

Cost of regulation stakeholder reference group

23 July 2015

Agenda

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Objectives – Cost of Regulation Project

Test hypothesis that legal services regulation is unnecessarily expensive

High level exploration of the costs of the regulators and the LSB

Assessment of total regulatory costs authorised persons face to be able to practise

Identify any common areas where providers may be able to reduce compliance costs

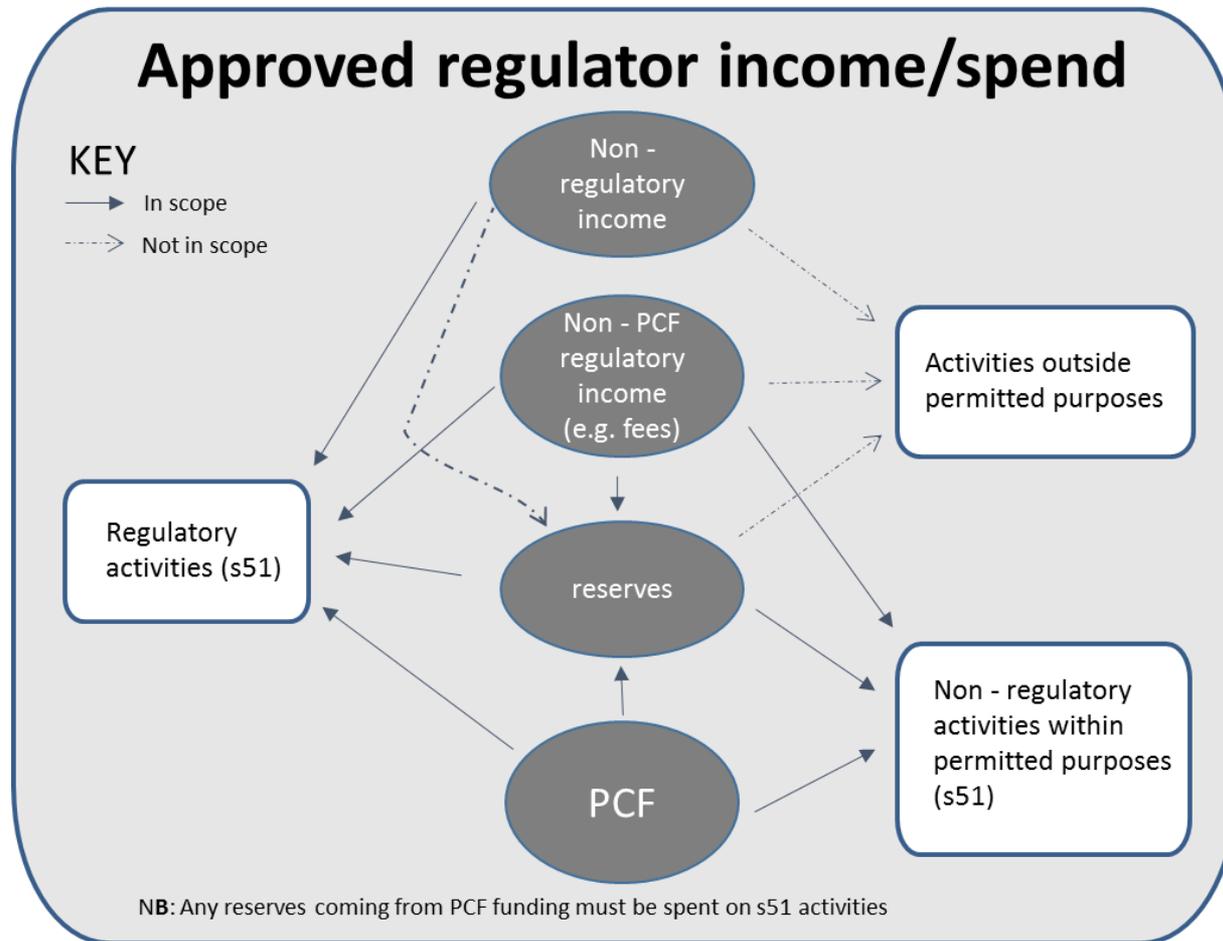
Gather evidence for policy makers and regulators to base future work on

Cost of regulators

Work stream update

Vibeke Bjornfors

Scope of work stream



Cost of regulators

At the last meeting, we said we would:

- Explore the spend of the approved regulators and the LSB on a number of functions
- Compare their spend on these functions with appropriate benchmarks (for example from other regulated sectors and the wider economy) to establish if there are any outliers
- Ensure that the work was conducted by independent management accountants

The LSB tried to commission a consultancy to carry out a benchmarking exercise...

... but we found that it just wasn't possible. Some of the reasons were:

- No firm or organisation holds benchmarking data for appropriate or comparable regulatory functions
- No other regulated sector has delivered a benchmarking exercise similar to our requirements -
- Creating benchmarking indicators for regulatory functions, and gathering data for these indicators, was unlikely to provide value for money

Sadly, it became clear that the data which would enable us to 'benchmark' regulators simply doesn't exist.

In the light of this we had to revise the cost of regulators work stream

The LSB considered a number of options on re-scoping this work:

- All regulators could join “CIPFA Value for Money Indicators”
- Commission an accountant to use NAO indications to benchmark corporate functions of regulators
- In-house analysis of corporate functions
- In-house mapping of regulatory cost profiles
- Update 2012 LSB charts on regulator spending
- Close the work stream

Cost of regulators – where we are vs where we'd like to be

<u>Current state</u>	<u>Ideal state</u>
No consistent data on whether regulators provide value for money	Consistent data over time enables analysis
No transferable benchmarking data	Benchmarking indicators exist and are transferable
Regulators vary significantly in size and we do not know if this impacts on efficiency and effectiveness	Evidence to show whether regulators provide effective and efficient regulation
Authorised professionals unsure what their PCF pays for	Authorised professionals understand what their PCF pays for

Transparency of costs

The LSB decided to produce a package of transparency measures

- Proposed to be based on PCF applications to the LSB, together with Annual Reports and Accounts
- Aim is to provide transparency about the costs of individual regulators and encourage discussion
- We will also publish information relating to the costs of the LSB

Questions?

In-depth research update

Steve Brooker

Background

- Aim: to estimate broadly the representative costs of legal services regulation across the market Approach
 - Follow up to attitudinal survey of practitioners published in March 2015
 - Split between entities (SRA and CLC) and individuals (all other regulators)
 - Anonymised financial data submitted through online survey supported by telephone guidance by contractor, plus comments
 - 64 participants means data should be treated with caution and that it is not possible to compare findings across professional groups
 - Nevertheless, research breaks new ground

What we calculated

- Total costs of regulation
 - Top-down estimates of total regulatory costs as proportion of total practice costs (entities) or reserved work only (individuals)
 - Bottom up estimates of specific categories of regulatory costs
- Incremental costs of regulation
 - If legal services regulation were removed, practices might continue with actions for commercial reasons or requirements by other regulators
 - In order to isolate the actual burden of legal services regulation, the study calculates costs once these overlapping imperatives are removed
 - Incremental costs are only those remaining costs that serve to make practices compliant with legal services regulation, including one-off and ongoing costs

Findings: entities

Redacted - results to be published in due course

Findings: individuals

Redacted - results to be published in due course

Next Steps

- Publication of comments from 2014 Survey
- Publication of In-depth research
- Publication of results of transparency exercise
- Publication of discussion paper

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Legal Services Board

One Kemble Street

London

WC2B 4AN

020 7271 0050

contactus@legalservicesboard.org.uk



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