Board

- 7.1. The Commission should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Commission must set up an Audit Committee chaired by an independent non-executive member to provide independent advice. The Commission is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 7.2. The Board will oversee the discharge of the LSC's functions. The Board will consist of the Chairman, the Commissioners, the Chief Executive and the Finance Director who will all have equal decision making rights. The Board is specifically responsible for:
- establishing and taking forward the strategic aims and objectives of the LSC consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
 - ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of the LSC or on the attainability of its targets, and determining the steps needed to deal with such changes;
 - ensuring that any statutory or administrative requirements for the use of public funds are complied with; that it operates within the limits of its statutory authority and any delegated authority agreed with the MoJ, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, it takes into account guidance issued by the MoJ;
 - ensuring that it receives and reviews regular financial information concerning the management of the LSC; is informed in a timely manner about any concerns about the activities of the LSC; and provides positive assurance to the MoJ that appropriate action has been taken on such concerns;
 - demonstrating high standards of corporate governance at all times, including by using the independent Audit Committee to help it address key financial and other risks; and
 - appointing, with the responsible minister's approval, a Chief Executive and, in consultation with the MoJ, setting performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilisation of public resources.

The Chairman's personal responsibilities

- 7.3. The Chairman is responsible to the Lord Chancellor. Communications between the Board and the responsible minister should normally be through the Chairman. He or she is responsible for ensuring that policies and actions support the responsible minister's and where relevant other ministers' wider strategic policies and that LSC's affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the LSC.
- 7.4. In addition, the Chairman has the following leadership responsibilities:
- formulating the Board's strategy;

- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the MoJ;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

7.5. The Chairman also has an obligation to ensure that:

- the work of the Board is reviewed and is working effectively;
- the Board has a balance of skills appropriate to directing LSC business, as set out in the Government Code of Good Practice on Corporate Governance;
- Commissioners are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Commissioners, receive appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible minister is advised of LSC needs when Commissioner vacancies arise;
- he or she assesses the performance of individual Commissioners when being considered for re-appointment; and
- there is a code of practice for Commissioners in place consistent with the Cabinet Office model Code.

Individual Commissioner responsibilities

7.6. Individual Commissioners should:

- comply at all times with the Commissioners Code of Conduct and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations.
- comply with the LSC's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the LSC.

8. Annual report and accounts

8.1. The LSC must publish an annual report of its activities together with its audited accounts after the end of each financial year. The LSC shall provide the MoJ with its finalised (audited) accounts at a time to be agreed with MoJ.

8.2. The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (FRoM); and
- outline main activities and performance during the previous financial year and set out forward plans in summary form.

8.3. Information against performance on key financial targets is outside the scope of the audit and should be included in the annual report but not the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the LSC's website, in accordance with the guidance in the FRoM. A draft of the report should be submitted to the MoJ for approval by ministers before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the MoJ as well as the FRoM.

9. Internal audit

9.1. The LSC shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS) (http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm);
- ensure the MoJ is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
- set up an Audit Committee of its Board in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the LSC's Head of Internal Audit opinion on risk management, control and governance as soon as possible to the MoJ; and
- keep records of, and prepare and forward to the MoJ an annual report on fraud and theft suffered by the LSC and notify the MoJ of any unusual or major incidents as soon as possible.

9.2. The MoJ's internal audit service has a right of access to all documents prepared by the LSC's internal auditor, including where the service is contracted out.

10. External audit

10.1. The Comptroller & Auditor General (C&AG) audits the LSC's annual accounts and lays them before Parliament together with his report.

In the event that the LSC has set up and controls subsidiary companies, the LSC will in the light of the provisions in the Companies Act 2006 ensure that the C&AG is appointed auditor of those subsidiary companies that it controls and/or whose accounts are consolidated within its own accounts. The LSC shall discuss with the MoJ the procedures for appointing the C&AG as auditor of the companies.

10.2. The C&AG:

- will consult the MoJ and the LSC on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the LSC;
- will share with the MoJ information identified during the audit process and audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the MoJ's responsibilities in relation to financial systems within the LSC;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

10.3. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the LSC has used its resources in discharging its functions. For the purpose of these examinations, the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the LSC shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by C&AG which are held by other bodies.

