

Business Plan 2017/18

Our vision

Legal services that everyone can access and trust

We deliver this by:

- Supporting the rule of law and the effective administration of justice – promoting the public interest.
- Acting as an agent of change in the sector – enabling innovation and pursuing greater transparency and data collection to build a sound evidence base for progress.
- Holding the legal services regulators and the Office for Legal Complaints to account – protecting consumers from harm and making sure redress is available if things go wrong.

Contents

Chief Executive’s foreword.....	4
Summary of the Business Plan 2017/18.....	6
About the LSB.....	7
Strategic context for 2017/18.....	9
What we will do in 2017/18.....	11
Breaking down regulatory barriers.....	12
Tackling unmet legal need.....	14
Performance, evaluation and oversight.....	17
Market information: research planned for 2016/17.....	21
Delivering our Business Plan.....	23
Annex A: Our statutory performance targets.....	26
Annex B: The regulatory objectives and professional principles.....	27
Annex C: Approved regulators.....	28
Annex D: Project delivery schedule.....	29

Chief Executive's foreword



The LSB's vision is of legal services that everyone can access and trust.

Whilst the legal services market for England and Wales has a well-deserved reputation for excellence, these services, sadly, remain out of reach for many in our society. This is why we will continue to work hard to help tackle the issue of unmet need in terms of improving access to services. But access is also dependent on the second element of our vision: trust. It is essential that there is trust in the profession underpinned by confidence in its regulation. These issues are central to our latest business plan.

Integral to the vision we have for the legal sector is the importance of supporting the rule of law and the effective administration of justice. Our role in that regard is effective oversight of the regulators including performance evaluation and statutory decision making. Above all it means holding the legal services regulators and the Office for Legal Complaints (OLC) to account and through that protecting consumers from harm and making sure redress is available should anything go wrong.

We also continue to act as an agent of change for this sector, enabling innovation and pursuing greater transparency and data collection so that there is a sound evidence base for the progress which the sector needs to make. That need for progress was underlined by the Competition and Market Authority's (CMA) recent legal services market study report. Working with the regulators, we will help to drive transparency in the price and quality of services in the legal sector.

We will ensure that we have a full understanding of the issues relating to standards of education and training in the legal sector. This is important as we will be presented with significant rule changes by the BSB and the SRA in this area.

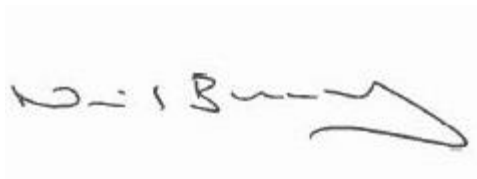
And we will look at regulators' responses to the revised LSB diversity guidance issued earlier this year. I cannot emphasise enough just how important improvements in diversity are to the future of the profession and, in turn, to the judiciary. This is an issue that has to be tackled not solely at entry level, where there is a good story emerging, we also need to make sure that action is taken to address diversity differentials in relation to progression to senior levels within the profession.

All of these strands will form part of our business plan for 2017/18 which is intended to deliver the third and final year of our current three year strategy. This strategy has concentrated on breaking down regulatory barriers; tackling unmet legal need; and undertaking performance, evaluation and oversight of the legal regulators and the OLC.

Over the course of the coming year we will evaluate our progress on delivering these outcomes as this will be an important contributor to our work to develop our next three year strategy (2018 -21). We are looking forward to engaging with a wide range of stakeholders on this work.

As ever we have a clear focus on delivering value for the money that we spend which is vital as we are funded by the profession. In 2017/18 we aim to reduce our indicative budget by a further £150k. This will bring our cost to each regulated legal professional to just under £19 (which is a 44% reduction from when the LSB first started operating).

The LSB is a small organisation with just 32 colleagues. We are committed to delivering value for money and a service that helps drive the modernisation, deregulation and accessibility of legal services in England and Wales. This is an ambitious business plan in both scope and detail. It reflects the feedback we have received from interested parties and our view on where the LSB's work can deliver change that makes the most difference.

A handwritten signature in black ink, appearing to read 'Neil Buckley', with a stylized flourish at the end.

