

## Major Provider Conferences – London

Thank you for inviting me to speak to you today.

I know from colleagues at the LSC who have attended these conferences in the past that they are very helpful.

It's important for us to hear your views. And I know that we have changed our plans in the past based on your advice.

Now, I had hoped to speak to you today about the MoJ's consultation response on proposed changes to legal aid.

But the response has not yet been published, so I'm afraid I do not have any detail to give you.

What I do know is that nearly 5,000 responses were received to the consultation. Considering each one obviously takes time and I'm not able to say when the response is likely to be published.

And, of course, Parliament has just risen for the Whitsun Recess. So it seems that we will all need to wait a little while longer for the details we're all so keen to see.

What I can say is that at the LSC we've been analysing the proposals to see what they would mean for us as an organisation and we would urge you all to do the same.

I say that without wishing to prejudge any decisions that the Government takes. But analysing the proposed changes in detail is helpful for:

1. considering what the changes would mean for you
2. what your reaction as a business would be

Thinking about what the future may hold reminds me of an old saying that “out of adversity comes opportunity”.

And I think we would all agree these are challenging times in the legal aid market.

But I’m an optimist. I think if we tackle our difficulties in the right spirit we can protect the value that the public places on the legal aid system for many years to come.

And if we’re all positive there are big opportunities to be had in terms of:

- more efficient working
- increased dialogue
- shared understandings of how we can help one another

I know you all appreciate that the legal aid system depends on public money. There will be less of that public money to go around in the years ahead. So it is essential that we improve the way we look after and spend that money.

Yes, the £2.1bn legal aid budget we had for 2010/11 is going to be reduced. But it remains sizeable even with the £350m of cuts that are being asked for by 2014-15 under the Comprehensive Spending Review.

We need to make the most of the money we have and the problem of overpayments is well publicised.

The National Audit Office – as part of its annual audit of the LSC – identified an estimated total overpayment of £76.5m in 2009-10.

So it’s essential that we work closely with yourselves to resolve the high level of errors that are being made in payments to solicitors and clients.

In an ideal world we wouldn’t want to audit at all. Some law firms complain that we are too intrusive in checking payment claims and I appreciate the work it involves.

But I hope you will appreciate that this is a difficult balancing act for us. We value your goodwill but we are heavily audited ourselves and we are under pressure from the Public Accounts Committee to be more rigorous in the checks we carry out.

We know that it's not easy for providers to be audited. But this is work that is a heavy drain on our resources as well as yours.

On our side we're trying to look at the world through your eyes.

These involved a large number of bidders competing against a fixed budget and there were some difficulties. We want to learn from the past and our review will inform the way future tenders are managed.

We will also continue to work with yourselves and your representative bodies to support independent quality measures in all areas of law.

This is important so that we have a common understanding of the standards needed for the award of an LSC contract.

Returning to the issue of errors we're working hard to reduce mistakes made by our own staff. But we do face big problems in this area because of:

- the large number of incorrect claims from providers
- applications from people without supporting eligibility evidence

Around 30% of the visits by our Contract Managers and 95% of audits by onsite auditors have resulted in at least one Contract Notice being raised.

In the last financial year this added up to more than 1,000 Contract Notices to deal with excessive or unsupported claims.

We don't issue Contract Notices lightly and each one of those notices has involved our staff in time, energy and work that could have been directed elsewhere.

As a result of the work we have done we managed to recover more than £11m in overpayments by the end of March 2011.

And I firmly believe that most providers do recognise that the LSC is treating this as a partnership and are trying to handle this issue as sensitively as possible.

Our own survey of nearly 300 offices where our contract manager had completed a financial stewardship visit showed that:

- 50% of providers find these visits useful and 37% partially useful
- money needed to be repaid in 59% of cases
- 63% of providers changed their systems or processes following our visits

This tells me that most providers are very constructive about these visits and are making adjustments to the way they work as a result.

This is much appreciated at the LSC because it means we can move on to help other providers who need more guidance and support.

Looking to the future as well as trying to simplify contracts we're very keen to build more online validation into both LSC and provider systems. We hope that will help you by making it more difficult to submit incorrect claims.

If we can get the correct information inputted first time that would really help us. That is why we would urge you to put in place accuracy checks of your own before you submit claims.

On our side, we've made some improvements already and will continue with IT initiatives to make our systems work as well for you as we can. Damon Norville will

say more about our IT initiatives when he updates you on our switch to online working for providers.

We're also committed to sharing any issues we uncover and are asking your representative bodies to help keep you all informed.

I'm sure you'll be pleased to learn that the holy grail for us is to keep on reducing our audit activity.

What we want to head towards is a place where each provider is audited once a year and potential issues are discussed during the visit.

The result of this visit will be either that:

- all issues are resolved and the next audit will be in a year's time
- minor issues need sorting out so a follow-up visit is arranged
- significant issues need looking at with more auditing to be carried out

I think all of us want the need for spending on legal aid to continue to be recognised and respected. If we work together in the right way on this problem I think we can go a long way to achieving that respect.

I believe eradicating payment errors is a great prize for all of us and I hope we can agree it is one that is worth reaching out for.

I said at the start that I'm an optimist. In fact, I think that people are often surprised at the good things that can flow from the most difficult of times.

I believe that if we support one another in the right way in tackling this issue it can only lead to new and more positive relationships.

That will be invaluable as we map out new ways of working in a period of change.

In summary, we have the chance to

- help one another become more efficient.
- build more co-operative ways of working
- improve the reputation of the legal aid fund

If we achieve those goals then I think we really will have shown that we've seized a valuable opportunity in times of adversity.

That is something we could all take pride in.