



Ministry of
JUSTICE

**Legal Services Commission move to
Agency Status (Business Case)**

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1. Background and Purpose

1.1 This document sets out the Business Case for changing the status of the Legal Service Commission (LSC) from a Non-Departmental Public Body (NDPB) to an Executive Agency (EA) of the Ministry of Justice (MoJ). Its purpose is to provide sufficient information for the Programme Board, Ministry of Justice Management Board and HM Treasury to be informed of the financial costs and benefits arising from a change to the LSC's status and ultimately proving there is a sound case for the change in status.

1.2 A rudimentary legal aid system was established in 1949 and was administered by The Law Society until an independent public body – the Legal Aid Board, with its own governance structure – was created in 1988. The Access to Justice Act 1999 ushered in a new era with the creation of the Community Legal Service (CLS) and Criminal Defence Service (CDS). Both schemes were to be run by the newly created LSC operating with broadly the same governance arrangements as before, as an Executive NDPB, reporting to and sponsored by the then Lord Chancellor's Department.

1.3 The LSC was given wide powers when it was set up, but the Access to Justice Act was not explicit about where the responsibility for policy development lay between the MoJ and the LSC. There have been several policy reviews of legal aid since then, but none that have looked at delivery and governance arrangements.

1.4 Despite a commitment from the LSC and the MoJ to ongoing improvement in the organisations' relationship, over recent years the LSC has received a number of fundamental criticisms culminating in qualification of the 2008 – 2009 accounts. The relationship between the LSC and the MoJ, and its Ministers had become increasingly remote and the clarity around the policy role of Ministers and the MoJ as opposed to the LSC was creating discord and confusion for legal aid providers. This led to a 'Review of Legal Aid Delivery and Governance' conducted by Sir Ian Magee. Since the publication of his findings in March 2010 the Government has stated its intention to change the status of the LSC to become an EA of the MoJ.

1.5 In his review Sir Ian Magee was asked to assess the delivery and governance arrangements of the legal aid system and make recommendations to:

- Explore the separation of the CDS and CLS and options for doing so effectively and efficiently should that be the recommended way forward;
- Provide for effective and transparent financial management of both funds and their administration;
- Provide for effective Ministerial accountability and policy direction in respect of both the CDS and CLS, while continuing to ensure that every application to the CLS and CDS funds is decided fairly, within the criteria, at arm's length from government; and
- Identify appropriate delivery models for both the CDS and CLS and their relationship with the Ministry.

1.6 The Executive Agency Transition Programme will create the Agency, providing a catalyst for modernising the administration of legal aid and addressing the above.

2. Our Vision

2.1 It is the intention of both the LSC and the MoJ to give providers and the public, strong and clear strategic direction. That is, one legal aid strategy that removes the confusion and administrative difficulties caused by having a lack of clarity on 'who is calling the shots' on policy issues for legal aid. The MoJ and Ministers must lead on policy development and the LSC must have a say and be able to influence and implement policy and service delivery.

Furthermore, the MoJ needs clear and unambiguous alliances with other Government departments ensuring a co-ordinated approach to policy making in recognition of the wider impact of legal aid policy across both the justice system and in relation to wider public policy.

2.2 Sir Ian Magee's report on the 'Review of Legal Aid Delivery and Governance' describes significant shortcomings in the existing organisational arrangements and concludes that:

"...given the evolution of the requirement on the LSC, and the different positioning of the Ministry, it would be surprising if the delivery vehicle appropriate to ten years ago was still fit for purpose today. However the length and breadth of concern is now substantial and there is an urgent need for action."

2.3 Key stakeholders have welcomed the decision to change the status of the LSC. They believe that as an EA, the LSC and MoJ working collaboratively, will be more efficient in supporting the ever-increasing demands on legal aid services.

2.4 Whilst the LSC remains an NDPB, if its Commissioners and Chief Executive choose to operate in an un-co-operative manner and contrary to Government policy then, it could be difficult for Ministers to exert sufficient influence and gain an acceptable level of control which matches the accountability they have and are perceived to have by the public. Equally the Departmental Accounting Officer needs direct accountability for the legal aid fund which constitutes 25% of the Ministry's budget.

2.5 As an NDPB the LSC is not part of the Crown, is a legal entity in its own right, and employs staff who are not civil servants. Despite some similarities in the way NDPBs and EAs operate, the most significant difference and the one that has caused the most concern, is the extent to which the LSC operates at 'arms length' from its sponsor Government department. This came to a head in 2009 following the qualification of the LSC's 2008-2009 Accounts. The MoJ as sponsor department was carrying the burden of accountability despite its distance from the Commission and its limited formal ability to influence the LSC's approach, due to the Commission's statutory foundation.

