



# **Business Plan 2014/15**

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**April 2014**

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## **Our regulatory objectives and the professional principles**

**Section 1 of the Legal Services Act 2007 (the Act) sets out a challenging set of regulatory objectives for the Legal Services Board, approved regulators and Office for Legal Complaints. These are to:**

- protect and promote the public interest
- support the constitutional principle of the rule of law
- improve access to justice
- protect and promote the interests of consumers
- promote competition in the provision of legal services
- encourage an independent, strong, diverse and effective legal profession
- increase public understanding of the citizen's legal rights and duties
- promote and maintain adherence to the professional principles.

**Section 1 of the Act further defines the professional principles as:**

- acting with independence and integrity
- maintaining proper standards of work
- acting in the best interests of clients
- complying with practitioners' duty to the Court to act with independence in the interests of justice and
- keeping clients' affairs confidential.

Section 4 of the Act also gives the Board a duty to assist in the maintenance and development of standards of regulatory practice and the education and training of lawyers.

## **Approved regulators**

**We are responsible for overseeing eight approved regulators (two of which are also licensing authorities), which between them regulate directly approximately 163,000 lawyers<sup>1</sup> and 301 alternative business structures<sup>2</sup> operating throughout the jurisdiction. The approved regulators are:**

- The Law Society, which through the Solicitors Regulation Authority, regulates around 134,447 practising solicitors and 261 alternative business structures
- The General Council of the Bar, which through the Bar Standards Board, regulates around 15,355 practising barristers
- The Chartered Institute of Legal Executives, which through ILEX Professional Standards Limited, regulates around 7,947 practising Fellows
- The Council for Licensed Conveyancers, the regulator of over 1,170 practising licensed conveyancers and 40 alternative business structures
- The Chartered Institute of Patent Attorneys, which through the Intellectual Property Regulation Board, regulates around 1,980 practising chartered patent attorneys
- The Institute of Trade Mark Attorneys, which through the Intellectual Property Regulation Board, regulates around 820 practising trade mark attorneys
- The Association of Costs Lawyers, which through the Costs Lawyer Standards Board, regulates over 560 practising costs lawyers
- The Master of the Faculties who regulates over 800 notaries.

**In addition, two further bodies from outside the traditional legal services sector are formally designated as approved regulators for probate activities, though neither has any members offering these services at present. They are:**

- The Institute of Chartered Accountants of Scotland (ICAS)
- The Association of Chartered Certified Accountants (ACCA).

<sup>1</sup> Figures are based on number provided to the LSB by the approved regulators on 1 April 2014

<sup>2</sup> Figures for alternative business structures correct as at 19 November 2013

## **Introduction**

This Business Plan sets out the work that the Legal Services Board (LSB) will undertake in 2014/15. It represents the final year of our three-year strategic plan.

I would like to thank those who responded to the consultation on the draft plan.

In 2014/15, alongside our core statutory responsibilities, the emphasis of the LSB will be to continue its attack on burdensome, disproportionate and growth-restricting regulation. The regulators we oversee are, in the main, making fair progress towards modernising their frameworks. But the pace of change needs to speed up. Shorter and less prescriptive rulebooks are small steps – they need to be matched by fewer and more effective regulatory processes if they are really going to deliver benefits to business and consumers alike.

Delivering real progress in this area is critical if we are to strip unnecessary cost out of the legal economy – cost that bears down on business and is inevitably passed on to consumers. Good regulation underpins good business, professionalism and sound ethics. It is cost-effective and imposes minimal compliance costs beyond those any good business would wish to incur in an unregulated environment. Bad regulation helps no-one, reinforces business inertia and adds cost for no purpose.

Since publishing this document in draft, we have been able to develop further our proposals for scrutinising the costs of regulation and to prioritise areas for in-depth review. The plan now provides greater clarity. It explains what we plan to do and why in the coming 12 months. Our own budget has reduced yet again – this time by £150,000 - with most of that reduction coming from reduced accommodation costs. We have reduced our annual budget by £633,000 since our first full year of running in 2010/11 – almost 13% in cash terms before taking account of inflation.

From 1 May 2014, the LSB will have new leadership in the form of Sir Michael Pitt as Chairman, supported by a refreshed Board with two new Members. They will join Chris Kenny, Ed Nally, Bill Moyes, Terry Babbs and Anneliese Day QC in driving this programme through. They will remain as passionate about improving the regulatory environment as the Board was on day one.

It is my firm belief that the LSB has been a force for good for consumers of legal services in England and Wales since its inception. Personalities may change, the offices may be different but the unwavering leadership shown by the LSB to reforming and modernising the legal services market in the interests of consumers, enhancing quality, ensuring value for money and improving access to justice across England and Wales will continue.

I want to thank my Board colleagues, especially Barbara Saunders and Andrew Whittaker who stepped down at the end of March 2014 and Steve Green who will continue to contribute in his new role as chair of the Office for Legal Complaints for their part in achieving that. I also thank the Executive team for its role in devising and executing this challenging vision.

I commend this Plan to you as a slim, targeted and proportionate programme of work carefully designed to deliver maximum benefits to consumers, the public, practitioners and regulators alike.

**David Edmonds**

Chairman

## **Our role**

### **Overview**

1. The Legal Services Board (LSB) is the independent body responsible for overseeing the regulation of legal services in England and Wales.
2. We have a very simple goal – to reform and modernise the legal services marketplace in the interests of consumers, enhancing quality, ensuring value for money and improving access to justice across England and Wales.
3. We are funded by, but wholly independent of, the legal profession. Our proposed annual budget equates to a little over £26 per year for each authorised person<sup>3</sup>.

### **Our vision**

4. The regulatory objectives set out in the Legal Services Act 2007 (the Act) provide the framework for regulation. From them comes our vision of what legal services regulation must deliver. Our starting point is that a competitive, innovative and open legal services market, underpinned by appropriate regulation, will deliver the regulatory objectives most effectively.
5. We believe that such a market - one that works better for consumers and providers alike - would be characterised by:
  - greater competition and innovation in service delivery
  - access to justice for all
  - empowered consumers, able to choose a quality service at an affordable price
  - an improved customer experience with swift and effective redress when things go wrong
  - constantly improving and consistently ethical legal professions, as diverse as the communities they serve
  - clear and proportionate regulation, that protects fundamental principles, removes barriers to entry, targets market failure and commands wide confidence in the public and the market.

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<sup>3</sup> Based on the number of authorised person declared by each of the frontline regulators as at 1 April 2014

## **Our responsibilities**

6. The primary responsibility for devising, developing and implementing regulation for the legal profession in England and Wales belongs to the regulators. The role of the LSB is to make sure that they meet this responsibility so as to promote the regulatory objectives and, subject to Parliamentary approval, the new duty to promote economic growth.
7. All that we do is designed to ensure that regulators have the competence, capability and capacity to promote and adhere to the regulatory objectives, free from prejudicial representative influence. We have statutory responsibilities in relation to:
  - **approval and recognition** – we consider a range of applications from both existing regulators (including applications to become a licensing authority, changes to regulatory arrangements and extension of scope) and those seeking to become an approved regulator
  - **monitoring and investigation** – we monitor regulators' compliance with regulatory requirements; oversee the budget and performance of the Office of Legal Complaints (OLC); and perform some specific duties in relation to the Solicitors Disciplinary Tribunal (SDT). We also examine the wider market place to identify trends<sup>4</sup>, gaps in regulation<sup>5</sup>, competition issues<sup>6</sup> and how both our own rules and those of regulators are working in practice<sup>7</sup>
  - **enforcement and disciplinary activities** – we ensure that regulators and licensing authorities perform their duties in ways that meet the regulatory objectives and, where necessary, we exercise the powers at our disposal to ensure that this happens. These powers include the power to set targets, give directions, publicly censure a body, impose a fine, intervene in the running of the body and ultimately recommend cancellation of a body's designation as an approved regulator and/or licensing authority
  - **regulation, education and training** – we have a duty to assist in the maintenance and development of standards of regulation by approved regulators and in the education and training of persons carrying out reserved legal activities
  - **scope of regulation** – we have powers to make recommendations to the Lord Chancellor on the designation of new activities as reserved and the removal of existing designations.

