

Business Plan 2013/14

April 2013

Our regulatory objectives and the professional principles

Section 1 of the Legal Services Act 2007 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 directly regulate approximately 148,000 lawyers¹ and 137 alternative business structures² operating throughout the jurisdiction. The approved regulators are:

- The Law Society, which through the Solicitors Regulation Authority, regulates around 120,000 practising solicitors and 115 alternative business structures
- The General Council of the Bar, which through the Bar Standards Board, regulates around 15,000 practising barristers
- The Chartered Institute of Legal Executives, which through ILEX Professional Standards Limited, regulates around 8,000 practising fellows
- The Council for Licensed Conveyancers, the regulator of over 1,000 practising licensed conveyancers and 22 alternative business structures
- The Chartered Institute of Patent Attorneys, which through the Intellectual Property Regulation Board, regulates around 1,800 practising chartered patent attorneys
- The Institute of Trade Mark Attorneys, which through the Intellectual Property Regulation Board, regulates over 600 practising trade mark attorneys
- The Association of Costs Lawyers, which through the Costs Lawyer Standards Board, regulates over 500 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
- The Association of Chartered Certified Accountants

¹ Figures are based on numbers provided to the LSB by the approved regulators on 1 April 2012

² Figures for alternative business structures correct as at 25 March 2013 December 2012

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Foreword

We publish this Business Plan against a context of a national economy that is weak, and at a time when many families and businesses are facing difficult times. Many legal services providers are coping with the consequences of changes to funding and costs regimes and have hard choices to make. Pressures in the economy may also mean that many consumers are more in need than ever of the professional advice and support that lawyers provide.

In this climate, support for measures so that consumers and citizens are able to get the help and support they need to exercise their legal rights remains a paramount concern. That is as true for small businesses as it is for individuals: accessible, cost-effective legal services are vital for firms seeking to grow, encountering both new types of transaction and new types of dispute as they do.

Regulators have an important role to play – if they get it right, business can flourish, the economy can grow, and those in need can access the critical advice they need to access justice. Get it wrong and regulation becomes a barrier to innovation and a costly restraint on trade, providing consumers with false reassurances on quality and clogging up the courts with avoidable disputes. That's bad news for society and for businesses – but it's also bad news for the legal profession. If trust and accessibility decline, then commercial pressures increase to a potentially threatening level and that is in nobody's interest.

Getting regulation right is what the Legal Services Board (LSB) wants to achieve. We believe that regulators need to focus on the core business of consumer protection. But it is not a time to retreat to outdated models of either regulation or business. Regulators need to work ever harder to encourage innovation and diversity to ensure that new models for the future can rapidly come to market and grow and adapt within it.

In the coming year, we will continue to oversee the performance of regulators and their progress in delivering improvements that they have each identified as necessary. We will interrogate the regulatory system as thoroughly as we can to understand where complexity – whether of statutory origin or self-generated – and inefficiency are introducing unnecessary direct and indirect cost. And we will continue to provide commentary and challenge where we see actual and potential risks to the regulatory objectives emerging. Where necessary, we will use our statutory information gathering powers to ensure that we have the full picture to underpin our judgements on the way forward.

But we expect this performance improvement to be a shared endeavour between the Boards and executives of the bodies which we oversee, the LSB itself and the other parts of the regulatory system including the Office for Legal Complaints (OLC) and the Legal Ombudsman and the Legal Services Consumer Panel (Consumer Panel).

We know that there is broad support for all of this activity in principle. Equally, we know that we have critics who object to our approach to delivering this activity in practice. We will never achieve consensus and that is not an objective in itself. But we do commit to doing all we can to explain our approach, to working as collaboratively as we can and to remaining open to challenge, debate and discussion. That's also why, despite budgetary constraints, we continue to place a high value on evidence and research.

The more our stakeholders bring data rather than anecdote, the more persuasive we will find their views - regulatory restrictions and detailed requirements put in place for a different era need to be justified with evidence just as much as liberalisation. That has underpinned our considerations of the responses to the consultation on this plan and will guide us throughout the coming year.

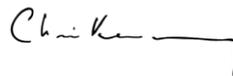
Our budget for the year ahead will be £4,448k – a reduction of £50k from our budget for 2012/13. This is not a ‘target to hit’ but an envelope to stay within. As those who pay our costs are well aware, because of our robust financial management we have been able to manage our costs ruthlessly in every year to date and have been able to recycle under-spends into a rebate on levy payments. Our costs per lawyer (on average) have reduced from £33 in 2009/10 to £28 in 2013/14. There is no ‘gold-plating’ at the LSB.