2.6 These concerns additionally highlighted shortcomings in the MoJ's sponsorship of the LSC as an NDPB and the need for review and reform of the existing arrangements to ensure appropriate accountability.

2.7 This vision and clarity of roles will be most easily achieved by changing the status of the LSC from an NDPB into an EA of the MoJ. This will ensure improved governance, greater accountability to Ministers, stringent scrutiny in relation to fund control and stronger performance management.

3. The Case for Change

3.1 The case for change centres on achieving:

- clarity of accountability for legal aid (both politically and financially);
- one policy voice;
- clarity around roles and responsibilities;
- improved financial management and performance; and
- more robust governance and collaborative working and sponsorship arrangements between MoJ and LSC.

3.2 The rationale is that a change to Agency status provides the best opportunity to create an organisation that is flexible to manage future change and enable improvements to a system that lacks clarity and transparency, and has had poor financial control.

3.3 The declared intention to change the status of the LSC was predominantly motivated, by a need to improve the delivery of legal aid both to the ultimate client and to create greater clarity of accountability to providers of legal aid. A change in status will also encourage readier sharing of accommodation and utilisation of shared corporate services (where deemed effective), which will drive significant efficiency savings, alongside greater organisational accountability.

3.4 Any programme to change the LSC's status will need to interact with other significant work programmes already underway to improve the control frameworks within which legal aid is administered and deliver efficiency savings, namely:

- introduction of new technology and infrastructure, which will deliver significant benefits to clients, providers and LSC staff and provide a sharper control environment for payments; and
- improvement of financial stewardship – responding to the criticisms reported in the NAO report, developing, and implementing standard accounting systems.

3.5 This interaction is essential both for planning purposes and also because failure to deliver on the above two programmes will impact on the qualification of the LSC's accounts which will in turn impact on the MoJ accounts either at the time of change in status or in 2011-2012 as a part of

new 'clear line of sight' accounting rules. It would also put at risk delivery of planned efficiency savings.

3.6 In line with NAO guidance this Business Case presents two options for consideration, which are: for the LSC to continue but as a revitalized NDPB with a streamlined organisational structure (**Do minimum option**); or to change its status to an Executive Agency (**Preferred option**). The business case assumes a start date for the agency of 1st October 2012, due to the need for primary legislation to abolish the LSC and transfer legal aid functions to MoJ.

3.7 Additionally the Business Case:

- considers the strategic context for change highlighting potential service benefits to clients and providers;
- describes the key assumptions used in determining the cost/savings analysis;
- sets out financial and resource requirements describing the economic and value arising from any change; and
- considers whether the financial plan is both affordable and achievable within the timescale assumed, given all the dependencies and risks.

4. Strategic Context

4.1 The current system for decision making with regard to policy is unclear and confusing and is compounded by organisational barriers between the MoJ and LSC. In particular:

- accountability for decisions about legal aid policy and procurement is ambiguous;
- legal aid policy has been considered separately from wider justice policy issues, particularly within the LSC; and
- financial control of the legal aid budget by the LSC has been weak.

4.2 Additionally there is a need to ensure the role of Ministers (their direct accountability and responsibility) is both transparent and understood by those who use legal aid services and the wider public.

4.3 Through a change in status the LSC and MoJ will be able to jointly provide for better and improved:

- Performance Management:
 - the MoJ will be able to operate a standard performance management framework consistent with businesses within its remit and better align all justice policies performance and benchmark service provision with other agencies;
 - it will allow a rapid MoJ response to pressures, changes in priorities and new government initiatives both on legal aid but also where legal aid interacts with the wider justice system.

- Management of resources:
 - it will enable consistent and tighter control of financial management by MoJ corporate finance with complete financial transparency to the Departmental Accounting Officer and Ministers;
 - legal aid supports the operation of courts and tribunal and interacts with many justice agencies. Policy development and policy implementation should be considered in conjunction with sister organisations/agencies in order to ensure wider efficiency and service improvements through improved resource management across the justice system;
 - it will provide greater opportunity for efficiency savings through rationalisation of areas of duplication such as the estate portfolio, and through sharing corporate functions with the wider MoJ family.
- 'Joined up' services:
 - it will facilitate a reduction in the delays and inconsistency in the management of trials by linking into the streamlined processes being developed within the wider justice system (especially HMCS for crime case management processes) which should in turn reduce the cost of the wider justice system;
 - ensure a focus on early advice and alternative dispute resolutions with other MoJ agencies and partners.