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<sup>4</sup> <https://research.legalservicesboard.org.uk/wp-content/media/RIR-Map-of-Legal-Services-Supply-October-2011v2.pdf>

<sup>5</sup> <https://research.legalservicesboard.org.uk/wp-content/media/Smaller-ARS-2011-report.pdf>

<sup>6</sup> <https://research.legalservicesboard.org.uk/wp-content/media/A-framework-to-monitor-the-legal-services-sector.pdf>

<sup>7</sup> [https://research.legalservicesboard.org.uk/wp-content/media/Cab-Rank-Rule\\_final-2013.pdf](https://research.legalservicesboard.org.uk/wp-content/media/Cab-Rank-Rule_final-2013.pdf)

8. The Act also makes provision for the LSB to be a licensing authority ‘of last resort’ ie if there is no existing licensing authority with licensing rules suitable for licensing a particular type of alternative business structure (ABS). In practice, although it is very unlikely that the LSB would need to license an ABS, we believe that it is pragmatic to be prepared to fulfil this role if required. At present, however, the relevant provisions of the Act are not yet commenced (section 73(1)(a) and Schedule 12).

## **Our approach**

9. Our efforts continue to focus on ensuring that regulation is proportionate – reduced where possible to remove unnecessary barriers to delivering the regulatory objectives and only imposed where necessary. We seek to encourage competition while ensuring that regulation:

- maintains the rule of law and the professional principles
- reacts and develops rapidly to protect against and mitigate emerging risks
- supports innovation
- incentivises a strong consumer focus and restricts the ability of providers to exploit consumers for their lack of knowledge or power.

10. Our approach to performing our role remains little changed from when we started. We seek to:

- map all of our work back to all of the regulatory objectives of the Act and to the better regulation principles – so in all our activities we will always be transparent, accountable, proportionate, consistent and targeted<sup>8</sup>
- work with regulators in a relationship of openness and trust, finding the right balance between the need for consistency of approach and the need to tailor responses to differing conditions and risks
- avoid duplication of work undertaken competently by others but without hesitating to do what is necessary, within our remit, where the need arises
- set out the anticipated impact of alternative regulatory options in our consultation papers, seeking views from others about whether we have made the right assessment – and expecting similar disciplines from regulators in the proposals they make to us
- wherever possible, work with regulators to identify risks and manage them as the legal services market changes and in a way that will help legal

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<sup>8</sup> Our approach to the regulatory objectives is outlined in our publication *The Regulatory Objectives*, published in July 2010. ([http://www.legalservicesboard.org.uk/news\\_publications/publications/pdf/regulatory\\_objectives.pdf](http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf))

- services providers to take advantage of new opportunities and improve their service offering

11. We will also ensure that our practices – and those of the bodies we oversee – reflect the new Regulators' Code. But, above all, we are guided by the public and consumer interest in all of our work.

### **The LSB's 2014/15 work programme**

12. As the final year of a three-year strategic plan, much of our work continues that already underway.

13. Improving the standard of regulation remains central to our programme and this year we expect to see further improvements in regulators' performance. We will continue to hold each to account for the delivery of the commitments they made in their 2012/13 regulatory standards self-assessments. In 2014/15, we will conduct a series of in-depth reviews looking at how the current regulatory framework can better promote competition and the consumer interest. The outputs of this work will inform both strategic action on deregulation and our statutory decision making responsibilities.

14. We will also continue our work to liberalise regulation of the legal workforce, working with regulators on how best to deliver the improvements to the system, signalled by the Legal Education and Training Review (LETB) and our subsequent statutory guidance. We will also maintain pressure on regulators to ensure and publicise effective diversity monitoring as the base for further action. We believe this work is vital to increase the flexibility and diversity of the legal profession and to create a sector that is responsive to the needs of all of its users.

15. A flexible and diverse legal profession alone will not improve the consumer experience. Research has shown that consumers feel empowered when they have clear information, a choice of services and confidence that if things go wrong there is a clear right of redress. We will continue to monitor regulators' progress in meeting the success criteria set out in our September 2012 document, "[Approaches to quality](#)" as well as considering other ways to make sure consumers can choose and use services with confidence. In particular, we will continue to work with the Legal Services Consumer Panel to ensure that

regulators take concrete steps to share the information they hold with both potential consumers and third parties, an area where progress has been disappointingly slow since the issue was first highlighted.

16. This year, we will be asking the Legal Services Consumer Panel to respond to the following advice request to inform the development of our 2015-18 strategy:

*What developments in the period to 2020 are most likely to have an impact on the consumers of legal services and what should guide how the LSB and approved regulators respond to them?*

17. Our regulatory work programme will continue to be delivered through three strands – regulator performance and oversight; strategy development and research; and statutory decision-making. As in previous years, the specific activities have all been assessed to make sure that they are targeted at addressing the most significant risks to regulators delivering the regulatory objectives and better regulation principles, our equality objectives, and our three strategic priorities for 2012-15:

- assuring and improving the performance of approved regulators
- helping consumers to choose and use legal services
- helping the changing legal sector to flourish by delivering proportionate regulation to address risks.

18. During 2014/15 we will also undertake substantive work to develop our 2015-18 strategy.

19. All of the regulatory objectives underpin all of our work. Our understanding of them remains unchanged from what we set out in our July 2010 document "[The Regulatory Objectives](#)". In practice, we balance objectives appropriately according to the particular circumstances of the issue being addressed. We think that is the right way to approach them - they are never ranked or in any sort of hierarchy.

20. Underpinning our approach is a belief that regulators must understand the negative impact of regulation for consumers (in terms of loss of competition and innovation that drives value for money for consumers and the direct costs which are ultimately met by consumers) just as much as they, quite properly, focus on using regulation to protect consumers from actual and potential risks.

## **Our equality objectives**

21. Equality and diversity continues to be at the heart of our work and we are maintaining our equality objectives broadly as they are into 2014/15.

**Objective 1:** Through our regulatory oversight role, encourage and work with the approved regulators to promote equality and diversity, including developing a diverse workforce across the legal sector at all levels by:

- assessing regulators' implementation plans to gather and evaluate diversity data
- reviewing and monitoring the progress made by regulators in delivering their implementation plans
- continuing to engage with approved regulators and others on how best to enhance a more diverse workforce across the legal sector<sup>9</sup>.

**Objective 2:** Ensure our decisions take account of all relevant equality and diversity information by:

- factoring equalities and diversity elements into our research, whether on workforce or consumer issues
- undertaking equality analysis where appropriate when developing our programme and policies for consultation<sup>10</sup>
- engaging with diversity groups and organisations
- continuing to encourage the Legal Services Consumer Panel to develop a wide range of contacts and to incorporate diversity and equality into its consideration of consumer issues.

**Objective 3:** To ensure that the LSB's own practices and policies, including its internal staff and external stakeholder engagement focus on equality and diversity issues, are examples of the approach we promote to others. We will do this by:

- ensuring that our publications are available in a variety of formats on request
- monitoring and publishing the diversity profile of our staff and responding to the results (bearing in mind the size of the organisation)
- when tendering for services, work with firms who can demonstrate that they have a commitment to equality and diversity

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<sup>9</sup> <https://research.legalservicesboard.org.uk/wp-content/media/A-framework-to-monitor-the-legal-services-sector.pdf>

<sup>10</sup> <https://research.legalservicesboard.org.uk/wp-content/media/Review-of-published-evidence-on-the-equality-of-pay-in-legal-services-Final.pdf>

- applying recruitment processes that are in line with our Equality Duty.

