

Sir Bill Callaghan – CLSA Conference

Thank you for the opportunity to speak to you today.

I'm Bill Callaghan. I've been chair of the Legal Services Commission since 2008.

I'm also a magistrate and share with you all a strong belief in the value of legal aid.

It's a matter of record that I believe it says a lot of good things about our fundamental values in this country. That's why I was so keen to take up the post I hold at the LSC.

Sitting on the bench I've seen for myself the desperate plight of people who appear in our courts.

And I believe passionately that we share a belief in the importance of delivering the services people need as efficiently as possible.

So when I talk to you about the need for...

- dialogue
- co-operation
- focusing on shared concerns

...I'd like to stress that I always keep in mind those vulnerable people I see before me on the bench.

Now, I know we're all anxiously looking forward to 20 October.

That's when the new Coalition Government's comprehensive spending review is due to be announced. This will be followed later in October or November by publication of a fundamental policy assessment, in the form of a consultative document.

I cannot anticipate the contents of either the CSR or the Green paper. Those matters are entirely and properly a matter for ministers.

But, as you know, the Coalition Government has been clear about its intention to make cuts and find efficiency savings in the public sector.

We can be sure that the legal aid budget will not be immune. The LSC is the biggest spender among the many non departmental public bodies attached to our sponsor department – the MoJ. And the Ministry is being asked to come up with reductions of 25% across its cost base.

The fact is that our legal aid spend of £2.2 billion is almost a quarter of the Ministry's total budget.

It's too big to be overlooked. Greater efficiencies and new ways of working will be looked for. With expenditure of £2.2 billion that doesn't seem unreasonable.

There are bound to be changes as a result. That's never easy for any of us. But it's something all of us have to deal with in our lives. And change is certainly setting the agenda within the LSC.

There is a huge amount happening at the LSC. This includes big improvements on financial controls for payments from the legal aid fund for some categories of legal aid.

For example, we're working especially hard to build constructive dialogue with providers on overpayments.

Overpayments are a major headache for the LSC. As you'll appreciate, we have to act when we identify inaccurate claims on time and costs. Since January, we have had to recoup £1.7m resulting from inaccurate bills.

I know that you work hard to ensure all of your claims are accurate. But it is important that our relationship managers are able to see you when necessary and help to make sure that the processes are working for you.

I hope you understand that relationship manager visits are part of our efforts to improve our financial controls. This is especially important to the LSC following on from the criticism we received from the National Audit Office and the Public Accounts committee.

And I'm sure you'll appreciate that as a public body we have to put financial stewardship at the top of our agenda. I'm sure we all agree that the public money we receive should be used to help as many legal aid clients as possible.

Of course, the changes at the LSC also include preparing for our transformation from a non departmental public body into an Executive Agency.

This follows the review by Sir Ian Magee of the LSC and its relationship with the MoJ.

The scale of legal aid spending is such that it has a major impact on the efficiency of the wider justice system. So I can see there is a case for more closely aligning legal aid policy and delivery.

But I am clear that however the organisation is constituted my own role is not to set the fundamental policy direction. That is a job for ministers. I am appointed; ministers are elected. They are accountable to Parliament and ultimately the electorate.

Naturally, there will be concerns about how our move to Executive Agency status is handled.

There are big issues to be addressed and you can all make valuable contributions to the debate about what this change will mean.

Providers and clients will want to ensure important safeguards are in place. Examples include:

- Assurances that independent decision-making will continue – particularly in cases taken against the state.
- Retaining client confidentiality – especially important when we determine the merits of a case on the basis of information that is subject to legal professional privilege.

We have been working with the MoJ to look at how such issues have been managed in other countries. For example, New Zealand where the legal aid organisation recently became a ministerial agency.

Within the LSC we've taken some difficult but necessary decisions to prepare us for the future. The organisation is being reshaped and is already considerably smaller and leaner than it was two years ago.

We have fewer commissioners on the LSC Board, which now includes both the CEO and the finance director.

Tougher times lie ahead and the new Executive Agency will be smaller still. I believe that is the right approach. I'm in agreement on that point with the findings of the Magee Review.

As the LSC changes I'm clear that we need to keep building good relationships. We'll need your help so that we can maintain our focus on the needs of legal aid clients.