Governance

4.4 The Agency will have in place effective arrangements to provide assurance on Governance, risk management and internal control. These arrangements are in line with Cabinet Office best practice 'Guide for Departments' which provides an overview of the processes and responsibilities within Departments and their Executive Agencies.

4.5 The Agency will therefore have a Governance structure with the following key features in place:

- An Agency (Management) Board supported by an Executive Board and Audit Committee.
- Three non-executive Board members (one of whom may be on the MoJ's Departmental Board) who will be supportive, advisory and enabling while, also providing leadership, strategic direction and constructive challenge and the ability to identify associated risks to business delivery.
- One non-executive will chair the audit committee and will therefore be required to have relevant finance and audit experience. Additionally a second non-executive might usefully have proven knowledge and relevant experience in delivering an operational service to customers. Finally, one non-executive should have experience and knowledge of operating in the sector, while not being an economic operator with a contract for legal aid funding.

- The appointment of non-executives will be by an open and transparent process and allow for a suitable induction period prior to the vesting of the Executive Agency

5. Options

5.1 This section sets out the options considered and the rationale in terms of value for money and other benefits that would be derived through the move to agency status.

5.2 The issue of pension arrangements is a feature of both options and is detailed in paragraphs 6.3 – 6.8 below.

5.3 The Business Case considers the following options:

- **Do minimum option** - LSC to continue in its present form and deliver reform and change as an NDPB but with a streamlined organisational structure; and
- **Preferred option** - changing the LSC's status to Executive Agency with effect from 1 October 2012.

5.4 The strengths and weaknesses, and Net Present Value of each are detailed below. The working assumption is that transition costs will be kept to a minimum and met from existing budgets within the LSC and MoJ. While the recent changeover to the MoJ's ICT platform will reduce any IT migration costs, potentially there will be additional IT costs in becoming an Executive Agency. These are detailed in paragraph 6.15 below.

5.5 Both options assume a transfer of functions, staff and budgets. The transfer of functions within the preferred option is much greater in that the shared services arrangement within MoJ can be maximised as the LSC will no longer be a separate legal entity. This will facilitate greater efficiencies.

5.6 Regardless of whether there is a change in status, work is underway to develop and implement a new high level organisational structure. The structure charts (Annex A) show the two target models, one remaining as an NDPB the other moving to Executive Agency status.

5.7 The affordability and cash flow comparisons are covered in chapter 6.

Do minimum option

5.8 This option does not change the governance status of the LSC, but it continues with its current reform and change agenda, with a streamlined organisational structure.

5.9 The strengths and weakness of the do minimum option are:

Strengths

- *Continuity* - continuing with the current structure would preserve the LSC brand which is widely recognised.
- Transfer of staff not necessary.
- *Independence of decision-making* - by remaining a NDPB there will be no need to change existing arrangements, safeguarding the independence required around consideration of decisions in individual cases, particularly those taken against the state.
- Ministers are able and could seek to disassociate themselves from unpopular delivery decisions.

Weaknesses

- The division and duplication between policy within the LSC and MoJ will continue to cause confusion, continuing the practice of un-collaborative working.
- The total cost of LSC fund and admin budgets represents 25% of the entire MoJ budget. There is a significant risk that indirect management of this budget could lead to poor risk control and consequentially poor value for money.
- Perception from external stakeholders that nothing has changed – and confusion around ‘who calls the shots’ remains.
- The organisation would remain at arms length – and issues around accountability and lack of clarity would continue; Ministers would have limited direct control.
- The LSC remains an outside player within the MoJ, which creates tension as MoJ managerial decisions, are largely made without any input from LSC (which as previously stated represents 25% of the MoJ’s budget).
- The LSC would not be able to achieve the full SR10 reduction (of £25m) in its administration budget, as it would need to retain its own service provision in areas that could otherwise be shared or centralised.
- Limits the opportunity to align service delivery systems across the MoJ family e.g. debt recovery, payments.
- Limits the opportunity of taking advantage of shared corporate services within the MoJ.
- The staff of the LSC would remain accountable to Commissioners and not Ministers.

5.10 Remaining as an NDPB, the LSC would need to retain a greater level of separation in regard to corporate functions as mentioned above. This means savings through management efficiencies and shared and centralised services will not be as great and wide ranging as is achievable as an Executive Agency.

5.11 The staff of the LSC are not civil servants and this is a significant barrier to combining corporate services. In order to introduce shared and centralised services a proportion of staff would need to be transferred under COSOP to the Ministry. This in turn would mean these staff transferring into

the Civil Service Pension Scheme (CSPS), so worsening the funding position of the LSC pension scheme.