Neil Buckley

Summary of the Business Plan 2017/18

Strategy 2015-18

An agent for change pursuing a modern and effective legal services sector that works better for consumers, citizens and practitioners

Breaking down regulatory barriers

- Develop LSB's oversight of standards of education and training
- Supporting changes in legislation
- Innovation research

Tackling unmet legal need

- Increasing market transparency
- Vulnerable consumers
- Prices of individual legal services
- The legal needs of small businesses

Performance, evaluation and oversight

- Statutory decisions
- Regulatory performance
- Independence of regulation
- Diversity
- Transparency of regulator costs
- Reviewing delivery of enforcement activities
- OLC responsibilities

Building an evidence base through research and consultation

Learning from other sectors and making connections

Listening, collaborating and influencing

Working across the regulated and unregulated landscape

About the LSB

Our role

1. The LSB is the independent body that **oversees the regulation of legal services** in England and Wales.
2. We **hold to account** regulators for the different branches of the legal profession and the Office for Legal Complaints, which administers the Legal Ombudsman scheme. Where improvement is needed we **drive change** in pursuit of a modern and effective legal services sector: one that better meets the needs of consumers, citizens and practitioners.
3. Legal services underpin our civil society, our economy and our democracy. This makes our work relevant to every citizen and every business. Our role delivers three important benefits:
 - **Benefits for public confidence in legal services regulation** – our oversight of the regulators ensures that there is public confidence that the regulation of legal services is not compromised by representative interests and that the public interest (for example, in the rule of law) is protected.
 - **Benefits for consumers** – our market intelligence across all aspects of the legal services sector builds an evidence base which enables us to identify problems in the market and develop fresh thinking on tackling these issues.
 - **Benefits for providers and the economy** – by forcing the pace on deregulation and removing unnecessary barriers we can offer more scope for new providers to start up and for existing providers to grow and innovate, bringing choice, new services and better value for money to consumers.

What we want to achieve

4. We want to see a legal services market characterised by:
 - Consumers who are well informed and able to choose from a range of services that are of appropriate quality and value for money.
 - Vibrant, diverse and professional legal service providers, who compete and innovate to offer services that collectively support wider public interest objectives including the rule of law and access to justice for all.
 - Prompt and effective redress for consumers when professional standards are not met and things go wrong.
 - A regulatory framework that commands the trust and confidence of consumers, the public and all those with an interest in legal services.

How we work

5. We are guided by the regulatory objectives agreed by Parliament in the Legal Services Act 2007 (the Act). Our work balances these objectives.
6. We take into account the government's better regulation principles and aim to be transparent, accountable, proportionate, consistent and targeted in all our activities. We also have regard to our obligations outside the Act. These include the Regulators' Code and our statutory equality responsibilities.
7. We are funded by, but wholly independent of, the approved regulators of the legal profession. In 2017/18 we will reduce our budget in cash terms by £150k from 2016/17. The notional cost to each person authorised to undertake reserved legal activities and holding a practising certificate has reduced from over £34 in 2010/11 to an expected amount of under £19 in 2016/17 (44% reduction) and this will continue on a downward trajectory.
8. The regulators are responsible for devising, developing and implementing regulation of legal services in England and Wales. The LSB makes sure that they meet this responsibility so as to promote the regulatory objectives (see Annex B) and other statutory objectives.
9. We make sure that the regulators have the competence, capability and capacity to promote and adhere to the regulatory objectives and undertake regulation independently from representative interests in the legal sector.

Strategic context for 2017/18

10. In March 2015, we published our Strategy for 2015-18 and described the three strategic outcomes we would be working towards over the three-year period.



11. In preparing our Business Plan for 2017/18, we considered whether any changes were needed to these three themes in light of developments in our operating environment this last year. Some of these have been particularly significant. We considered:

- **market context**, including:
 - joint LSB and Law Society research into individual consumer legal needs¹ showing that for 18% of legal issues experienced, respondents did nothing. The three main factors driving responses to legal issues are whether people characterise the issues as legal, the type of issue faced, and perceptions of cost
 - the LSB's triennial evaluation of changes in the legal services market since the Act was passed² which found that there are signs of positive change with quality improving in most areas, but significant ongoing unmet need and limited progress towards delivering better market outcomes
 - LSB research into unregulated legal services which looked in detail at will-writing, online divorce and intellectual property and found that for-profit unregulated providers make up a small proportion of the legal services market. Benefits for consumers include lower prices and greater price transparency compared to regulated providers, innovation and service differentiation, and the competitive impact of unregulated providers on

¹ <https://research.legalservicesboard.org.uk/news/latest-research-12/>

² <https://research.legalservicesboard.org.uk/news/latest-research-14/>

regulated providers. The main risks to consumers relate to consumers not making informed choices and misleading advertising claims