## **A: Regulator performance and oversight**

### **Regulatory standards and performance**

#### **Overview**

22. Legal services regulation must be simple, effective and carried out in accordance with better regulation principles and best regulatory practice. The LSB considers that best regulatory practice for legal services regulation consists of four regulatory standards:

- an outcomes-driven approach that gives the correct incentives for ethical behaviour and has effect right across the increasingly diverse market
- a robust understanding of the risks associated with legal practice and the ability to profile those regulated according to the level of risk they pose
- supervision of the regulated community at entity and individual level according to the risk presented
- a compliance and enforcement approach that deters and punishes appropriately.

23. Regulators must also have appropriate overall capacity and capability - without this, they will struggle to deliver the regulatory standards and, therefore, all the requirements of the Act.

24. During 2013/14, we monitored the delivery of the actions which the regulators identified in their 2012/13 self assessment reviews to improve their regulatory frameworks and we welcome the significant progress that many have made. We also looked at the extent to which the observations we made about their performance have influenced what they have been doing.

#### **Why this work matters**

25. We consider that effective delivery of the four regulatory standards should contribute to growth in the sector, and more widely across the economy and, in particular:

- lead to higher standards of professional conduct and competence and greater levels of innovation in practice and management
- encourage innovative practitioners and firms who, if posing few risks, are not subject to intrusive or inflexible regulation and supervision
- introduce a level of consistency in the approach to the regulation of legal services

- help to develop a consistent and transparent approach to the oversight of the legal sector
- result in legal services regulation that meets the needs of consumers (particularly individuals and small business consumers) but does so in the most efficient way for firms and practitioners.

As such, the work is fundamental to how both the LSB and regulators operate in our complementary roles and meet our mutual regulatory objectives.

## **What we will do**

26. During 2014/15 we will:

- require regulators to account for the progress they have made on their action plans, explain what they have done in response to the observations made in our reports, what they have learned about their organisations and what actions they have planned to improve their performance over the next few years
- review the regulatory standards themselves against best regulatory practice, including the new regulators' compliance code, the forthcoming requirement to promote growth, and other approaches to regulatory assessment in other sectors
- plan for full reviews of all regulators to take place in 2015/16
- require all new applications for designation to show competence on all of the regulatory standards (or to have rigorous plans to be competent) by the date of designation.

## **Thematic reviews**

### **Overview**

27. There are a number of areas where the information we have gathered from prior regulatory reviews, wider research and stakeholder discussion highlights that more in-depth exploration would be beneficial<sup>11</sup>. Such reviews will enable us to understand the positive and negative impact that certain aspects of the regulatory framework have on consumers, the public, competition and innovation as well as on the regulatory objectives. The reviews may lead to proposals for reform or specific action to bring about change.

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<sup>11</sup> For example, our analysis of the 2012/13 self-assessments showed that all the regulators performed poorly in terms of having an evidenced-based understanding of consumers. Similarly, our analysis of the SRA's performance on ABS authorisation indicates that its separate business rule raises issues for a number of applicants and when we considered the SRA's red tape challenge rule change we were given examples of how its "in house" rules may be stifling innovation by local authority legal teams.

28. Using the responses received from the Business Plan consultation and our own research and experience, we have undertaken a prioritisation exercise to determine which thematic reviews should be carried out during 2014/15. We have also identified those reviews that could be undertaken if we are able to identify additional resources or if a particular regulatory issue develops. We have decided that the remainder are not of the highest priority at the moment, although we will keep them under review as the year progresses and make progress if circumstances and resources allow.

### **Why this work matters**

29. A liberalised market is the best means of bringing benefits to consumers. However such a market cannot operate effectively without regulatory boundaries to ensure that the inequalities within it are managed and both value for money and the consumer experience more widely are enhanced.

30. Ensuring that the regulators are operating within an appropriate regulatory framework and that this framework is delivering the necessary benefits therefore remains central to our plan of work. By prioritising specific areas, we can ensure that intervention is targeted where there is greatest need.

### **What we will do**

31. The thematic reviews will assess whether certain aspects of the regulatory arrangements or statutory requirements are consistent with the regulatory objectives and better regulation principles. We will focus particularly on requirements that appear to be unnecessarily restrictive, including issues identified in our [Blueprint for regulatory reform](#). Reviews may focus on one or more regulator and/or consider wider issues across the whole market. They are not necessarily linked directly to a specific assessment of regulatory performance. However, a negative review may reflect poorly on a regulator's performance/capacity and failure to take action to remedy such findings could ultimately lead to enforcement action.

32. Thematic reviews may also be undertaken to identify best regulatory practice and to share that best practice with all regulators. To do so we will assess the effectiveness of the regulatory approaches adopted by legal regulators and, where relevant, those of regulators outside the sector. We will then encourage regulators to adopt the best practice identified. Our focus will be on identifying practices that deliver the optimum outcome for the regulatory objectives with the least regulatory intervention.

33. During 2014/15 we will look at the following topics:

- continuing to identify the extent to which it may be possible to revise some parts of Schedule 13 (S.13) to the Act to make the ownership tests for ABS more targeted and proportionate
- the extent to which restrictions on forms of practice are consistent with section 15 (s.15) of the Act which sets out when an entity needs to be authorised to provide reserved legal services to the public or a section of the public
- the extent to which regulation (for example the Solicitors Regulation Authority's (SRA) separate business rule) unnecessarily prevents legal services providers from structuring their businesses as they wish, offering different types of legal and non-legal services and rewarding their employees in ways that they want to commercially.

34. If additional resources become available during the year or specific problems arise, we may also undertake the following reviews:

- how regulators identify and deal with firms in financial difficulty, including alternatives to intervention and the role and effectiveness of supervision
- the extent to which regulators act in ways which are consistent with the requirements in section 52 of the Act to prevent regulatory conflicts and section 54 of the Act to prevent unnecessary duplication of regulatory provisions made by an external body
- regulators' approaches to consumer engagement.

35. The reviews we have decided not to prioritise this financial year are:

- regulators' general approaches to data gathering and analysis
- establishing a single set of compensation arrangements
- the barriers to firms moving between regulators.

36. We may return to these issues in future years and we will keep them under review during 2014/15.

## Regulatory performance and oversight milestones by quarter

Activity	Milestone / Output
<b>Developing standards and performance</b>	
Require regulators to account for the progress they have made on their action plans and what actions they have planned to improve their performance over the next few years	<p><b>Q1</b> - LSB requests information from regulators about progress</p> <p><b>Q2</b> - LSB receives submissions from regulators</p> <p><b>Q3</b> - LSB analyses regulators' responses</p> <p><b>Q4</b> - LSB reports to Board on regulators' progress against actions plans</p>
Plan for full reviews of all regulators to take place in 2015/16. This includes a review of the regulatory standards against best regulatory practice and the growth duty.	<p><b>Q3-Q4</b> - LSB develops approach to 2015/16 reviews</p> <p><b>Q3-Q4</b> - LSB discusses proposed approach with regulators and other parties</p> <p><b>Q3-Q4</b> - LSB finalises approach</p>
<b>Thematic reviews</b>	
Conduct the following reviews of specific regulatory issues:	<p><b>Q1</b> - S.13: Work with stakeholders to categorise issues and identify options for change</p> <p><b>Q1</b> - Publish detailed scope of and schedule for completion of s.15 and structural obstacles reviews</p> <p><b>Q2</b> - S.13: Consult on proposals for change (if necessary)</p> <p><b>Q3</b> - S.13: Submit recommendation to Lord Chancellor (if necessary)</p>

## **B: Strategy development and research**

### **Regulatory reform**

#### **Overview**

37. One of the Board's strategic priorities for 2012-15 is helping the legal sector flourish by delivering proportionate regulation to address risks. In our 2013/14 Business Plan, we outlined work to address some of the concerns around the cost of regulation that were raised in our Triennial Review. Our [Blueprint for regulatory reform](#) has accelerated this process by outlining a set of proposals for the future of legal services regulation. Although some of these matters depend on primary legislation, there are a number of areas where we can and will make progress to address concerns about the cost and complexity of regulation ahead of wider decisions on the way forward.
38. Our work on regulators' performance, together with feedback from market participants, has identified a number of areas where it appears that regulation is neither targeted nor proportionate and may not be supporting the regulatory objective to promote competition in legal services.
39. In 2014/15, our work on regulatory reform will therefore take forward specific proposals to simplify the framework for legal services regulation.