5.12 Despite these constraints, improvements could be made around financial control and some streamlining of shared services, and these are detailed in the table under paragraph 6.10 below. However the risk in relation to control of the fund and the potential for the relationship to become increasingly independent and remote from Government will remain a strong possibility. This option will not, therefore, mitigate the reputational and political risk for Ministers.

Preferred option

5.13 The LSC becomes an Executive Agency. The current planning assumption is that this will take effect on 1st October 2012. This option provides for a more effective contribution to wider MoJ and justice modernisation, leading to faster and increased delivery of efficiencies and improved service delivery.

5.14 The strengths and weaknesses of the preferred option are detailed below.

Strengths

- *Sole* accountability at a ministerial level for the decisions taken on legal aid policy.
- *Quicker* decision making on spending review implications of changes to legal aid.
- *Fresh start* – the new organisation would have a new identity. This would help distance the organisation and its work from that of the LSC – a brand that has received criticism from a number of areas and groups of stakeholders.
- *Focus* on developing skills and expertise in the areas it has responsibility for, such as commissioning, procuring and administering legal aid services, rather than having to focus on a wider range of areas.
- *Improved relationships with stakeholders* - stakeholders have welcomed Ministers decision to change the status of LSC. This has been continually voiced and supported by evidence of dissatisfaction with the current system.
- *Provides* for the MoJ's Principal Accounting Officer and Ministers to have direct control of risk, potential risk to the fund and staffing.

Weaknesses

- The current economic climate is fragile and this option presents the highest costs in terms of redundancy and possible IT migration.
- Potential adverse implications associated with perceived reduced independence of case-by-case funding decisions. Also, potential challenge under ECHR if solution not considered robust enough.

5.15 A move to agency status and implementation of the target organisational structure will enable a more ambitious change to the LSC operating model and will significantly rationalise how core business is undertaken. The maximum savings deliverable over the 2010 Spending Review will only be attainable through a change in status and full movement to MoJ Shared Services and Corporate Functions, as detailed under the 'preferred option'.

Net Present Value (NPV)

5.16 As can be seen in the two tables below, the Net Present Value (NPV) of implementing the do-minimum option is estimated to be **+£4.4 million** at 2010-2011 prices, whereas the NPV of the preferred option is **+£13.9 million**.

5.17 Although the total costs of moving to agency status are greater, the associated benefits are much larger – e.g. due to better use of centralised services – thus producing a bigger NPV over the period. This means that the move to agency status is clearly the better option for the LSC/MoJ. Making a 20% adjustment for an “optimism bias” factor of 20% results in a lower NPV for both options, with a NPV of **+£3.0m** for the do-minimum option and a NPV of **+£7.9m** for the preferred option.

2010/11 £m		2010-11	2011-12	2012-13	2013-14	2014-15	TOTAL
Option 1: reform, but remain NDPB	Costs						
	Severance	0.0	-0.2	-0.1	-0.6	-0.4	-1.3
	Total cost	0.0	-0.2	-0.1	-0.6	-0.4	-1.3
	Benefits						
	Shared and Centralised Services	0.0	0.0	0.7	2.0	1.8	4.5
	Management Efficiencies	0.0	0.9	0.4	0.3	0.0	1.6
	Total benefit	0.0	0.9	1.1	2.3	1.8	6.1
	Net benefit	0.0	0.7	1.0	1.7	1.4	4.8
Discounted net benefit	0.0	0.7	0.9	1.5	1.2	4.4	
<i>Net Present Value</i>						4.4	

2010/11 £m		2010-11	2011-12	2012-13	2013-14	2014-15	TOTAL
Option 2: reform and become Executive Agency	Costs						
	Severance	0.0	-0.3	-0.2	-0.9	-0.9	-2.3
	Programme Management	-0.4	-0.4	-0.2	0.0	0.0	-1.0
	IT Migration	0.0	-2.5	-2.5	0.0	0.0	-5.0
	Pensions - Legal and Actuarial Advice	0.0	-0.2	0.0	0.0	0.0	-0.2
	Total cost	-0.4	-3.4	-2.9	-0.9	-0.9	-8.5
	Benefits						
	Shared and Centralised Services	0.0	1.7	4.0	5.8	10.3	21.8
	Management Efficiencies	0.0	0.9	0.8	0.3	0.0	2.0
	Commissioners	0.0	0.0	0.1	0.2	0.2	0.5
Total benefit	0.0	2.6	4.9	6.3	10.5	24.3	
	Net benefit	-0.4	-0.8	2.0	5.4	9.6	15.8
	Discounted net benefit	-0.4	-0.8	1.9	4.9	8.4	13.9
	<i>Net Present Value</i>						13.9

6. Affordability

6.1 The Executive Agency Transition Programme is currently planning to launch the Agency on 1st October 2012, initially with limited change, but enabled thereafter to drive more radical change and performance through new streamlined and integrated business processes and procedures. The cost of the Programme therefore provides for the minimum needed to change the status of the LSC and implement an Agency 'fit for purpose' and capable of delivering financial savings needed following the outcome of SR 2010.