Like many in the economy, we expect the year ahead to be a hard one. Our staff, like all in the public sector, will face another year of pay restraint and a bearing down on costs that makes their unwavering commitment to getting things right in the legal sector commendable. We could not achieve what we do without them.



David Edmonds

Chairman



Chris Kenny

Chief Executive

Introduction

Overview

1. The Legal Services Board 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 annual budget equates to a little under £28 per year for each lawyer³.

Our vision

4. The regulatory objectives set out in the Legal Services Act 2007 (the Act) provide the framework for regulation. We bear all of these in mind, all of the time, and it is from them that our vision of what legal services regulation must deliver comes. Our starting point is that a competitive 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.
6. We know that this is a vision that will not be achieved over night: it is change for the long term and it is change that will happen incrementally. We are committed to measuring change as it occurs and will, on a biannual basis, publish an evaluation of the legal services market looked at from a number of perspectives. This work will take as its starting point the position of the legal services market as described in our

³ based on the numbers of authorised persons declared by each of the frontline regulators as at 1 April 2012.

Our responsibilities

7. The primary responsibility for devising, developing and implementing regulation that guarantees public trust and confidence in 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.
8. 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 performance of the OLC; and perform some specific duties in relation to the Solicitors Disciplinary Tribunal (SDT). We also examine the wider market place to identify trends⁵, gaps in regulation⁶, competition issues⁷ and how both our own rules and those of regulators are working in practice⁸
 - **enforcement and disciplinary activities** – we ensure that regulators and licensing authorities perform their duties in a way that meets the regulatory objectives and, where necessary, 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 a 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.

⁴ <https://research.legalservicesboard.org.uk/wp-content/media/Impacts-of-the-LSA-2012-Final-baseline-report.pdf>

⁵ <https://research.legalservicesboard.org.uk/wp-content/media/RIR-Map-of-Legal-Services-Supply-October-2011v2.pdf>

⁶ <https://research.legalservicesboard.org.uk/wp-content/media/Smaller-ARS-2011-report.pdf>

⁷ <https://research.legalservicesboard.org.uk/wp-content/media/A-framework-to-monitor-the-legal-services-sector.pdf>

⁸ https://research.legalservicesboard.org.uk/wp-content/media/Cab-Rank-Rule_final-2013.pdf

9. 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, the relevant provisions of the Act are not yet commenced (section 73(1)(a) and Schedule 12).

Our approach

10. In performing all of our duties, we focus on ensuring that regulation is proportionate – reduced where possible to remove unnecessary barriers to delivering the regulatory objectives and only imposed where necessary. Our default position is to set clear outcomes, while enabling the maximum flexibility in the means by which they are achieved. 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.
11. In 2013/14, our approach will be underpinned by the following principles, many of which have informed our work since the start of the LSB:
- mapping all of our work back to all of the regulatory objectives of the Act and to the better regulation principles – so our activities will always be transparent, accountable, proportionate, consistent and targeted⁹
 - working 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 in the light of our common responsibility to act in accordance with the regulatory objectives
 - avoiding duplication of work undertaken competently by others but without hesitating to do what is necessary, within our remit, where the need arises
 - setting 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, working with regulators to identify risks and manage them as the legal services market changes and in a way that will help legal services

⁹ Our approach to the regulatory objectives is outlined in our publication [The Regulatory Objectives](http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf), published in July 2010. (http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf)

providers to take advantages of new opportunities and improve their service offering

- reinforcing strong working relationships including with regulators, citizen and consumer groups, the professions, firms and partnerships across the sector, the Ministry of Justice (MoJ), Welsh Assembly Government, representative bodies, potential new entrants to the market, other regulators and redress providers and the academic community
- above all, being guided by the public and consumer interest in all of our work.

Our equality objectives

12. It is very important to us to have equality and diversity at the heart of our work and we are maintaining our equality objectives into 2013/14.

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 sector¹⁰.

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 consultation¹¹
- reviewing and developing our 'consumer toolkit', which helps us identify and analyse consumer groups and their needs, including, in particular consumers who might be vulnerable
- 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.