Rights of access

10.4. The MoJ has the right of access to all LSC records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

Management and financial responsibilities

11. Managing Public Money and other government-wide corporate guidance and instructions

- 11.1. Unless agreed by the MoJ and, as necessary, HM Treasury, the LSC shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the Corporate Finance Team in the MoJ in the first instance. A list of guidance and instructions with which the LSC should comply is attached at Appendix 1. The MoJ and LSC Finance Directors will ensure that there is strong financial discipline at all levels and will be responsible for approving new investments and giving advice on material business decisions.
- 11.2. Once the budget has been approved by the MoJ and subject to any restrictions imposed by statute and the responsible minister's instructions, the LSC shall have authority to incur expenditure approved in the budget without further reference to the MoJ, on the following conditions:
- the LSC shall comply with the delegations set out in Appendix 2. These delegations shall not be altered without the prior agreement of the MoJ;
 - the LSC shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
 - inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
 - the LSC shall provide the MoJ with such information about its operations, performance, individual projects or other expenditure as the MoJ may reasonably require.

12. Corporate governance

Board appointments – the Chairman and Commissioners

- 12.1. The LSC Chairman and Commissioners are appointed for a period of up to five years by the Lord Chancellor. Such appointments will comply with the Code of Practice of the Office of the Commissioner on Public Appointments (www.ocpa.gov.uk/the_code_of_practice.aspx).

Board appointments – the Chief Executive

- 12.2. Under the Access to Justice Act 1999, the Chief Executive is appointed by the Board after consultation with and the approval of the Lord Chancellor.

Composition of the Board

- 12.3. In line with the Access to Justice Act and the government's Code of Practice on Corporate Governance (<http://www.hm-treasury.gov.uk/d/corpgovernancecode280705.pdf>) the Board will consist of between seven and 12 Commissioners (including the Chairman), the Chief Executive and the Finance Director. The Commissioners should have a balance of skills and experience appropriate to directing the LSC's business. For the LSC the Commissioners should between them have experience in or knowledge of the provision of services which the Commission can fund as

part of the Community Legal Service or Criminal Defence Service, the work of the courts, consumer affairs, social conditions and management. Their role is to support and constructively challenge the LSC's Executive.

13. Risk Management

- 13.1. The LSC shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance, Management of Risk: Principles and Concepts (http://www.hm-treasury.gov.uk/psr_governance_risk_riskguidance.htm). It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud (http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf). It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or give grant-in-aid.

14. Corporate and business plans

- 14.1. The LSC shall normally submit annually to the MoJ a draft of the corporate plan covering three years ahead. The draft should be submitted as soon as is practicable before the beginning of the financial year. The LSC shall agree with the MoJ the issues to be addressed in the plan and the timetable for its preparation. The plan shall reflect the LSC's statutory duties and, within those duties, the priorities set from time to time by the responsible minister (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how the LSC contributes to the achievement of the MoJ's wider strategic aims.
- 14.2. The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the MoJ. Subject to any commercial considerations, the corporate and business plans should be published by the LSC on its website and made available to staff.
- 14.3. The following key matters should be included in the plans:
- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
 - key non-financial performance targets;
 - a review of performance in the preceding financial year, together with comparable outturns for the previous three years and an estimate of performance in the current year;
 - alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
 - other matters as agreed by the MoJ and the LSC.