#### **Why this work matters**

40. Overly complex, costly and restrictive regulation, which limits competition and places burdens on business, increases the prices faced by consumers. We need a thriving legal sector in which liberalised regulation creates the right incentives to offer greater innovation, choice and affordable services. This will support growth by improving access to advice and dispute resolution for consumers and businesses alike.
41. All legal providers, and those considering entering the market, need assurance that they can work without unnecessary barriers to entry or how they operate in practice. Understanding the costs and benefits of legal services regulation for different legal activities and different types of consumer, as well as the drivers and barriers to effective competition, is essential to targeting reform to meet these aims effectively.

#### **What we will do**

42. In 2014/15 we will examine the various components of regulation that place a burden on the legal sector in order to identify potential cost reduction and simplification measures.

43. This will focus on the following areas and will culminate in a report in the fourth quarter of 2014/15:

- direct regulatory costs imposed on regulated individuals and businesses
- costs imposed by the regulatory framework, including the LSB and Legal Ombudsman
- indirect regulatory costs faced by regulated individuals and businesses in complying with legal services regulation
- regulatory burdens imposed by professional bodies on regulated individuals and businesses.

The ultimate objective is to produce a set of recommendations for reducing the overall cost of regulation, which can be implemented across the regulatory community in the future.

44. Linked to this work are the thematic reviews that were outlined in Section A. The reviews will look at whether the issues impose unnecessary burden and cost on regulation as well as considering what implications the issues have for regulators' performance and therefore what it indicates about their overall capacity and competence, both in the current market and for the future.

45. In 2013/14, we started to identify and analyse specific existing regulation which imposes unnecessary burdens. This included looking at Schedule 13 to the Act which deals with ownership of alternative business structures (ABS) to assess what changes could be made to it. We also started to consider whether the SRA's Practice Framework Rules are unnecessarily restrictive or cause regulatory conflict. These pieces of work will continue into 2014/15 as thematic reviews and will include working with a wide range of other parties to achieve practical solutions.

## **Liberalising the legal workforce**

### **Overview**

46. This area encompasses work on education and training and diversity. The overall focus is on removing regulatory restrictions to create a more flexible workforce that better reflects the users of legal services and more effectively meets their needs.

47. We set out our expectations for the role of regulators in setting educational standards in our March 2014 [guidance document](#). In the first quarter of 2014/15, we will begin working with regulators to ensure that the guidance is being applied consistently across the profession. We believe that reform to education and training can both increase the flexibility of the legal profession to respond to consumer needs and maintain the high standards of legal services.

48. A diverse population using legal services benefits from a diverse legal profession. The regulators share an objective to encourage a diverse workforce and we will continue to work with them to ensure that their diversity monitoring is effective and takes account of the findings that we made about the outcomes of the first review of their diversity data collection and other evidence such as the review of SRA practice by Professor Gus John<sup>12</sup>. We will continue to work with regulators to support improvements to data collection and ensure its use within the work of the regulators.

### **Why this work matters**

49. The way that legal businesses recruit and train their workforce is fundamental to the delivery of the regulatory objectives. In our view, a liberalised legal services market can only function effectively for consumers if there is a significantly more flexible labour market than exists now. We believe this can happen without compromising professional standards.

50. In any market, it is also essential that consumers have access to the information they need to make decisions regarding the services they are buying; be that the cost or quality of legal services or who is providing them (including the diversity of the workforce). Regulators should therefore play a more active role to ensure transparency of information in all of these areas.

### **What we will do**

51. In 2014/15, we will continue to work with regulators to ensure that their actions in this area support the regulatory objectives, identify and remove unnecessary regulation and facilitate greater transparency. We will achieve this by:

- agreeing an approach with the regulators to monitor delivery of the 2014 statutory guidance on education and training
- continuing to monitor regulators' progress against LSB guidance on diversity data and transparency.

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<sup>12</sup> <http://www.sra.org.uk/iccr/>

## **Improving the consumer experience**

### **Overview**

52. Our research measuring the impact of reform identified a myriad of reasons why consumers avoid seeking help to resolve legal problems. The evolving experience of the Legal Ombudsman is highlighting similar issues, both generally and specifically in relation to seeking redress.
53. Regulators need to be alert both to these issues and specific risks, including those arising from changes in trading practices. They may well need to act as a result, but rule making should not be the default response in most cases. Unforeseen consequences could arise and new regulatory costs may worsen consumer welfare overall, even if a specific problem is cured.
54. It is therefore important that regulators consider the range of wider interventions available: from increasing market pressure by the removal of obstacles to innovation for both new and existing players; to effective supervision of firms where complaints and other data highlights specific consumer risk; and action to make individual redress faster and more effective.
55. However competition must still work within constraints to protect the consumer and public interest. Generally existing or proposed consumer law should not be duplicated, but for some risks, for example if client money is potentially at risk, sector specific regulation will be required and clear rights of complaint and redress – backed up by clear information about how consumers can enforce those rights – are essential.
56. Focusing on consumer outcomes and value may also call for less regulation in some areas and more in others. For example, some consumers will want to see legal services bundled into packages of wider advice and support but others will want to be able to buy only discrete elements of them. We expect regulation to facilitate both outcomes and for there to be clarity of communication about the full range of options available.
57. We will work with regulators, but also hold them to account through the regulatory standards programme, to help ensure that they remain close to market and consumer experience and respond to both with the flexibility and imagination likely to be needed to protect the consumer interest in the long run.

### **Why this work matters**

58. Markets are not perfect and so proportionate and targeted requirements are still necessary to protect and promote the interests of consumers. But the

combination of a highly regulated market and poor access to justice shows clearly that rebalancing is needed.

59. Innovative providers, who invest in understanding how consumers need and use legal services, must not be hampered by unnecessary regulation when designing their business to meet those needs. We also need to find ways to generate better information for consumers to enable them to effectively use the new services available to them.

60. At its most basic, it is about helping consumers to choose and use legal services with confidence.

### **What we will do**

61. In 2014/15, we will continue to work with the regulators to monitor their progress in relation to the success criteria set out in our 2012 document, “[Approaches to quality](#)”. In addition, we will be considering how the opportunities offered by ‘open data’ can have an impact on the approach that regulators take to the transparency of their regulatory data. Research looking at evidence from behavioural economics and psychology, which will be published during 2014/15, will support this work.

62. We will expect to see increasing evidence of regulators focusing on gathering evidence of customer experience and value for money when deciding whether and if so how and where to make interventions in the market, rather than relying on generalised assertions of potential risk. We also expect regulators to ensure that their data is available to the widest possible audience.

63. We will also continue to work with regulators to improve their arrangements for improving the consumer experience in so far as they relate to resolution of complaints by providers, quality of service and transparency of information. We will achieve this by:

- re-emphasising to regulators our expectations in relation to the success criteria in our ‘Approaches to quality’ response document, focusing on the provision and transparency of performance information
- reviewing whether there is information that would enable us to identify indicators of informed consumer decision making to inform regulatory reform
- developing further analysis, that builds on our forthcoming research about effective methods to support consumers in identifying and responding to legal problems, on ways in which regulators might improve effective transparency for consumers

- continuing to monitor how regulators are using complaints data to identify whether any patterns of provider behaviour are emerging and how they consider whether a regulatory response is appropriate. We will work with them and the Legal Ombudsman to improve matters where this is not happening
- considering the implications of forthcoming research on consumer information for regulation of complaints handling
- focusing on developing regulators' own understanding of and response to consumer experience as part of our regulatory standards work
- considering the regulatory implications of our research on understanding the consumer experience of on-line divorce.