¹⁰ <https://research.legalservicesboard.org.uk/wp-content/media/A-framework-to-monitor-the-legal-services-sector.pdf>

¹¹ <https://research.legalservicesboard.org.uk/wp-content/media/Review-of-published-evidence-on-the-equality-of-pay-in-legal-services-Final.pdf>

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

Work programme for 2013/14

13. This is the second year of our 2012-15 strategic plan and we are continuing activities commenced in 2012/13. Increasingly our emphasis is on holding regulators to account for delivery of commitments they have made and ensuring that their performance is in accordance with appropriate regulatory standards, rather than generating further initiatives.
14. Our regulatory work programme will continue to be delivered through three strands – regulator performance and oversight; strategy development and research; and statutory decision-making. The specific activities have all been assessed to make sure that they are not only targeted at addressing the most significant risks to regulators delivering the regulatory objectives and better regulation principles, but also 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.
15. For the avoidance of doubt, all of the regulatory objectives underpin all of our work. In practice, we balance each objective appropriately according to the particular circumstances of the issue being addressed. We think that is the right way to approach the objectives - they are not ranked or in any sort of hierarchy.

A: Regulator performance and oversight

Developing standards and performance

Overview

16. In December 2011, the LSB concluded that best regulatory practice for legal services regulation must be delivered in accordance with better regulation principles and comprise four constituent parts:
 - 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.
17. During 2012, we asked all current regulators to assess how far they had embedded the four constituent parts of legal services regulation into their approach, and to assess their own overall capacity and capability. By the end of March 2013, all of the regulators had submitted their self-assessments to us together with their action plans for development and the Board had assessed all but one of the plans received.

Why this work matters

18. The four regulatory standards were framed with explicit reference to the Act's requirement that regulators must, as far as is reasonably practicable, act in a way which is compatible with the regulatory objectives and also that their regulatory activities must have regard to the principles that regulatory activity should be transparent, accountable, proportionate, consistent and targeted.
19. Effective delivery of the four constituent parts of regulation 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 practitioners.
20. As such, the work is fundamental to how both the LSB and regulators operate in our complementary roles and meet our strategic objectives. When we talk of “holding regulators to account” for performance, we usually mean that we expect full and transparent accounts of their achievements, challenges, plans and processes against these principles, rather than setting out detailed requirements with which we expect unthinking compliance. But the former type of accountability is, in itself, a powerful discipline for the boards of regulators – and one we expect them to deploy themselves in relation to their own organisations.

What we will do

21. During the year we will:
- review reports from each regulator on their delivery of their action plans (tailored for each regulator and based on their own timescales) and hold them to account for progress. Where we see failure to deliver plans, we will decide whether this represents a risk to the regulatory objectives and will consider an appropriate response
 - take the regulators’ progress on implementing action plans into account in assessing applications for a new designation or extension of responsibilities and consider whether the application is consistent with the regulatory standards assessments
 - require all new applications to show competence on all issues (or to have rigorous plans to be competent) by the date of designation
 - use the information that we receive to highlight good practice and provide an end of year overview to feed into our 2014/15 Business Plan and future strategic planning
 - plan the 2014/15 self-assessment process so that it is targeted and risk based and takes into consideration the regulators own action plans.

Reviewing progress on prior year initiatives

22. There are three areas where we have either required regulators to deliver outcomes during 2013/14 or where we have previously committed to review progress. We intend to ensure that any agreed actions and outcomes are being delivered but will take a proportionate approach to this. Our expectation is that regulators will be taking necessary actions and reporting to their own Boards accordingly. We anticipate that our reporting needs should be no more than a subset of the data required by regulators themselves to assure themselves of progress. In Q2, we will begin to review our requirements in these areas and consider whether further action is necessary.

a. Referral fees, referral arrangements and fee sharing (including damage based agreements)

23. In our May 2011 decision document¹² on our consultation '*Referral fees, referral arrangements and fee sharing*' we set out an approach to referral fees that would secure clear outcomes for consumers but left regulators free to find the best ways of working towards them in their own parts of the legal services market (and in the context of later developments regarding the ban on referral fees in personal injury claims). We made clear that it was up to regulators to justify their own approach in the light of evidence¹³, rather than there being a blanket presumption of approval or ban, although we were clear that there must be a consistent approach to transparency to the consumer of any referral fees paid. This represented the right balance between the need for consistency of approach and the need to tailor the response to the different conditions and risks across the sector.
24. The LSB committed to reviewing the regulators' approaches to regulating referral fees, arrangements and fee sharing in 2013/14. We will do this, initially, in the context of reviewing all requests for changes to regulatory arrangements on referral fees as part of our statutory decision-making process.
25. We will also keep under review the way that consumers and legal providers use damage based agreements as now extended under Legal Aid, Sentencing and Punishment of Offenders Act 2012 and related regulations. In particular, we are alive to the apparent risk of mis-selling, but note that the regulators are responsible for managing this and any other risks that they perceive.