6.2 The cash flow table at paragraph 6.16, shows that over the SR 2010 Period (2011/12 – 2014/15), the Business Case shows a total programme cost (excluding pension contributions) of **£8.1m**. Provided the savings are delivered in line with plan, the programme will pay for itself by the end of 2012-13 and by the end of the SR10 will have a net benefit of **£16.2m**.

LSC Pension Schemes

6.3 The LSC administers two pension schemes – the No 3 and No 4 schemes – both of which are run by a Board of Trustees. As at 31 March 2010 there were 2,877 members in total and the schemes' assets stood at £252m in investments.

6.4 The Trustees set the contributions that are payable by the LSC and, whilst the Trustees are obliged to consult with the LSC, they can ultimately set the contribution rate unilaterally. Changes to the scheme that have been authorised by MoJ on behalf of the Lord Chancellor can only be implemented if they have Trustee consent. The No 3 scheme is fully funded and closed to new members. It has 100 pensioner and deferred members (those who have left the LCS, but who have paid contributions and will draw down a pension upon retirement).

6.5 The No 4 scheme has just over 1,000 active members and around 1,700 pensioner and deferred members. Earlier work on the costs and benefits of changing the LSC's status included an estimated deficit (an imbalance between assets and liabilities in the scheme) in the No 4 scheme. However, this was when the valuation of the scheme was performed on an RPI, rather than a CPI basis. At a meeting in February 2011, the scheme's Trustees confirmed formally that scheme valuations are now to be based on CPI.

6.6 The last formal valuation of the No 4 scheme was performed by the scheme's actuaries at 31st March 2010, this concluded that under CPI, the scheme had a £5m surplus. The most recent valuation update as at 31 December 2010, although not based on a formal valuation, valued the scheme as having a £3m deficit. The final transfer value of the No 4 scheme will not be confirmed until the valuation immediately prior to the abolition of the LSC and staff transfer to the Civil Service. However, on the basis of the most recent valuations, the level of any surplus or deficit, based on the most recent valuations, is not anticipated to be material. The size of any surplus or deficit will depend on market performance in the period until transition.

6.7 Following the creation of the new Agency, it is assumed that public sector transfer arrangements will apply. This would allow staff from the LSC who wish to, to transfer historic pension service into the CSPA, as well as allowing them to build up benefits from future service.

6.8 Currently the LSC makes regular employer contributions of 20.6% of members pay. The equivalent rate of contribution in the CSPA makes regular employer contributions of 18.9% of members pay. This means that following staff joining the CSPA there will be a saving on the cost of contributions as a result of the change in status.

Option	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Do minimum									
<i>Ordinary (20.6%)</i>	£6.6m	£6.3m	£6.3m	£5.6m	£5.6m	£5.6m	£5.6m	£5.6m	£47.2m
Preferred									
<i>Ordinary (18.9%)</i>		£5.8m	£5.7m	£5.2m	£5.2m	£5.2m	£5.2m	£5.2m	£37.5m

Cash flow

6.9 The following paragraphs summarise the costs and savings of the two options.

Do Minimum Option

6.10 The in-year (one-off) costs and savings associated with this option are shown in the table below.

£ Millions	2010-11	2011-12	2012-13	2013-14	2014-15
Costs:					
Severance	Nil	£0.2m	£0.1m	£0.6m	£0.4m
Total Costs	Nil	£0.2m	£0.1m	£0.6m	£0.4m
Savings:					
Shared and centralised services	Nil	Nil	£0.7m	£2.0m	£1.8m
Management Efficiencies	Nil	£0.9m	£0.4m	£0.3m	Nil
Total Savings	Nil	£0.9m	£1.1m	£2.3m	£1.8m

6.11 The only cost to this option is the potential redundancy costs due to streamlining management in support of a new organisational structure and staff efficiencies in combining some shared services with the MoJ. However these costs will be reduced where staff efficiencies can be found through natural wastage.