- **political developments, including:**
 - the launch of a government consultation on removing barriers to entry for alternative business models in legal services
 - the outcome of the referendum on UK membership of the European Union and the launch by the Justice Select Committee of an inquiry into the implications of Brexit for the justice system
 - a new Lord Chancellor and emerging priorities

- **broader regulatory and market developments, including:**
 - the publication by the LSB of its latest performance reviews of the eight legal services regulators, examining the progress that they have made in developing and improving their regulatory standards since the LSB first reviewed their performance in late 2012
 - the publication by the Competition and Markets Authority (CMA) of its legal services market study final report. According to the CMA, the legal services sector is not working well for individuals and small businesses. To remedy this, the CMA recommended measures to increase transparency and consumer engagement, alongside action by government to review the regulatory framework for legal services
 - the publication by the LSB of its vision for legislative reform of the regulatory framework for legal services³ and the associated public debate about independence of regulation and the legal profession
 - applications from the Bar Standards Board (BSB) and the Institute of Chartered Accountants in England and Wales (ICAEW) to widen their regulatory scope.

12. All these developments indicate that the LSB's current strategic goals continue to be relevant and important. Unmet need and unnecessary regulatory barriers are not just a concern for the LSB, but for other regulators, representative bodies, consumer bodies and government. In addition, ensuring the successful operation of the legal services regulators, including scrutinising their costs and performance, aligns well with the cross-economy drive for better regulation in a climate in which optimising the effectiveness of the legal services sector is more important than ever.

³http://www.legalservicesboard.org.uk/news_publications/LSB_News/PDF/2016/20160909LSB_Vision_For_Legislative_Reform.pdf

What we will do in 2017/18

13. Our work programme represents the final year of our three-year Strategy and so there is significant continuity from our work in 2016/17. It is designed to make sure we:
- **hold regulators and the OLC to account** for their performance and (for regulators) their independence
 - **drive reform** of regulation so that the legal services sector can better meet the needs of consumers, citizens and practitioners.
14. At the heart of our programme are our statutory responsibilities to assess:
- regulators' requests for approval of changes to regulatory arrangements
 - new and existing regulators' requests to become designated to regulate one or more of the reserved legal activities or to become a licensing authority for alternative business structures (ABS).
15. Our scrutiny of these often market-changing applications, alongside our analysis of the level of practising certificate fees (PCF) charged, is an essential public interest function.
16. We are committed to using our position as the oversight regulator to identify where regulators are able to improve market conditions, particularly around transparency, innovation and reducing unmet need which are all important in a well-functioning legal services market.
17. In 2017/18, we will also be developing our new Strategy for 2018-21. This is an important undertaking that will involve the whole organisation and will determine the LSB's direction for the next three years. In 2017/18, we will engage with our stakeholders as we develop our new Strategy.
18. We have also been careful to make sure we maintain the capacity and flexibility to respond to the range of external initiatives that will help shape the sector. In particular, the outcomes of the CMA market study.
19. In all of our work, we hold ourselves to the same standards we expect of those we oversee. In 2017/18 our approach will be informed by the outcomes of the Ministry of Justice's (MoJ) Tailored Reviews of the LSB and OLC, the Committee on Standards in Public Life's report *Upholding the Seven Principles of Public Life in Regulation*⁴ and the Cabinet Office's *Regulatory Futures Review*⁵.

⁴ <https://www.gov.uk/government/publications/striking-the-balance-upholding-the-7-principles-in-regulation>

⁵ <https://www.gov.uk/government/publications/regulatory-futures-review>

1

Breaking down the regulatory barriers to competition, innovation and growth

Why this work matters

20. Breaking down regulatory barriers and reducing the regulatory burden are both vital components of deregulation. We need both if we are to facilitate competition, growth and innovation, each of which will deliver benefits for consumers and for the wider economy.
21. Increasingly the market is moving away from traditional legal services structures focused on providing a limited range of services. Consumers are increasingly demanding joined up legal and non-legal services tailored to their needs. Service delivery and regulation must not assume one size fits all.
22. Regulators must make sure that regulation does not hinder market developments or disproportionately limit innovation.

Breaking down regulatory barriers

In 2017/18 we will:

- develop our oversight of standards in education and training
- support changes in legislation to remove barriers
- update our research on the level and types of innovation in the market.

If successful we will see:

- more choice for consumers and less unmet need
- a greater range of business models in this sector, with increasingly diverse service provision and an increased ability for service providers to be agile and respond to changing patterns of demand
- a smaller number of streamlined and simplified regulatory arrangements.