15. Budgeting procedures

- 15.1. Each year, in the light of decisions by the MoJ on the updated draft corporate plan, the MoJ will send to the LSC:
- a formal statement of the annual budgetary provision allocated by the department in the light of competing priorities across the MoJ and of any forecast income approved by MoJ. This budget allocation will set out the LSC's net expenditure limits within Resource Department Expenditure Limits (DEL) (split by administration and programme spend), Capital DEL, Resource Annually Managed Expenditure (AME) and (if relevant) Capital AME. A limit will also be set on cash spend. While the LSC remains an NDPB this cash payment will be made in the form of grant in aid; and
 - a statement of any planned change in policies affecting the LSC.
- 15.2. The approved annual business plan will take account both of approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

16. Grant-in-aid and any ring-fenced grants

- 16.1. The MoJ Estimate will include the resource and capital provision of the LSC within its voted budgetary limits. For the purposes of the LSC cash requirement, the Estimate will remove this provision and replace it with a cash grant-in-aid requirement within the Estimate.
- 16.2. The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The LSC will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the LSC. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at year-end, the MoJ will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year-end, such as creditors.
- 16.3. In the event that MoJ provides the LSC separate grants for specific (ring fenced) purposes, it would issue the grant as and when the LSC needed it on the basis of a written request. The LSC would provide evidence that the grant was used for the purposes authorised by the MoJ. The LSC shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

17. Reporting performance to the Department

- 17.1. The LSC shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The LSC shall inform the MoJ of any significant changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver ministers'

policies, and the achievement of key objectives. The LSC's performance shall be formally reviewed by the department on a quarterly basis. The Lord Chancellor will meet the Board once a year and have quarterly discussions with the Chairman and Chief Executive.

Providing monitoring information to the MoJ

17.2. As a minimum, the LSC shall provide MoJ with information monthly that will enable the MoJ satisfactorily to monitor:

- LSC's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings; and
- other data required for the Combined On-line Information System (COINS).

LSC/MoJ working level liaison arrangements

17.3. Officials of the Corporate Finance team in the MoJ will liaise regularly with LSC officials to review LSC financial performance against plans, achievement against LSC targets and the LSC expenditure against its DEL and AME allocations. The Corporate Finance team will also take the opportunity to explain wider policy developments that might have an impact on the LSC.

18. Delegated authorities

18.1. The LSC's delegated authorities are set out in Appendix 2. The LSC shall obtain the MoJ's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the LSC's annual budget as approved by MoJ;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the MoJ;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

19. LSC staff

Broad responsibilities for LSC staff

19.1. Within the arrangements approved by the responsible minister and the Treasury the LSC will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit; there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and the LSC performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the LSC's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and
- a code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies (http://www.civilservice.gov.uk/Assets/5_public_body_staffv2_tcm6-2484.pdf).

Staff costs

- 19.2. Subject to its delegated authorities, the LSC shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.
- 19.3. The MoJ may direct the LSC to join MoJ and/or government shared services (such as for finance and IT) to make the best use of resources, following discussion of the consequences and any cost changes being reflected in the financial allocation made to the LSC. These would be within a defined framework according to arrangements agreed between the LSC and MoJ.

Pay and conditions of service

- 19.4. The MoJ should have regard to Chapter 5 of the Cabinet Office Guide to Public Bodies that provides guidance on staff issues in public bodies (http://www.civilservice.gov.uk/Assets/5_public_body_staffv2_tcm6-2484.pdf). LSC staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by the MoJ and the Treasury.
- 19.5. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the Department together with subsequent amendments.
- 19.6. The LSC shall operate a performance-related pay scheme that shall form part of the general pay structure approved by the MoJ and the Treasury.
- 19.7. The travel expenses of Commissioners shall be tied to the rates allowed to senior staff of the LSC. Reasonable actual costs shall be reimbursed.
- 19.8. The LSC shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

Pensions, redundancy and compensation

- 19.9. LSC staff shall normally be eligible for a pension provided by its own scheme. Staff may opt out of the occupational pension scheme provided by the LSC but that employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.
- 19.10. Any proposal by the LSC to move from the existing pension arrangements or to pay any redundancy or compensation for loss of office, requires the prior approval of the MoJ if it is outside of the LSC's formal HR policies. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

20. Review of LSC status

- 20.1. There will be no further reviews since plans are currently underway to turn the LSC into an executive agency of the MoJ.