64. During 2014, we will also receive the OLC's interim response to our request under section 120 of the Act for a report into the circumstances around complaints where there has been a perceived lack of transparency in the cost of legal services including funding arrangements (including damages-based agreements), business models, area of law, consumers and legal professionals involved.

## **Research and evaluation**

### **Overview**

65. Research and evidence gathering remains central to our work, whether developing policy, challenging regulators, or making regulatory decisions. Where gaps in evidence are identified, we consider, with the support of our Research Strategy Group<sup>13</sup>, whether new research is necessary to fill these gaps. This builds on our Regulatory Information Review<sup>14</sup> and our market baseline report<sup>15</sup>, which both identified gaps in evidence, and put forward priority areas to address. We will also seek to build links with new partners, for example through the Civil Justice Research Forum, continue to share detailed research plans at the Regulators Research Forum, and engage directly with the academic community, including through presentations to conferences. The amount of research we are able to carry out is always dependent on the available budget and so this year we will again be seeking joint funding to deliver some aspects of our research plan.

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<sup>13</sup> For more information see here <https://research.legalservicesboard.org.uk/about-lsb-research/research-strategy-group/>

<sup>14</sup> For more information see <https://research.legalservicesboard.org.uk/analysis/>

<sup>15</sup> See <https://research.legalservicesboard.org.uk/wp-content/media/Impacts-of-the-LSA-2012-Final-baseline-report.pdf>

66. Alongside primary research, we will continue to use our evaluation framework<sup>16</sup> to monitor the impacts of regulation on the legal services market. This allows us to identify areas where existing regulation is having adverse effect, and where risks to the consumer and public interest are not being addressed.

67. We do not intend to update our full market evaluation in 2014/15, although we will ensure that the work on our strategic direction for 2015-18 reflects emerging lessons. Instead we will undertake analysis and research to support a full update in 2015/16. Pushing this back a further year will give the regulatory reforms more time to bed into the market and us greater scope to improve our evidence base for the essential analysis needed to support the evaluation. In 2014/15, this analysis will focus on the regulatory objective of improving access to justice.<sup>17</sup>

### **Why this work matters**

68. We need a comprehensive evidence base to ensure that we develop effective regulatory policy that meets the regulatory objectives in a way that is consistent with the principles of better regulation.

69. Evaluation is also an essential tool if we are to understand the overall impact of the changes to regulation made since implementation of the Act. For those operating in the regulatory sphere, evaluation is key to understanding whether regulatory policy is achieving the right balance of providing a baseline of protection for consumers and promoting competition and wider economic growth.

70. Improving access to justice is a crucial measure of our success. Our research has identified that large numbers of individual consumers and small businesses when faced with legal problems do not find legal services that meet their needs and either handle their problems alone or ignore the problems altogether.<sup>18</sup> Understanding the extent of this ‘justice gap’, and how it changes over time, is an essential part of our overall evaluation, assessing whether the reforms to regulation are achieving the outcomes envisaged under the Act.

### **What we will do**

71. We will continue to discuss with regulators our expectations with regard to their data collection and publication and support greater transparency of market analysis. Over time, we expect to see regulators undertaking greater evaluation of the impact of their own work.

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<sup>16</sup> Evaluation Framework, LSB, 2011,

[http://www.legalservicesboard.org.uk/news\\_publications/publications/pdf/evaluation\\_framework\\_april\\_2011.pdf](http://www.legalservicesboard.org.uk/news_publications/publications/pdf/evaluation_framework_april_2011.pdf)

<sup>17</sup> For more information see *Evaluation: How can we measure access to justice for individual consumers?* LSB 2012, <https://research.legalservicesboard.org.uk/wp-content/media/Evaluation-measuring-A2J-11-09-12-Discussion-paper-FINAL-FORMATED.pdf>

<sup>18</sup> For example see *In Need of Advice? Findings of a small business legal needs survey*, 2013 – summary available here <https://research.legalservicesboard.org.uk/wp-content/media/Presentation.pdf>

72. Our research proposals for 2014/15 are:

Title	Description	Reason for prioritising this work
Online divorce	Understanding the consumer experience of online divorce services (started 13/14) <sup>19</sup>	<p>For regulators, online services challenge traditional models of regulation which impose high entry barriers as a proxy for the quality of service delivered. As online services grow, inevitably regulators will need to develop new approaches to regulation to tackle the new risks.</p> <p>The primary aim of this research is to explore the consumer experience of online divorce services in order to understand whether risks arise in practice.</p> <p>This work is being undertaken in conjunction with the Legal Services Consumer Panel.</p>
Innovation: capabilities and barriers in legal services	Comparative study of the development of innovation and the barriers regulation presents – whether in reality or perception - to adoption of innovation in legal services	<p>Understanding barriers to innovation is one aspect of helping us understand whether regulation places excessive burdens on legal services providers. Our 2013 evaluation report<sup>20</sup> highlighted the lack of information in this area. Respondents to our ABS survey identified regulation as a major barrier to innovation.<sup>21</sup> This echoes the findings of earlier work, and a more recent investigation by the Regulatory Policy Institute.<sup>22</sup></p> <p>Identifying specific regulatory barriers that unnecessarily impede innovation will provide another challenge to regulators to ensure regulation is targeted, proportionate, and effective.</p>

<sup>19</sup> Research specification available here <https://research.legalservicesboard.org.uk/wp-content/media/Research-spec-Online-Divorce.pdf>

<sup>20</sup> See Part 4: How has the level of innovation changed?, *Evaluation: Changes in competition in different legal markets*, LSB 2013. <https://research.legalservicesboard.org.uk/wp-content/media/Changes-in-competition-in-market-segments-REPORT.pdf>

<sup>21</sup> *Measuring sectoral innovation capability in nine areas of the UK economy*, NESTA, 2009, <http://www.ideiasustentavel.com.br/pdf/measuring-sectoral-innovation.pdf>

<sup>22</sup> *Understanding barriers to entry, exit, and changes to the structure of regulated legal firms*, RPI, <https://research.legalservicesboard.org.uk/wp-content/media/RPI-Final-Report-for-LSB-and-TLS-15-December-2013.pdf>

The impact of 'unbundled' services on consumers	Understanding consumer experiences of providing and receiving discrete elements of legal services in relation to one case	<p>As new technology enables greater unbundling of legal work, and services funded traditionally by legal aid are withdrawn, commentators suggest a growth in unbundled legal services being offered to the public. This research will seek to understand what the different service offerings are, what the risks and benefits to consumers of these different services are, and whether there are any regulatory barriers to the development of these services.</p> <p>By understanding these issues, the research will provide an evidence base on which to determine whether any regulatory response is needed.</p>
Costs of regulation	Research to support the LSB led review looking at the cost of legal services regulation	<p>We recognise that an investigation into the costs of regulation will require significant expertise to capture all aspects of economic and financial costs associated with regulation.</p> <p>Further, since its findings are likely to be subject to much debate, it is important that the research is independent.</p>
Quality and price information	Analysis of accessibility of price information for legal services, and its impacts on consumers decisions to enter the market and to chose between different providers	<p>General economic research<sup>23</sup> suggests markets with higher search costs can be less competitive. Investigations by the the Panel and the LSB have demonstrated the challenges consumers face in comparing providers</p> <p>This research will provide a more detailed investigation, and ensure this issue remains prescient.</p>
Open data market impacts case studies	A short desk based literature review of the impacts of open data on other markets	This will ensure that the legal regulators can learn from the experience of other sectors who have further progressed the open data agenda.