Developing LSB oversight of standards of education and training

23. Section 4 of the Act gives the LSB specific duties to maintain and develop the standards of education and training. This year will mark four years since the publication of the regulators' Legal Education and Training Review and our statutory guidance for regulatory arrangements for education and training will be three years old at the beginning of the 2017/18 business year. Recently, we have seen regulators propose a series of changes to their regulatory arrangements designed to make sure those they regulate are competent, well trained, and better able to serve the needs of consumers.
24. We have maintained a 'watching brief' on education and training since the publication of our statutory guidance and provided oversight of change through our role in approving changes to regulatory arrangements. In 2017/18, we will increase our engagement with the wider education and training community to make sure we maintain a rich and broad understanding so that our approach to oversight continues to be fit for purpose and reflects best regulatory practice.

Supporting changes in legislation to remove barriers

25. In September 2016, we published our vision for reform of the legislative framework for regulation of legal services. Looking ahead, we will continue to support reforms to legislation and changes to regulation to remove unnecessary barriers to the effective functioning of the legal services market, in the interests of consumers and the wider public.
26. In 2017/18, we will engage with any MoJ proposals that relate to the regulation of legal services, and with any initiatives for further reforms arising from the CMA's recommendations following its legal services market study.

Innovation research

27. The Legal Services Act 2007 was intended to promote innovation in legal services. In 2014/15, we commissioned joint research with the Solicitors Regulation Authority (SRA) which provided the first statistical evidence of the level and types of innovation in the sector, and the key enablers of and barriers to change.
28. The research found that the market is becoming more innovative, but there is room for further improvement. In 2017/18 we will begin to update this research to establish what has changed in the three years since the first survey. Updating the research will help us to assess the impact of regulatory changes and other factors on levels of innovation and to identify any regulatory barriers to innovation.

2

Enabling the need for legal services to be met more effectively

Why this work matters

29. Markets work best when consumers have choice and can exercise that choice confidently. Whilst in certain parts of the legal services sector there are higher levels of consumer engagement, there remain areas where consumers are unable to exercise any real choice. This may be due to the complexity of the services offered, or an inability to compare or access the service they need. In some areas these barriers are such that there remains a significant gap between legal needs and the use of legal services.
30. Individuals and businesses need to be able to meet their legal needs conveniently, affordably and effectively. Otherwise there is a risk that they will not be able to exercise their rights under the law.
31. For regulators to help mitigate this risk they need an understanding of:
- the range of options available – including regulated and unregulated legal services, self-provision and the way these may interact
 - affordability – not only the price of legal services but also how consumers make trade-offs when deciding how to spend money
 - accessibility – including the extent to which consumers are put off by the complexity of the system and whether there are barriers which are especially acute for vulnerable consumers.

Tackling unmet legal need

In 2017/18 we will:

- increase market transparency for consumers
- explore opportunities to improve delivery of legal services to vulnerable consumers
- publish our findings on prices of individual legal services
- update our research on the legal needs of small businesses.

If successful we will see:

- improvements in the extent to which the need for legal services is met
- an increase in our – and the sector's – understanding of the legal services landscape, the consumer's journey through it and where our resources can be targeted to have the biggest impact
- appropriate protections for consumers and the public interest secured in a rapidly changing market.

Increasing market transparency for consumers

32. Over a period of years we have been working to make it easier for consumers to make informed choices when choosing between legal services providers. This work has focused on improving understanding and transparency of price and quality and facilitating market entry by Digital Comparison Tools. We believe firmly that increased market transparency will improve the extent to which the need for legal services is met, as well as stimulate greater competition in the market, both of which would support economic growth.
33. The CMA's legal services market study concluded that competition in the legal services sector for individual consumers and small businesses is not working well. Its main concern was that a lack of information weakens the ability of consumers to drive competition by making informed purchasing decisions. We agree with the CMA's analysis and will support the recommendation it directed to us to assess the sufficiency of action plans developed by frontline regulators to improve market transparency, monitor their progress and take appropriate action where regulators fail to address information gaps.
34. We will also continue to engage with the CMA's separate cross-sector study on Digital Comparison Tools, which is due to report in September 2017.
35. In 2016/17, to inform our work on regulatory data, we asked the Legal Services Consumer Panel (LSCP or the Panel) to provide us with advice on the effectiveness of current information remedies in legal services regulation and how these could be improved. We have now received the Panel's advice and will respond in due course. We expect its advice will help us and the frontline regulators in our efforts to improve market transparency following the CMA's report.