21. Arrangements for the change of status to an executive agency

- 21.1. The MoJ shall put in place arrangements to ensure the orderly transition of the LSC from an executive NDPB of the MoJ to an executive agency. In particular it should ensure that the assets and liabilities of the LSC revert to the MoJ. To this end, the MoJ shall:
- ensure that procedures are in place in the LSC to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the change in status effectively and to maintain the momentum of work inherited by the MoJ;
 - specify the basis for the valuation and accounting treatment of the LSC's assets and liabilities;
 - ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts; and
 - arrange for sign off of the closing accounts.
- 21.2. The LSC shall provide MoJ with full details of all agreements where the LSC or its successors have a right to share in the financial gains of developers. It should also pass to the MoJ details of any other forms of claw-back due to the LSC.
- 21.3. Changing the status of the LSC from an executive NDPB to an executive agency of the MoJ will introduce different accountability and governance arrangements, for example in funding arrangements. Implementation of these and the other changes required for the change in status will be achieved through a programme of work known as the 'Executive Agency Transition (EAT) Programme' which is jointly managed by LSC and MoJ. The team reports directly to a Programme Board, chaired by the LSC's Chief Executive and Programme's Senior Responsible Owner and its work is monitored within MoJ by an Oversight Board. At the time of publication of this document, detailed project plans and arrangements for the change in status are under development. Work will be taken forward to ensure that a new Framework Document, detailing the appropriate governance and accountability arrangements for executive agency status, is prepared for the launch of the new agency.

Appendix 1

Compliance with government-wide corporate guidance and instructions

The LSC shall comply with the following general guidance documents and instructions:

- this document;
- appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice
http://www.hm-treasury.gov.uk/psr_governance_corporate.htm
- Managing Public Money (MPM)
http://www.hm-treasury.gov.uk/psr_mpm_index.htm
- Government Internal Audit Standards,
http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm
- Management of Risk: Principles and Concepts:
http://www.hm-treasury.gov.uk/psr_governance_risk_riskguidance.htm
- Managing the Risk of Fraud,
http://www.hm-treasury.gov.uk/psr_managing_risk_of_fraud.htm
- Government Financial Reporting Manual (FReM),
www.financial-reporting.gov.uk/
- Fees and Charges, Chapter 6 of MPM;
- Departmental Banking: annex 5.7 of MPM;
- relevant Dear Accounting Officer letters
http://www.hm-treasury.gov.uk/psr_governance_dao_letters.htm
- Regularity, Propriety and Value for Money,
http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm
- The Parliamentary Ombudsman's Principles of Good Administration
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office);
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instruction and guidance issued by the central Departments;
- specific instructions and guidance issued by the MoJ as sponsor department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the LSC.

Appendix 2

Schedule of delegated authorities (information current as at the date of publication of this document)

Delegation from the MoJ	Limits that apply
Contracts for administrative expenditure	Limits per the Public Contract Regulations must be complied with.
Capital expenditure	MoJ approval required if over £1m.
Advertising and marketing spend	<p>Only essential campaigns will be allowed and will need to be signed off by Treasury.</p> <p>New contracts or the supply of government advertising and marketing services over £25,000 in value must be procured only through approved government frameworks.</p>
ICT expenditure	New ICT contracts, contract extensions/ modifications above a value of £1m must not be signed without specific agreement by the Treasury.
Acquisition of lease hold interests	MoJ approval required over £250,000.
Consultancy spend	New contracts over £20,000 in value must be signed off by a Departmental Minister.
Disposal of fixed or leasehold assets	MoJ must be notified of realisations of £20,000 or above.
Write-off of claims for monies due to the Commission and abandoned claims on third parties.	Write-offs in excess of £50,000 must be referred to the MoJ.
Charitable donations	MoJ approval if total annual donations are over £1,000.
Proposals for making gifts of an unusual nature	MoJ approval required if over £250.
Special Payments including extra contractual, ex gratia and compensation payments, extra statutory and extra regulatory payments	<p>All payments exceeding £50,000 must be referred to the MoJ.</p> <p>All cases regardless of value must be referred to the MoJ if they:</p> <ol style="list-style-type: none"> 1. are novel, contentious or give rise to important questions of principle 2. create awkward precedents or could cause repercussions for other departments or agencies 3. cast major doubt on the effectiveness of the internal systems of control

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