6.12 The savings to be realised under this option are small, in comparison to the preferred option, and reflect the management efficiencies of a streamlined high level structure and moving to some shared service arrangement. The total saving achievable under this option is **£6.1m** over the period 2011-15. This is the maximum that is likely to be achieved by remaining as an NDPB. As an NDPB the LSC will be required to retain a greater level of separation in regard to corporate functions to produce their own accounts, develop and implement HR policies and procedures, and continuing to be accountable through the Commission and its committees. This means savings realised through management efficiencies and shared and centralised services will not be as great and as wide ranging as those that would be achievable if the LSC became an EA.

Cash Flow – Preferred Option

6.13 The table below sets out the in-year (one-off) costs and savings of option 2, the preferred option.

£ Millions	2010-11	2011-12	2012-13	2013-14	2014-15
Costs:					
Programme Management	£0.4m	£0.4m	£0.2m	Nil	Nil
Legal & Actuarial Advice (pensions)	Nil	£0.2m	Nil	Nil	Nil
Severance	Nil	£0.3m	£0.2m	£0.9m	£0.9m
IT Migration	Nil	£2.5m	£2.5m	Nil	Nil
Total Costs	£0.4m	£3.4m	£2.9m	£0.9m	£0.9m
Savings:					
Commissioners	Nil	Nil	£0.1m	£0.2m	£0.2m
Shared and centralised services	Nil	£1.7m	£4.0m	£5.8m	£10.3m
Management efficiencies	Nil	£0.9m	£0.8m	£0.3m	Nil
Total Savings	Nil	£2.6m	£4.9m	£6.3m	£10.5m

6.14 Despite this option potentially costing more it is preferred as it will enable systems and processes to be streamlined more and it delivers more efficiency savings in the longer term. The costs of this option include an estimate of £2.3m to cover early retirements/redundancies. However this may not be wholly necessary if staff efficiencies can be achieved through natural wastage.

6.15 It also includes an initial estimate of £5.0m to cover (one-off) IT migration costs. As an Executive Agency of the MoJ there will be a need, at some point in time, to ensure information management systems are compliant and consistent with the Ministry of Justice future operating model and aligned with the shared services model. The assumption is that it would be less unstable and cheaper to do this work as part of the transition to Executive Agency status.

6.16 The remaining costs are estimated programme team costs (including workstreams) and costs associated with the seeking of legal and actuarial advice on pension transfer.

6.17 The savings identified relate to efficiencies as a result of streamlining structures, processes and rationalising support services and equates to a total saving of **£24.3m** over 2011-15. This option is in line with plans to rationalise and streamline how services are provided to other MoJ agencies from corporately managed services and the saving is more in line with economies of scale in shared services business cases across Government.

6.18 The total saving of £24.3m represents the LSC's contribution from its admin budget towards the savings required from MoJ over the SR 10 period; by the start of the 2015-16 financial year, the LSC's 'running rate' will be £24.3m lower than the 2010-11 budget. The move to EA status facilitates the identified savings, which will be achieved via a number of different initiatives. If the LSC was to remain as an NDPB it could not achieve the same level of

savings. The change to EA status itself will deliver £8.4m of the £24.3m saving required.

6.19 As an agency, the LSC will be able to realise efficiencies in a greater number of areas than if the 'do minimum' option was followed. Savings are realised from process simplification, and working reforms and efficiencies in HR, communications, IT, legal and governance, planning and assurance, shared services centre and finance. The Agency will have a significantly reduced management headcount, as shown in the organisational charts at *Annex A*. This level of management efficiencies would not be achievable under the 'do minimum' option.

6.20 A change in status will deliver savings in Commissioners costs due to a change in Governance arrangements. The LSC currently has six Commissioners, including a Chair. Executive Agency status will see Commissioners replaced with a Board, with Non-Executive as well as Executive members. Savings are therefore realised on the basis of having fewer Non-Executives than the current number of six Commissioners.

7. Programme Implementation

7.1 This section provides details and information of the programme structure and deliverables required to change the LSC to agency status.

7.2 There are some key challenges to tackle in changing the status of the LSC. The culture of the organisation is quite different to that of the MoJ and the business model varies in many ways.

7.3 The administrative and legal relationships of the LSC and MoJ do not have a great deal in common. Examples where there are differences include: terms of employment, pension arrangements, provision of finance, supply and service contracts and IT services. For all these reasons changing the status of the LSC will be a significant management and culture challenge.

7.4 A Programme team has been set up. This includes members of workstreams with experience of the existing organisation, change management in different settings, and technical expertise and/or knowledge in finance, HR, Policy and sponsorship. Work during the initiation stage has produced a high-level programme plan which will further define, in the forthcoming stages, the required outcomes from the change and key milestones.