Vulnerable consumers

36. Early in 2017/18, we will publish research on vulnerable consumers' experience of legal services. This research started in 2016/17 and is focused on two groups of consumers: individuals with mental health problems, and those with dementia. We will explore opportunities to help others to use our research findings to improve delivery of legal services to these vulnerable consumers. We will engage with relevant regulators, representative bodies, consumer organisations and charities. We will use the Panel's existing guidance on consumer vulnerability to help us identify and promote good practice in this area.

Prices of individual legal services

37. The research we are currently commissioning on prices of legal services will be completed and published in 2017/18. This will update our 2015/16 prices research, which was highly influential in shaping the findings of the CMA's market study. Understanding changes in prices over time is one of the key measures of the

impacts of regulatory reforms designed to promote competition and is part of our ongoing commitment to evaluating the impacts of regulatory reform.

The legal needs of small businesses

38. In 2012/13 and 2014/15, we commissioned large scale quantitative research into the legal experiences of small businesses. This shines a light on the origin of legal problems that they face and their strategies for dealing with these problems. We will be updating this research in 2017/18 to assess whether the experiences of small businesses are changing and if so, how.

3

Performance, evaluation and oversight

Why this work matters

39. Effective regulation and complaints resolution help promote consumer and public interests, the continuing health of the legal services sector and contribute to a vibrant economy. Our responsibility to oversee standards of regulatory and complaint resolution performance are our most visible and demanding responsibilities. It is our duty to make sure these essential foundations are right, thereby creating confidence in the legal sector.

40. Our ongoing statutory activities require us to work with all of the organisations with whom we have a statutory relationship to hold them to account. We also need to understand the real-world challenges they face, and the demands of their regulated communities. In the case of bodies whose budgets or practicing certificate fees (PCF) we approve, we need to understand their performance and improvement plans. We also need to remain vigilant about the regulators' independence from the professions they regulate, which is vital to public confidence. All regulators also need to be agile in addressing the changing risk environment.

41. Our research programme helps us to understand change in the sector and our own (and the regulators') impact. Amongst other things, it shines a light on the way people think about solving their legal problems and how they choose and pay for services. We feed this evidence directly into our policy and decision making.

Performance, evaluation and oversight

In 2017/18 we will:

- discharge our statutory duties
- hold the regulators to account for their performance
- make sure regulation is undertaken independently from representative interests
- continue our work on diversity
- review the delivery of enforcement activities
- undertake our duties in regards to the OLC.

If successful we will see:

- regulators acting independently, developing their own strategic thinking and building their capacity to deal with new risks, including those arising from increased competition and new service channels such as digital delivery
- regulators increasing their understanding of consumers and the impact of changes in the legal services market and our and the regulators' impact
- an improving contribution by the Legal Ombudsman to the legal profession, regulators and consumers.

Our core deliverable: discharging our statutory duties

Considering requests for changes to regulatory arrangements

42. In 2017/18, we will continue the work started in 2016/17 to develop the process for considering changes to regulatory arrangements. Our aim is to ensure that the changes are centred around outcomes and minimise regulatory burdens while at the same time ensuring that the statutory approval process does not unnecessarily impede developments.
43. We will consider individual applications for changes to regulatory arrangements. In particular, we will continue to work with the SRA as it completes its major reform of its Handbook.

Designating new regulators

44. Designations allow new firms to enter the market and existing firms to expand the services that they offer and thus improve choices for consumers. We anticipate that the Chartered Institute of Legal Executives will make an application seeking designation as a licensing authority.

Approving practising certificate fees

45. Through the approval of PCFs we will maintain our focus on the level and transparency of regulators' costs.

Holding the regulators to account for their performance

46. Our regulatory performance work is key to assessing regulators' performance. It is through this work that we assure ourselves and the public that the regulators are meeting the minimum standards of good regulation and drive improvements in the regulators' performance. In 2016/17, we monitored the regulators' progress against each of their action plans which arose from the previous regulatory standards exercise in 2015/16. A report summarising their progress will be published separately on our website in Quarter 1 of 2017/18.
47. In 2017/18, we will be consulting on proposals for changes to the regulatory performance process and standards and, following this, will implement the new approach to assessing the regulators' work. We want to assure ourselves that the process is robust, risk-based and proportionate and that our standards enable us to have a clear and accurate understanding of how the regulators are performing across their functions.

Independence of regulation

48. Independence of regulation continues to be a priority for us. We must satisfy ourselves that regulation is being delivered independently within the constraints of the current framework and that there is compliance with the current rules. We will

continue to respond to individual issues as they arise, using the appropriate regulatory tools to address concerns.