<sup>23</sup> For example <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.10.8393&rep=rep1&type=pdf>

Review of Alternative Dispute Resolution (ADR) schemes	Desk based research mapping out trends in the use of ADR schemes across the different legal segments	Building on existing work <sup>24</sup> , this will seek to collate data in the trends in the usage of ADR mechanisms to inform our understanding of wider market trends for the full evaluation report in 2015/16.
PhD Student funding	Warwick University, focus on professional ethics	We part fund a PhD student, to support his empirical investigation into how professional ethics operate in practice.
Legal services benchmarking survey	Individual consumer legal needs survey (Updating the 2012 benchmarking survey)	<p>This survey will update the 2012 survey, providing an in-depth evidence base on how consumers respond to legal needs, the choices they make and how services are delivered.</p> <p>This survey covers twenty eight different problems types and is the most comprehensive information source of its kind.</p> <p>We will publish the data alongside the survey, which will enable a wide range of stakeholders to use the information for their own analysis, as well as being essential to support our full market evaluation in 2015/16.</p>
Evaluation: changes in access to justice	Assessment of changes in access to justice over the past five years	<p>We are committed to evaluating the impacts of the Act's reforms. We have highlighted the challenges in measuring changes in access to justice in the past, and will seek to reflect the discussions and debates we have had.</p> <p>This will support the development of a full market impact evaluation in 2015/16.</p>

73. We have selected these proposals on the basis of the LSB's work programme for the year ahead, reflecting the Legal Services Consumer Panel's work plans, responses to the consultation, the practicalities of the available budget and resources. Further we have chosen these areas based on our understanding of commitments made by the regulators for research and evaluation activity over the coming year, such as the Joint Advocacy Group's commitment to the assessment

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<sup>24</sup> For example <http://www.csls.ox.ac.uk/AlternativeDisputeResolution.php>

of the impacts of the Quality Assurance Scheme for Advocates (QASA) and improved regulatory information on entities regulated by the smaller approved regulators. We continue to foster good links with the academic community to ensure that we are aware of new and forthcoming research reports that are relevant to ourselves and the regulators.

74. We will continue to revise our plan accordingly to support new emerging needs, or where other organisations take forward their own new initiatives, and take a pragmatic approach to any opportunities to work with other funders to address longer term research needs.

## Strategy development and research milestones by quarter

Activity	Milestone / Output
<b>Regulatory reform</b>	
Carry out a detailed and thorough assessment of the cost of various components of regulation	<p><b>Q1</b> - Review of available data and information to assess the total viable cost of regulation</p> <p><b>Q2</b> - Gap analysis and assessment of the most viable options for collection of indirect costs of regulation</p> <p><b>Q2</b> - Prioritisation of areas for analysis</p> <p><b>Q2-Q3</b> - Consultation with regulators</p> <p><b>Q4</b> - Publish research</p>
Thematic reviews	<b>Q1- Q4</b> - See section A.
<b>Liberalising the legal workforce</b>	
Work with regulators to ensure that the principles in our guidance on education and training are embedded	<b>Q1</b> - Agree an approach to monitoring delivery of LSB guidance
Continue monitoring progress against LSB guidance on diversity data and transparency	<b>Q4</b> - Report on regulators progress
<b>Improving the consumer experience</b>	
Reminding regulators of our expectations in relation to the 'Approaches to quality' success criteria	<b>Q4</b> - Agree an approach for improving the provision and transparency of regulatory data
Review whether there is information that would enable us to identify indicators of informed consumer decision making to inform regulatory reform	<b>Q2-Q3</b> - Publish discussion paper
Developing further analysis on ways in which regulators might improve transparency for consumers	<b>Q2-Q3</b> - Consider appropriate action depending on the outcomes of 2013/14 research into effective methods to support consumers in identifying and responding to legal problems
Continue to monitor how regulators are using complaints data to identify emerging patterns of provider behaviour	<b>Q1-Q4</b> - If we identify that this is not happening we will work with regulators and Legal Ombudsman to develop an appropriate regulatory response
Consider outcomes of the following 2013/14 research:	<b>Q1-Q2</b> - Depending on outcomes of research propose appropriate action
<ul style="list-style-type: none"> <li>• Consumer information for regulation of complaints handling</li> </ul>	

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- Consumer experience of on-line divorce

Focus on developing regulators' own understanding of and response to consumer experience as part of the regulatory standards work

**Q1-Q3** - Contribute to 2014/15 regulatory standards exercise.

## Research

Research and evidence

**Q1** - Publish research plan

Evaluation of impacts of the Act:  
Access to justice

**Q3** - Publication of final report

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## C: Statutory decision making

### Overview

75. The Act places a range of decision making powers on LSB – some are ad hoc and some are recurring; we want to ensure that this work is consistent with and supports all our other activities.

76. The range of ad-hoc work includes applications from:

- approved regulators who wish to change the reserved legal activities that they can regulate or who wish to become licensing authorities (new designations)
- new organisations seeking designation so that new types of business and other service providers can deliver reserved legal activities (new entrants)
- approved regulators and licensing authorities who wish to change the regulatory arrangements that they have in place – either because of their own initiative or in response to LSB policy developments (changes to regulatory arrangements).

77. Recurring activity includes:

- approving the practising certificate fees (PCF) set by each approved regulator
- assessing the evidence that the regulatory arms of approved regulators and licensing authorities are acting independently from the representative bodies
- approving the annual budgets of both the OLC and the SDT.

### Why this work matters

78. Approving new designations and changes to regulatory arrangements is a key part of our oversight role. We need to ensure that in exercising our statutory decision making powers we act in a way that is consistent with our work on regulatory effectiveness; this will support the work that approved regulators are doing to improve the standards of regulation.

79. New entrants and new designations will allow more firms to enter into or expand their services, thus improving choice for consumers.

80. For new entrants and new designations, we will ensure that the regulatory arrangements meet the four standards of regulation – outcomes focused; risk identification; proportionate supervision and effective enforcement; capacity and capability. Through the rules change approval process we can ensure that all

changes to approved regulators handbooks and rules continue to become more outcomes focused.

81. Our work on PCF approval will contribute to a better understanding of the costs of regulation and other statutory burdens on business often conflated with it.
82. The annual review of Internal Governance Rules (IGR) compliance will aim to give further confidence that the regulatory arms of the approved regulators do in fact act independently of the representative arms and the profession as a whole.

### **What we will do**

83. We expect to have to consider applications:
  - from existing approved regulators and licensing authorities to extend the range of reserved legal activities for which they are designated
  - for changes to regulatory arrangements.
84. Following the Lord Chancellor's decision in March 2014 to accept the LSB's recommendations on designation applications, we will be working with the MoJ and the applicants to ensure the necessary statutory orders under the Act are in place<sup>25</sup>.
85. We will consider whether we should change our approach to assessing compliance with the IGR and whether "self certification" by the approved regulators should continue as the only form of assurance.
86. We will consider applications from all approved regulators and licensing authorities for approval of practising certificate fees and aim to complete them within the agreed time frame.
87. We will consider and, where necessary, challenge the budgets of the SDT and OLC.
88. We will publish new levy rules.

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<sup>25</sup> In December 2013 the LSB recommended that designation orders be made in respect of the Institute of Chartered Accountants in England and Wales; the Chartered Institute of Legal Executives; the Chartered Institute of Patent Attorneys and the Institute of Trade Mark Attorneys.