7.5 A summary of key programme and workstream deliverables is shown in the table below.

Programme Workstream	Description
Programme management & support	<ul style="list-style-type: none"> • Programme management and programme support office • Business case development and benefit realisation • Data gathering and analysis • Programme plans and structures
Stakeholder Management & Communications	<ul style="list-style-type: none"> • Communications and stakeholder management • Stakeholder awareness • Design, production and distribution of communications material • Preparation and management of workshops, events including launch of agency
Bill and legislation workstream	<ul style="list-style-type: none"> • Advice and drafting of necessary Bill and legislation • Development of independent decision forum for agency to secure independence of decisions in individual cases
Operational design (later to include shared services)	<ul style="list-style-type: none"> • Impact analysis and plans of other initiatives/change projects within LSC • Develop opportunities for down-stream benefits which will feed into future business plan (target operating model) • Development of agency organisational design (to include provision of corporate services) • Impact analysis of changing design and shared services set up • Design and implementation of agency HR support arrangements • Design of future finance function
Framework & Governance workstream	<ul style="list-style-type: none"> • Development of agency governance arrangements, including framework document • Design and implementation of agency Board structure • Recruitment of Board non-executive members • Design of performance management framework
Pensions workstream	<ul style="list-style-type: none"> • Manage transfer of pensions
HR workstream	<ul style="list-style-type: none"> • Plan staff transition • Manage transition of payroll systems • Develop HR policies and strategy for agency
Finance workstream	<ul style="list-style-type: none"> • Negotiation and management of funding for new agency (replacement of grant in aid and changes to provision of fund budgets if necessary) • Developing performance management packs for agency management • Transition of accounting and financial systems onto MoJ (including training and statutory accounts) • Based on model set by operational design workstream, design of future finance function and management of transition of staff, associated training
Contracts workstream	<ul style="list-style-type: none"> • Develop plan for transfer of contracts to LSC agency • Manage transition of contracts and other sourcing arrangements • Develop procurement strategy for new Agency (if required)
IT workstream	<ul style="list-style-type: none"> • Manage systems transition, especially payroll, HR and finance systems • Implement common intranet and e-mail address format • Establish LSC agency website • Assess systems for IT security compliance and implement common MoJ policy (if not already compliant)
Estates workstream	<ul style="list-style-type: none"> • Determine which properties to be transferred and on what basis • Manage transfer of ownership of properties • Setting up or transfer of estate maintenance/management contracts

Governance

7.6 The programme was initiated in April 2010. The Senior Responsible Owner for the programme is Carolyn Downs, LSC Chief Executive, who leads the Programme Board, this in turn will report to a joint LSC/MoJ Oversight Board (chaired by Helen Edwards, Director General Justice Policies) since its scope extends beyond the LSC and impacts on the overall structure of MoJ. This will ensure any decisions in the programme, which have a significant impact on the MoJ structures, and corporate strategy or policies will be referred up to the corporate management board. A Memorandum of Understanding provides more detailed information on the governance arrangements for the programme of work to change the status of the LSC from an NDPB to an Executive Agency.

Programme Management

7.7 A programme team has been mobilised and members of all workstreams identified. Staff for the programme have been recruited from within the LSC and MoJ.

7.8 A programme wide risk register has been developed and risk owners identified. The individual workstreams within the programme will develop plans to mitigate these risks and this will help ensure the programme is realised in line with the assumptions (included in the Business Case).

Dependencies and Risks

7.9 Significant dependencies with other LSC programmes (paragraph 3.4) will be managed through close liaison with those programmes, and joint consideration of risks and benefits. Other dependencies are with MoJ programmes (estates rationalisation/operational delivery model) which will need proactive management.

7.10 There will be a number of risks and issues around changing the status of the LSC, most notably around staff. Risk and issues logs will be put in place, which will be regularly monitored and escalated where necessary. The key risk identified to date, which puts the programme at risk of delivery by 1st October 2012, is the legislative timeline.