49. In 2017/18, we will also begin a review of our Internal Governance Rules (IGRs) to consider whether, in the light of our experience and developments in the sector, any changes are required. The current IGRs were put in place at the end of 2009 (and amended regarding appointments in 2014) and since then the approved regulators have implemented their arrangements for securing independence and ICAEW was designated as approved regulator for the first time.

Diversity – assessing regulators’ responses to revised LSB guidance

50. In February 2017, the LSB published revised guidance for regulators on encouraging a diverse workforce. The outcomes in the guidance are designed to encourage regulators to use the diversity data they collect to inform regulatory and policy decisions. The outcomes allow regulators the freedom to deliver their own, targeted approaches to improve diversity in their regulated communities. In August 2017, we will carry out progress checks on the regulators’ delivery of the outcomes. This will inform a formal assessment of regulators’ performance on diversity issues in August 2018.

Transparency of regulators’ costs

51. In 2016/17, we reported on the information regulators publish about their costs and asked the regulators to improve the quality and transparency of data. Since then we have established a working group with the regulators to take this work forward and published a review looking at how oversight is used to apply pressure on costs transparency for regulators elsewhere in the economy. This has led to commitments from all the regulators to publish information annually which includes a common set of core metrics.
52. We welcome the commitments made by the regulators and will monitor progress in 2017/18. Our work in this area aims to help to address low awareness among providers about how their PCF is spent and to offer assurance around value for money, as well as to provide useful information about the cost of regulation in the sector to a broad stakeholder audience.

Reviewing delivery of enforcement activities

53. An impartial and rigorous disciplinary procedure is vital to sustaining public trust in the legal profession and to the maintenance of professional standards. In our last regulatory standards report we noted that timeliness and transparency of enforcement were two areas where there was scope for improvement. We also identified issues with quality of decision making, and the consistency of sanctioning powers and appeals processes.

54. In 2017/18, we plan to carry out a review which will look at the 'end to end' (from initial complaint to imposition of sanction) process of the larger regulators. We will report on our findings and, if necessary, make recommendations.

Undertaking our statutory responsibilities in relation to the OLC

55. The Legal Ombudsman has a vital role in the legal services market, providing redress for consumers when things go wrong. It should contribute to giving consumers confidence to use regulated legal services in the knowledge that an independent, fair and effective route to redress is available where service falls short. We must be assured that the OLC administers the Ombudsman scheme appropriately. This is an active and ongoing responsibility.

56. In 2017/18, we will continue to hold the OLC to account to make sure that it administers an Ombudsman scheme that is efficient, high quality and delivered at an appropriate cost. It must meet the needs of consumers and be fair to lawyers who are the subject of complaint. We will also continue to encourage effective joint working across the sector so that the information that the Legal Ombudsman holds can inform operational work, policy development and improvements to delivery of legal services.

57. In 2017/18, pending the results of the Ministry of Justice's Tailored Review, we will work with the OLC to review the outcomes and implement changes as necessary.

Market information: research planned for 2016/17

58. The LSB has made a sustained and significant investment in research that provides more evidence about the legal services market. We use the insights from primary research alongside other market information to inform policy development and our other statutory functions. This work improves the quality and legitimacy of our decision making and should also help inform the decisions of the regulators and others. Research also makes a positive impact in other ways, for example, new entrants tell us they have used our surveys to attract investors and shape innovative business ideas. We endeavour to extract the most value from this information including making sure it is accessible to a wide range of stakeholders.
59. During 2017/18, we will continue to consult our Research Strategy Group (RSG) which includes leading academics as well as representatives from the regulators and representative bodies, for advice on our research programme within available resources. This will allow us to identify gaps in evidence and to help us develop our research plan for the year ahead which will be vital in our decision-making. The RSG helps inform our understanding of the research plans of approved regulators and others, to avoid duplication.
60. In addition to the commissioning of primary research we will meet our essential evidence needs in different ways this year so that we can deliver maximum value for money from our reduced research budget. Wherever possible, we will commission only the fieldwork for our major quantitative surveys externally and carry out survey design, data analysis and report writing in-house. We also want to continue working collaboratively with others to pursue our research agenda and will seek to build links with new partners, continue to share detailed research plans at the regulators' own Research Forum, and engage directly with the academic community.
61. We will continue to take a pragmatic approach to any opportunities to work with other funders to address longer term research needs.
62. Our research proposals are summarised in the following table. Our work programme and research agenda is based on our current plan and is subject to change. It is important that we maintain a degree of flexibility in our programme so that shifting priorities and external initiatives can be accommodated.