For my part I believe I must:

- listen to your concerns
- build open and honest dialogue
- establish the best ways of working together

After all, our budget is used to buy legal aid services on behalf of more than 2 million people. Those 2 million people are our first responsibility.

Delivering a quality service for as many people as possible means we have to:

- encourage efficiency
- obtain value for money for the taxpayer
- focus on the most essential work

It's a continuous process. But I believe it's only right that those firms able to deliver that quality service should be able to prosper – even in a new more challenging climate.

Of course, to make that happen we need shared understandings of what we expect from one another. For example, at the LSC we try to promote standards of excellence by asking for evidence of high quality in the services we buy.

Our quality measures include making sure that our legal aid advisers have the necessary mandatory accreditation. For example, the Specialist Quality Mark or the Law Society's 'Lexcel'.

You will know that we place great value on quality assurance. We see this as very much in the interests of legal aid clients. But I think it also helps you.

In a changing landscape I think the guidance that quality assurance offers helps to keep our focus.

We also have to look at the bigger picture and remember that our budget is paid for by taxpayers. They rightly expect the highest standards and value for money. I think the move to the Litigators Graduated Fee scheme is particularly important here.

This has allowed us to move away from a system that simply pays people for hours worked to one where outputs and outcomes are rewarded instead. It is something that was called for under the Carter Review into the procurement of legal aid.

I'd like to say a few words now about the latest crime contracts and duty solicitor rounds.

There were difficulties. We've already apologised for the confusion and disruption that was caused. I'm happy to repeat that apology today. Time permitting, I would be happy to go into details in the Q and A session.

I would like to particularly thank the CLSA chair Mike Jones for his input during this difficult period. We have benefited from his help.

I'm very pleased to note that we have such a healthy demand for crime contracts. In the most recent contract round there were 100 new bidders among the 1,700 firms tendering for work.

And it seems that in future there will be more actors on the scene for us to negotiate contracts with.

I'm thinking particularly of the criminal Bar's intention to negotiate directly with the LSC for contract work through the proposed new ProcureCo model.

The chairman of the Bar Council Nicholas Green has been actively promoting this approach.

He believes it is important to face up to the new financial climate and realities and meet them head on.

And he's been flagging up the idea that solicitors should be able to team up with barristers to provide legal aid services.

The BAR sees ProcureCo as an innovative model that they believe would be compatible with the future direction of the legal services market. It has also been very clear that price based competition could return in the future.

I believe it is sensible to recognise that this is very possible.

Lord Carter was clear about his desire to see the development of a 'healthy legal services market'. This is the key to encouraging good and efficient providers running effective and profitable businesses.

It's an approach designed to give the right level of access and coverage for the very different communities that exist around England and Wales. We need affordable solutions that deliver the services people need in their local areas – in simple terms, value for money.

There will be differences of opinion about this. But I think we can work them through together with goodwill, discussion and a strong focus on client needs.

Despite a lot of robust exchanges I feel we did achieve a lot in our discussions over Best Value Tendering. It wasn't always easy for any of us. For example, I well remember wishing I had a flak jacket when I made an address to your CLSA conference in Westminster back in May 2009.

And, of course, BVT was eventually withdrawn by the MoJ. But between my May speech and the December 2009 announcement that BVT would not be going ahead I was very encouraged at the spirit of co-operation that was built up.

On our side we:

- consulted widely making 60 visits around the country
- listened to your concerns about timescales
- amended our proposed timetable to allow for a longer pilot and wider evaluation

So, although the scheme did not go ahead I think there were gains on all sides.

We worked together – and that's important.

After all, change is all around us and will be the only constant in the legal aid market for many years to come.

We need to keep working on common approaches to improving service delivery and building greater efficiency.

We need to keep legal aid relevant, worthwhile and strong enough to withstand attack from people who question its value in the 21st century.

We need to ensure that the value of legal aid work continues to be recognised. The work I know this audience is so committed to delivering on behalf of those vulnerable people I see from the bench.

The challenges ahead for public funding will be great.

The choices will be difficult.

The solutions will not come easily.

But I am confident that by continuing to talk and listen we can try to understand the respective pressures that we face.

We can then make the process work better for you and your members, my team and most importantly for the clients that we are all here to help.

Thank you.