



**Open Report on behalf of Andrew Crookham,
Executive Director - Resources**

Report to:	Overview and Scrutiny Management Board
Date:	17 March 2021
Subject:	Establishment of the Legal Services Company – Progress Report

Summary:

This report updates the Overview and Scrutiny Management Board (OSMB) on progress with the establishment of a legal services company and its application to be licensed as an Alternative Business Structure by the Solicitors Regulation Authority (SRA).

Actions Required:

The Overview and Scrutiny Management Board is invited to review the progress made and provide feedback to steer future actions.

1. Background

On 7 January 2020 the Executive approved the final documentation underpinning the establishment of a company wholly owned by the County Council with the object of the company being licensed by the Solicitors Regulation Authority for the purpose of providing legal advice and services.

That proposal was considered by OSMB at its meeting on 19 December 2019.

Broadly speaking the rationale for the company was to enable Legal Services Lincolnshire to continue to provide services to its partner Councils when they deliver services through new structures such as companies without risk of it acting contrary to the requirements of the Solicitors Regulation Authority as our professional regulator.

The proposal would also allow Legal Services Lincolnshire to provide services more widely in the future as opportunity arises and capacity allows.

The Executive approved:

- the appointment of David Coleman, Chief Legal Officer; Andrew Crookham, Executive Director - Resources and James Drury, Executive Director - Commercial as Directors of the company;
- the appointment of Councillor B Young, Executive Councillor for Community Safety and People Management, as the member representative of the company and the delegation to Councillor Young of authority to take decisions in exercise of the Council's powers in relation to the company; and
- the making available of a cash flow facility of £30,000 to the company.

Following the decision of the Executive, a further discussion took place with the SRA on 6 March 2020 and the company was incorporated on 17 March 2020 under the name Legal Services Lincolnshire (Trading) Limited.

Since that point progress has been slow with the response to the Covid-19 pandemic restricting the capacity of the Directors of the company to progress the company's agenda.

The rest of this report sets out the progress that has been made, what remains to be done and the likely timeframes for completion.

Actions taken to date

As referred to above, the company was incorporated on 17 March 2020. The Articles of Association and the Shareholders Agreement have been approved by the company and entered into by the company and the Council.

On 28 October 2020, the Board of the company met and approved the submission of the necessary application forms to the SRA for a licence for the company to operate as an authorised provider of legal services to the public.

This has involved the following applications:-

- approval of Lincolnshire County Council as a corporate owner;
- approval of each of the Directors;
- approval of Councillor Young as the owner representative;
- approval of David Coleman as the Compliance Officer for Legal Practice;
- approval of Andrew Crookham as Compliance Officer for Finance and Administration; and
- approval of the company as a licensed body.

The application was submitted on 30 October 2020.

Since then the application has been with the SRA who have raised a number of questions. Since those questions were submitted, there has been a change in the case worker assigned to the application and following a discussion on 25 February

2021 with the new caseworker, a number of additional queries are expected concerning the application.

The SRA's queries relate to the relationship between the company and the existing in-house team, and in particular how appropriate separation will be achieved so that overriding obligations of confidentiality are maintained and the company appropriately manages conflicts of interest.

Alongside this application to the SRA, the company itself has been taking the decisions necessary to put itself in a position to operate in compliance with SRA rules as and when a licence is granted.

In particular the company has:-

- approved the establishment of bank accounts in compliance with Solicitor's Accounts Rules to cover its Office Account and Client Account;
- approved the drawing down of an initial tranche of £20,000 from the cash-flow facility approved by the Executive to fund set up costs;
- approved an offer of Professional Indemnity Insurance cover in accordance with SRA requirements;
- approved subscription to a business accounts software package; and
- approved the appointment of accounting advisers experienced in supporting legal businesses in their compliance with Solicitor's Accounts Rules.

Alongside these business issues, the company is developing its main processes and procedures to ensure that it complies with SRA requirements around such things as client care, conflicts of interest and money laundering. These processes and procedures are based on those of the in-house Team which are accredited to LEXCEL, the Law Society's Practice Management Standard.

Next Steps and Timescales

The next steps are for the company to address the questions from the SRA with a view to finalising the application so the SRA can proceed to a decision.

Alongside this, the company will continue to develop its internal business and professional practices so that it is ready to provide services from the date on which it is licensed by the SRA.

It is currently estimated that this will be before 30 April 2021.

2. Conclusion

The proposal to establish a licensed Council-owned company to provide legal services has not been able to progress as would have been wished during the Covid-19 crisis.

The company has however been established and has issued an application to the SRA. That application is under consideration and the company is in contact with the SRA and responding to the queries raised.

3. Consultation

a) Risks and Impact Analysis

See the body of the report.

4. Background Papers

The following background papers as defined in section 100D of the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Executive Report 7 January 2020 – "Formation of a Company for Legal Services"	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=5514&Ver=4
Report to Overview and Scrutiny Management Board 19 December 2019 - "Formation of a Company for Legal Services"	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=553&MId=5310&Ver=4

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