LSB research for 2017/18

Title	Description
Innovation	We will begin research updating the study we carried out in 2015 with the SRA. This will provide fresh data on levels of innovation in legal services, help us to assess the impact of regulatory change and other factors on levels of innovation, and identify any regulatory barriers to innovation.
Prices of individual consumer legal services	We will complete our analysis of the fieldwork started in 2016/17 and publish a report. Understanding changes in prices over time and levels of price transparency is key to measuring competition in the market, and is likely to be of increased significance in light of the CMA study.
Legal needs of small businesses	We will complete the fieldwork started in 2016/17 updating previous waves of research on the legal needs of small businesses and publish a report. Previous research has revealed an access to justice gap for small businesses and this study will help us to understand whether the situation is improving and where efforts are best targeted.

Delivering our Business Plan

The costs we incur in delivering our Plan

63. The table below shows our budget for 2017/18. We have reduced the costs of running the LSB consistently each year since our inception on 1 January 2009. The notional cost to each person authorised to undertake reserved legal activities and holding a practising certificate has reduced from over £34 in 2010/11 and is expected to be less than £19 in 2016/17 (44% reduction). This continues on a downward trajectory.
64. We also intend to reduce our budget for the next two years, maximising the value of our limited resources, although ensuring we retain sufficient resource to fulfil our statutory functions and remit. This is a challenging target, which may require a refocus of some activities from 2018/19.
65. We have consistently been clear that our size, what we need to do and how long we need to exist for, depends ultimately on the performance of the approved regulators in delivering regulation that is fit for purpose.
66. Approximately 92% of our planned indicative budget is made up of ‘fixed’ costs in the short term (Board, OLC Board, staffing, accommodation, depreciation and outsourced services). The remaining 8% is accounted for by the costs of the research and evaluation, legal and governance support needed to underpin our work programme for 2017/18 and to fulfil our statutory duties. We are committed to financing any pay increases and inflation rises through ongoing efficiencies and tough negotiations with suppliers.

LSB indicative budget for 2017/18

	Indicative Operational budget 2017/18 £000
Staff	2,422
Accommodation	317
Research and evaluation	100
Outsourced services	111
Board	200
Legal Services Consumer Panel	210
Office costs	85
Depreciation	39
Governance and support services	126
Legal reference and support	108
TOTAL excl OLC Board	3,718
OLC Board	130
Total inc OLC Board	3,848

Further information about our costs

67. Pay was subject to the public sector pay-freeze for the LSB's first three years of operation. Since then, the uplift to the pay bill has been capped at 1% and this is due to continue for the duration of this Parliament. We have an approved establishment of 32 posts and operate a matrix style of working, where colleagues move between projects according to the priorities of the organisation. All colleagues make a contribution to our regulatory activities.
68. The largest non-staffing item is for accommodation and services and we occupy space and receive services from two other public bodies so this arrangement benefits the Exchequer as a whole. The LSB has a small team responsible for corporate matters having entered into either shared services or competitive outsourced services for information and communication technologies (ICT), human resources (HR), facilities, payroll etc. Our staffing complement includes two lawyers and we have access to a panel of general and specialist legal advisers, appointed through a competitive tender process. In line with the aspirations of successive governments, the LSB has sought to use local SMEs where it can to provide these services (providing greater value for money and flexibility than offered by the established larger providers). By adopting this approach, we keep in-house staffing requirements to a minimum and have secured commercial services at competitive prices. These arrangements are kept under continuous review.
69. Our research and evaluation programme has provided data and evidence to inform our decision making. It has been of benefit not only to approved regulators but it has also informed government policy and industry thinking and was used extensively in the CMA legal services market study. We have sought to maximise the use of our limited spend in this area through collaboration with approved regulators and other organisations.
70. The Act makes the LSB responsible for appointing and paying members of the OLC and the LSCP and these costs form part of our governance costs.
71. Judicial reviews of LSB decisions are rare and we do not budget for the costs of defending any judicial review actions. However, we successfully defended the judicial review of our approval of the Quality Assurance Scheme for Advocates in the High Court, Court of Appeal and the Supreme Court and recovered a substantial part of our costs in 2015/16, which reduced the amounts paid by approved regulators through the levy.
72. Costs will continue to be recouped through the statutory levy on approved regulators and any underspend will reduce the levy for subsequent years in line with the Act. The Board continues to scrutinise the LSB's running costs and seeks to find ongoing efficiency savings. This reflects our public commitment to driving efficiency savings and securing value for money in our work.