8. Key Assumptions

8.1 The Business Case is underpinned by a number of key assumptions which are detailed below.

Organisational Assumptions
Bill laid in Parliament June 2011 – Royal Assent April 2012
An Executive Agency will be established on 1 October 2012
Core operational functions of legal aid remain un-changed
Movement towards shared services take place subject to an appropriate case for doing so and this can be prior to EA status
Organisational structure (Directors – Band A) will be an interim structure on vesting date – further changes will be made in the first year with a target structure model implemented by end of first year of operation

Staffing and HR Assumptions
COSOP/TUPE will apply and staff will transfer to the Agency/MoJ on present terms and conditions
All staff will be civil servants and become members of the CSPS.
Redundancy will be managed to maintain continuity, skills and to minimise costs at agency launch

Systems and Processes Assumptions
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Current systems and processes where possible will be implemented on a 'lift and shift basis' to keep changes to a minimum so as not to incur costs
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No funds for system and/or process changes allocated other than for financial stewardship and IDP

Contract Assumptions

Contract novations take place in line with transfer date
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Estates Assumptions

Changes to location take place in line with lease breaks and implementation of organisational structure

London based Headquarters' staff to be relocated in to Petty France

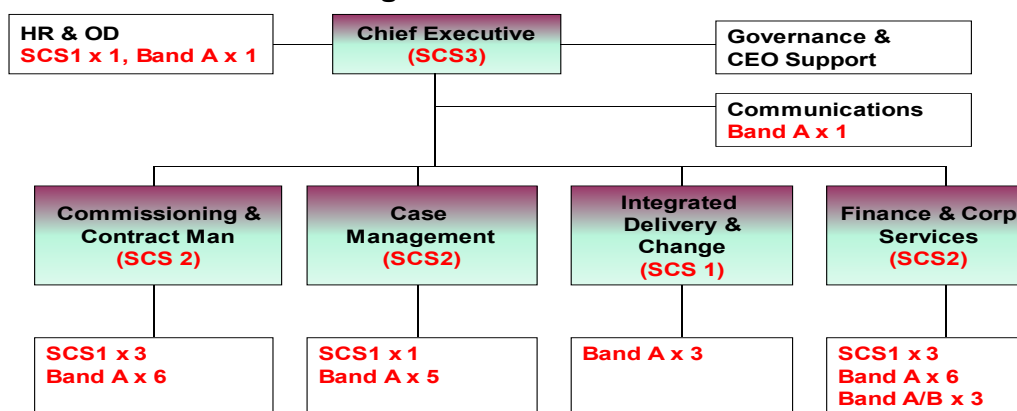
8.2 The majority of these assumptions are within the control of LSC and/or MoJ officials and the programme team. Others are outside the control of these groups, in particular the pension assumptions. All of these assumptions will be assessed and included in the Programme Risk Register where required.

9. Conclusion

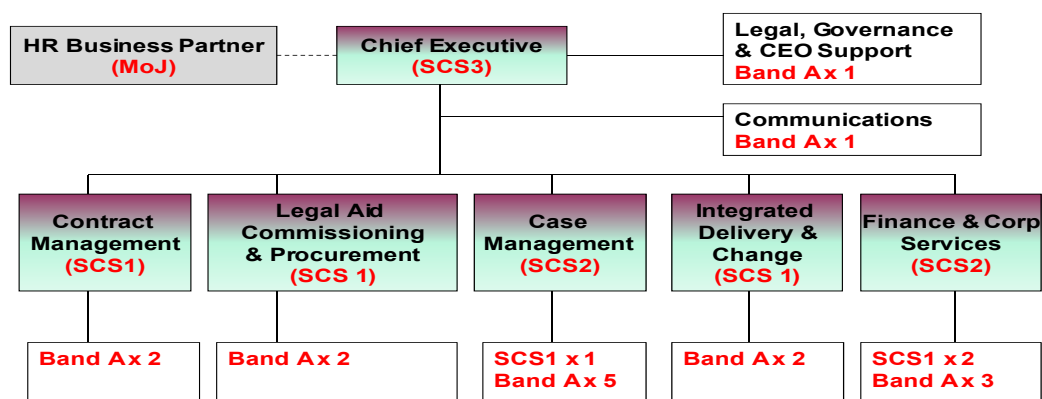
9.1 The business case recognises organisational shortcomings with the current arrangements, which have been recognised over a long period. Changing the status of the LSC overcomes these shortcomings and ensures that legal aid services:

- put the customer, supplier and provider at the centre of what the LSC does;
- work with our partners e.g. MoJ (specifically Policy staff) to establish a consistent and single legal aid strategy that meets the needs of users and Government; and
- enable the use of shared corporate services with the MoJ driving future economies of scale.

Legal Services Commission – 1st April 2011 High-Level Organisational Structure



Legal Aid Executive Agency – High-Level Organisational Structure



Headcount Reduction

Band	01/04/2011	Target Model 2012-13	Reduction by end of 2012-13
SCS 3	1	1	0
SCS 2	3	2	1 (33%)
SCS 1	9	6	3 (33%)
Band A	25	16	9 (36%)
Total	38	25	13 (34%)