## Statutory decision making by quarter

Activity	Milestone / Output
Consider applications from existing approved regulators and licensing authorities to extend the range of reserved legal activities for which they are designated or to change their regulatory arrangements	As required – Decisions on any applications made  <b>Q1-2</b> - Consultation and recommendations to the Lord Chancellor on any related orders for current designation applications
Consider whether we should change our approach to assessing compliance with the IGR	<b>Q1</b> - Decision on whether to require dual self-certificate as a means of assurance on compliance with the IGRs  <b>Q1</b> - Receive reports on how regulators determine PCF spend against the permitted purposes
Consider applications from all regulators and licensing authorities for approval of PCF	<b>Q2-Q4</b> - Assess applications for approval of annual PCF
Consider SDT budget	<b>Q3</b> - Assess budget application
Consider OLC budget	<b>Q4</b> - Assess budget application
Levy	<b>Q1</b> - Publish new levy rules

## **Relationship with the OLC**

89. The LSB has a statutory relationship with the OLC, the Board of the Legal Ombudsman. This includes a responsibility to review its performance in administering the Legal Ombudsman scheme. Members of the two Boards meet on a quarterly basis to review the way in which the OLC is overseeing performance and to look at the Ombudsman scheme's key performance indicators. To date, the LSB has not been required to set or direct performance targets.
90. The LSB may also require the OLC to report to it on any specified matter under Section 120 of the Act. To date we have made two requests of this type and in 2014/15, we expect to receive a report into the circumstances around complaints where there has been a perceived lack of transparency in the cost of legal services including funding arrangements (including damages-based agreements), business models, area of law, consumers and legal professionals involved.
91. In 2014/15, we will:
- continue to review the OLC's performance through discussion of quarterly performance commentaries addressing timeliness, quality and cost of the Legal Ombudsman scheme
  - scrutinise and approve the OLC's budget.
92. More generally, we will continue to encourage effective joint working, data sharing and transparency between the Legal Ombudsman and regulators to ensure that both operational work and policy development activities of each organisation are informed by the perspectives and experiences of the other and the information that they hold.
93. We will also offer all support necessary to the new OLC Chair as he seeks to identify their priorities.

## **Delivering our Plan**

### **Budget**

94. The table below shows our proposed budget for 2014/15, the final year of our 3-year strategic plan. Based on our planning assumptions we are once again proposing a budget reduction (of £150,000).

#### **LSB budget for 2014/15**

	<b>Operational budget 2014/15 £000</b>
Staff	2,422
Accommodation	424
Research and professional services	250
IT/facilities/finance	245
LSB Board	200
Consumer Panel	204
Office costs	126
Depreciation	30
Governance and support services	132
Legal reference/support	108
 <b>TOTAL excl OLC Board</b>	 4,141
OLC Board	157
 <b>Total inc OLC Board</b>	 4,298

### **Budget assumptions**

95. Based on the current staffing complement, approximately 88% of the planned running budget of the LSB will be made up of ‘fixed’ costs (Board, OLC Board, staffing, accommodation, depreciation and outsourced services). The remaining 12% will be accounted for by the research, professional services and office running costs needed to support the LSB’s work programme for 2014/15.

96. The bulk of the proposed £150,000 budget reduction comes from reductions in our accommodation costs and OLC Board budgets. On the latter, the time commitment and fee payable for the new Chair has been reduced.

97. The accommodation cost reductions arise as a consequence of our office move to One Kemble Street, where we have become tenants of the Office for Rail Regulation (ORR) and occupy a smaller space.

98. The planned budget does not take account of any impact that the decision on costs resulting from the QASA judicial review may have and, as in previous years, contains no provision for any future legal action. We will seek to recover costs in all challenges and, where necessary, recoup any unavoidable costs in future levy years. Any such costs of this will be separately identified in levy collection notices.

99. Costs will continue to be recouped through the statutory levy on approved regulators.

### **Risk and information management**

100. We are committed to robust risk management across all of our activities whether regulatory or operational. Risk is managed at all levels in the organisation: within projects; across the work programme; at senior management, Audit and Risk Committee (ARC) and Board level through regular review. Corporate risk management is focused on the actual risks facing the LSB at any one moment that we have the power to influence, whilst ensuring that we understand the general environment of risk in which we operate.

101. One area where we work hard to avoid both regulatory and operational risk arising is information management. As a knowledge driven organisation we rely on good corporate knowledge; all of our work is underpinned by the evidence we gather, the information we hold and the decisions we make. This information must be managed well to ensure we make sound decisions and are able to fulfil our statutory obligations under both freedom of information and data protection legislation.

102. We will continue to comply with our statutory responsibilities under data-protection and freedom of information legislation and ensure that our internal policies accurately reflect any changes in legislation. We will also meet both the letter and the spirit of the transparency agenda, seeking to meet requirements at the lowest cost whilst achieving the maximum impact.

### **Corporate services**

103. Underpinning all of our regulatory activity is a slim corporate services function. We actively designed our organisation to rely so far as possible on low cost, out-sourced “back-office” support and thus our telephony and facilities will be provided by the ORR. Our human resource advice is provided by a commercial provider. We have two in-house lawyers and access to a panel of general and specialist advisors, appointed through a competitive tender process which was refreshed in 2013/14. By adopting this approach, we have managed to keep in-house staffing requirements to a minimum and have secured appropriate and proportionate commercial services at competitive prices. We keep these

arrangements under continuous review to ensure that they remain the most appropriate way of securing value for money and manage individual contracts robustly.

### **Finance process performance**

104. In our annual report and accounts, we report our success at paying all undisputed invoices within 30 days. We have also undertaken to meet the 2008 Cabinet Office Guidance for Departments and we have set a target of paying undisputed invoices within ten days of receipt. We support the Cabinet Office's aspiration to support businesses through ensuring the public sector pays its bills swiftly.

### **Freedom of Information and Data Protection Act requests**

105. We aim to acknowledge and to respond fully to freedom of information requests within 3 and 15 working days, respectively, on average. The statutory maximum for responding is 20 working days and our current average is 7.5 working days.

106. We aim to acknowledge and to respond fully to subject access requests within respectively 3 and 20 working days on average. The statutory maximum for responding is 40 calendar days.

## Statutory performance targets

	Change to regulatory arrangement	New approved regulator designation or additional reserved legal activities	Licensing authority designation	Cancellation of designation for approved regulators*	Cancellation of designation for licensing authorities*
We will publish applications on our website as long as we consider the applications to be complete	Within 2 days	Within 5 days**	Within 5 days**	Within 5 days**	Within 5 days**
We will make a decision or recommendation on the application	Within 28 days for simple applications ***  Within 3 months for complex applications ***	Within 130 days^	Within 130 days^	Within 65 days	Within 65 days
Where appropriate, we will publish advice from mandatory consultees and any representations on that advice	Within 5 days	Within 5 days	Within 5 days	Within 5 days	Within 5 days
We will publish recommendations to the Lord Chancellor	Within 5 days	Within 5 days	Within 5 days	Within 5 days	Within 5 days
Where appropriate, we will publish our: decision; extension; warning; and refusal to consider; Notices on our website	Within 2 days	Within 2 days	Within 2 days	Within 2 days	Within 2 days

*Note: All days are working days, except for decisions or recommendations on regulatory arrangements, which are in calendar days.*