Risk and information management

73. We are committed to robust risk management across all of our activities whether regulatory or operational and risk is managed at all levels in the organisation.
74. 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 make sure we make sound decisions and are able to fulfil our statutory obligations under both freedom of information and data protection legislation.

Freedom of Information and Data Protection Act requests

75. We will continue to comply with our statutory responsibilities under data protection and freedom of information legislation and make sure that our internal policies accurately reflect any changes in legislation.
76. We aim to comply with the statutory time limits for each type of request and our average response times are currently well within these limits.

Finance process performance

77. 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.

Annex A: Our 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 to the Legal Services Act 2007 provides for a maximum decision period of 16 months.

Annex B: The regulatory objectives and 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 LSB a duty to assist in the maintenance and development of standards of regulatory practice and the education and training of lawyers.

Annex C: Approved regulators

Approved regulator	Regulatory body	Reserved Activities	Licensing Authority	No. of authorised practitioners***
Law Society	Solicitors Regulation Authority	The exercise of a right of audience The conduct of litigation Reserved instrument activities Probate activities The administration of oaths	YES	145,059
General Council of the Bar	Bar Standards Board	The exercise of a right of audience The conduct of litigation Reserved instrument activities Probate activities The administration of oaths	YES	15,288
Chartered Institute of Legal Executives	CILEx Regulation	The exercise of a right of audience The conduct of litigation Reserved instrument activities Probate activities The administration of oaths	NO	6,832
Chartered Institute of Patent Attorneys	Intellectual Property Regulation Board	The exercise of a right of audience The conduct of litigation Reserved instrument activities The administration of oaths	YES	2,056 (includes 284 dual registered)
Chartered Institute of Trademark Attorneys			YES	869 (includes 284 dual registered)
Council for Licensed Conveyancers		Reserved instrument activities Probate activities The administration of oaths	YES	1,283
Master of the Faculties		Reserved instrument activities Probate activities The administration of oaths Notarial activities	NO	784
Association of Costs Lawyers	Costs Lawyer Standards Board	The exercise of a right of audience The conduct of litigation The administration of oaths	NO	632
Institute of Chartered Accountants in England and Wales (ICAEW)**		Probate activities	YES	265
Institute of Chartered Accountants of Scotland (ICAS)*		Probate activities	NO	N/A
Association of Chartered Certified Accountants (ACCA)*		Probate activities	NO	N/A

*The Institute of Chartered Accountants in Scotland and the Association of Chartered Certified Accountants are approved regulators for reserved probate activities only, but do not currently have any regulatory arrangements and so do not regulate reserved legal services.

** The Institute of Chartered Accountants in England and Wales intends to apply to become an approved regulatory and licensing authority for reserved legal activities relating to taxation matters in 2016.

*** Figures show number of persons authorised by each regulator to undertake one or more legal activity as at 1 April 2016.

Annex D: Project delivery schedule

	Work duration	External milestones
Breaking down regulatory barriers		
Developing LSB oversight of standards of education and training	Q2 – Q4	Q4: Publish report
Supporting changes in legislation to remove barriers	Q1 – Q4	
Innovation research	Q3 – into 18/19	Q3: Commission research
Tackling unmet legal need		
Increasing market transparency for consumers	Q1 – Q4	Q1: Respond to LSCP advice on information remedies Q2: Assess regulators' action plans Q2-Q4: Monitor regulators' progress
Vulnerable consumers	Q1	Q1: Publish research
Prices of individual legal services	Q1 – Q2	Q2: Publish research
The legal needs of small businesses	Q1 – Q3	Q3: Publish research
Performance, evaluation and oversight		
Discharging our statutory duties	Q1 – Q4	
Holding regulators to account for their performance	Q1 – Q4	Q1: Report on 2015/16 action plans Q2: Consultation on new framework Q4: Publish decision
Independence of regulation	Q1 – Q4	Q1: Stakeholder engagement on IGR review Q2: Initial consultation and stakeholder engagement Q4: Publish decision (further work/updated IGRs)
Diversity – assessing regulators' responses to revised LSB guidance	Q2	Q2: Stakeholder engagement
Transparency of regulators' costs	Q1 – Q4	Q1-Q4: Ongoing monitoring
Reviewing delivery of enforcement activities	Q1 – Q4	Q1 – Q2: Fieldwork with approved regulators (including SDT) Q4: Feedback to regulators Q4: Final report published
Undertaking our statutory responsibilities in relation to the OLC	Q1 – Q4	