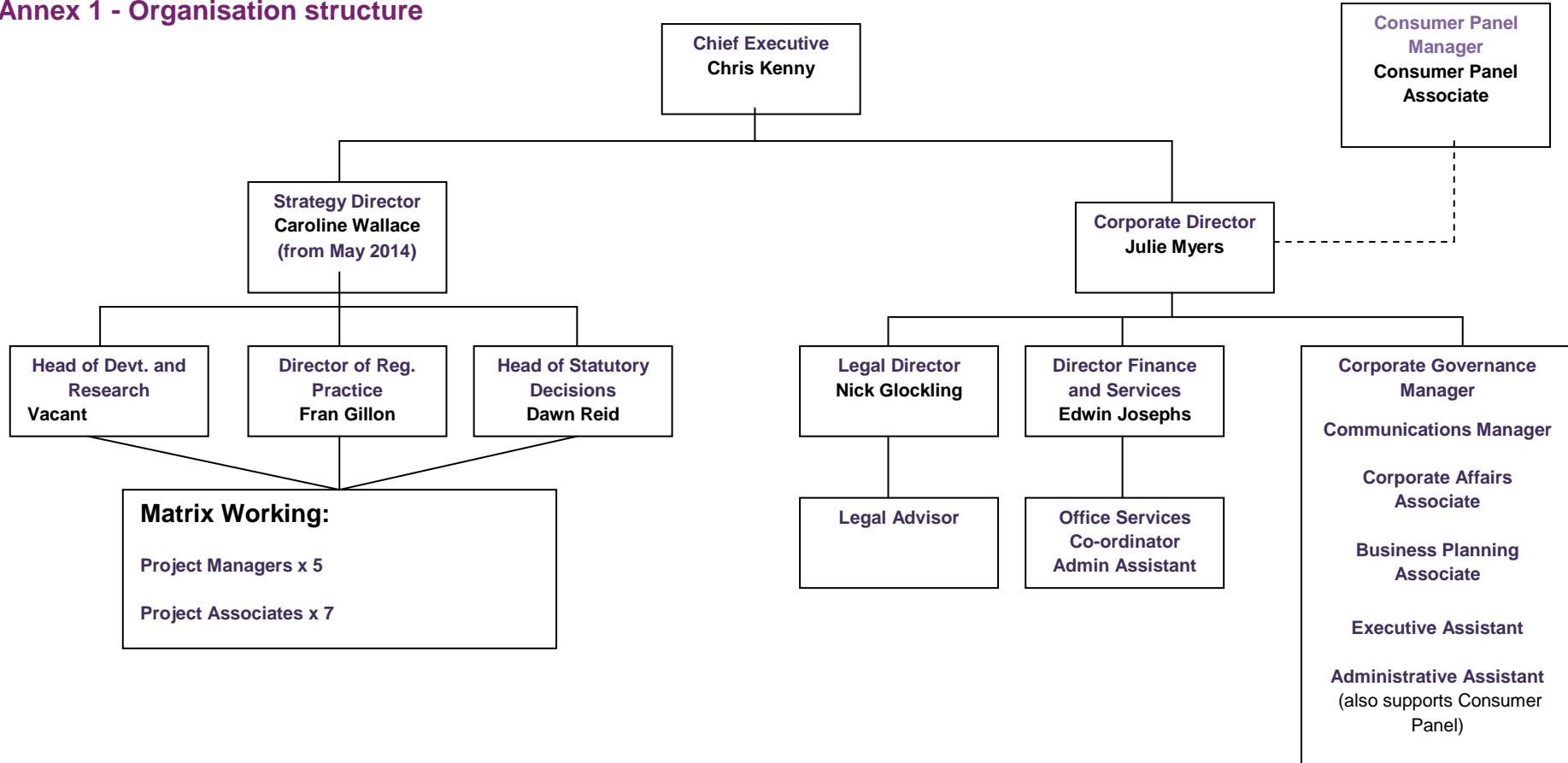
*\*This KPI only applies under sections 45(3) and 76(3) of the Legal Services Act 2007 (that is, where the approved regulator applies for cancellation, and therefore, is not as a result of an enforcement process)*

*\*\*The applications will be published on our website as long as they are complete. The LSB reserves the right during this period to request further information from the applicant.*

*\*\*\*Paragraph 26 of Part 3 of Schedule 4 to the Legal Services Act 2007 provides for a maximum decision period of 18 months from the date the applicant received a warning notice from the LSB.*

*^Paragraph 15 of Part 2 of Schedule 4, and paragraph 13 to part 1 of Schedule 10 of the Legal Services Act 2007 provides for a maximum decision period of 16 months.*

## Annex 1 - Organisation structure



## Annex 2 - 2014/15 milestones

Quarter 1 Workstream April - June	Quarter 2 Workstream July - September
LSB requests information from regulators about progress	A      LSB receives submissions from regulators
S.13: work with stakeholders to categorise issues and identify options for change	A      S.13: Consult on proposals for change (if necessary)
Publish detailed scope of and schedule for completion of s.15 and structural obstacles reviews	A      Gap analysis and assessment of the most viable options for collection of indirect costs of regulation
Review of available data and information to assess the total viable cost of regulation	B      Prioritisation of areas for analysis in cost of regulation review
Conduct reviews into specific areas where existing regulation is perceived to impose unnecessary burdens	A/B      Cost of regulation – consult with regulators
Agree an approach to monitoring delivery of LSB guidance on education and training	B      Conduct reviews into specific areas where existing regulation is perceived to impose unnecessary burdens
Monitor regulators use of complaints data	B      Publish discussion paper about indicators for regulatory reform
Consider action following outcomes of 2013/14 research into consumer information and on-line divorce	B      Depending on outcomes of 2013/14 research into methods to support consumers in identifying and responding to legal problems, consider action
Publish 2014/15 research plan	B      Monitor regulators use of complaints data
Consider applications from regulators for changes to their regulatory arrangements	C      Consider action following outcomes of 2013/14 research into consumer information and on-line divorce
Consultation and recommendations to the Lord Chancellor on related orders for current designation applications	C      Consider applications from regulators for changes to their regulatory arrangements

Decision on whether to require dual self-certificate as a means of assurance on compliance with the IGRs	C	Consultation and recommendations to the Lord Chancellor on any related orders for current designation applications	C
Receive reports on how regulators determine PCF spend against the permitted purposes	C	Assess applications for approval of annual PCF	C
Publish levy rules	C		

<b>Quarter 3 Workstream October - December</b>		<b>Quarter 4 Workstream January - March</b>	
LSB analyses regulators' responses	A	LSB reports to the Board on progress by regulators against their action plans	A
Develop and engage with partners on approach to 2015/16 regulatory standards review	A	Develop and engage with partners on approach to 2015/16 regulatory standards review	A
Finalise approach to 2015/16 regulatory standards review	A	Finalise approach to 2015/16 regulatory standards review	A
S.13: Submit recommendation to Lord Chancellor (if necessary)	A	Publish research into costs of regulation	B
Cost of regulation – consult with regulators	B	Conduct reviews into specific areas where existing regulation is perceived to impose unnecessary burdens	A/B
Conduct reviews into specific areas where existing regulation is perceived to impose unnecessary burdens	A/B	Report on regulators progress against LSB guidance on diversity data and transparency	B
Publish discussion paper about indicators for regulatory reform	B	Agree an approach for improving the provision and transparency of regulatory data	B
Depending on outcomes of 2013/14 research into methods to support consumers in identifying and responding to legal problems, consider action	B	Monitor regulators use of complaints data	B
Monitor regulators use of complaints data	B	Consider applications from regulators for changes to their regulatory arrangements	C
Publish access to justice evaluation report	B	Assess applications for approval of annual PCF	C
Consider applications from regulators for changes to their regulatory arrangements	C	Assess OLC budget	C
Assess applications for approval of annual PCF	C		
Assess SDT budget	C		

### Annex 3 - Regulatory objectives matrix

Regulatory Objectives	A: Regulator performance and oversight		B: Strategy development and research				C: Statutory decision making
	Regulatory standards	Thematic reviews	Regulatory reform	Liberalising the legal workforce	Improving the consumer experience	Research and evaluating impact of the Act	
The public interest	X		X	X	X	X	X
The rule of law	X		X			X	X
Access to justice	X	X	X	X	X	X	X
Consumer interest	X	X	X	X	X	X	X
Enhancing competition	X	X	X		X	X	X
Independent, strong and diverse profession	X		X	X	X	X	X
Citizens' rights and duties	X				X	X	X
Professional principles	X	X	X	X	X	X	X