b. Regulation of immigration advice by qualifying regulators

26. In July 2012, after our investigation uncovered worrying absences of data about both systemic and individual risks in relation to firms and individuals operating in this area, we made clear that qualifying regulators should take immediate action to mitigate the risks to consumers in the provision of immigration advice and services and to each identify what needs to be done to ensure satisfactory quality by providers. This included mechanisms for identifying and stopping advisers who provide unsatisfactory levels of quality in an area where many clients are particularly vulnerable.
27. We will ask the qualifying regulators to demonstrate their progress towards achieving the outcomes for consumers who need immigration advice and services against the outcomes that were set out in July 2012. Our next steps, if any, will be informed by the progress that regulators are able to demonstrate that they have made.

¹²http://www.legalservicesboard.org.uk/what_we_do/consultations/closed/pdf/20110525_referral_fee_decision_paper_final3.pdf

¹³ <https://research.legalservicesboard.org.uk/wp-content/media/2010-Investigation-into-referral-fees-report.pdf>

c. Complaints handling by legal service providers (first-tier complaints)

28. In July 2012, we wrote to all regulators setting out actions that we considered they should carry out to help improve the way in which lawyers consider complaints, and to ensure that regulation is targeted at areas of greatest consumer detriment¹⁴. The actions were designed to be proportionate to the needs and abilities of each regulator without losing sight of the need to improve performance of complaints handling by legal services providers. The actions concerned not simply compliance with the LSB's statutory guidance on signposting, but, more broadly, with action to assess and, where necessary, improve the operation of first tier complaints systems more generally.
29. Given the importance of speedy and effective redress for confidence in the justice system as a whole, improving performance in this area remains a key concern to the LSB and to the Consumer Panel. Hence, in 2013/14, we will expect each regulator to be able to provide responses to us on their progress against the actions. This is designed to provide evidence to show that the regulators are taking active steps to improve complaints handling. We will continue to work closely with the Legal Ombudsman to understand how developments at first-tier are working from their perspective.

Review of regulatory sanctions and appeals processes

Overview

30. The current systems for taking action against lawyers (and others) who have breached their regulator's code of conduct have been built up over many decades and are often based on historical practices rather than the requirements of the Act.
31. As the market grows and develops, firms will employ different types of authorised person, and there may be new approved regulators and new licensing authorities. The complications and inconsistencies in the current systems will be exacerbated. For example, the Solicitors Regulation Authority (SRA) as a licensing authority will use the civil standard of proof when deciding whether to impose a penalty on an ABS for improper accounting, but the SDT will use the criminal standard when considering the same breach for a traditional law firm. The appeal routes will also use different standards. A separate issue is the possible inefficiency of having so many different enforcement systems.

Why this work matters

32. It is essential that consumers are protected from lawyers who are corrupt, negligent or of poor quality. The mechanisms for doing that need to be effective and deliver consistent outcomes across regulators so that one "brand" of law is not seen as being weaker than others (for example because cases take longer to deal with or regulators have less effective powers). From the work we have done so far, it is not clear that the

¹⁴ <https://research.legalservicesboard.org.uk/wp-content/media/2011-First-tier-complaints-handling-report.pdf>

systems are consistent, transparent or are designed to work in the best interests of consumers. Arguably, that inconsistency could undermine the rule of law quite as much as it reduces the effectiveness of the market.

What we will do

33. We will work with regulators and others to understand better the risks and impacts of current sanctions and appeals arrangements and consider what options might be available to address any identified risks. This will be achieved by, for example:
- understanding the extent to which the Administrative Justice and Tribunals Council's 15 criteria for administrative justice apply in the context of legal services and, if so, whether they are being met in a consistent way across all regulators and licensing authorities
 - ascertaining whether regulators and licensing authorities have appropriate powers to deliver compliance and enforcement (this includes, but is not limited to, consideration of whether decisions should be made using the test of the balance of probabilities or beyond reasonable doubt, the regulator/licensing authority's own powers to impose an appropriate range of sanctions and getting the right balance between the regulator making decisions and having an independent hearing)
 - setting out what we consider best practice to be, especially to ensure that the risks to consumers are addressed
 - considering what is the best way to prevent arbitrage between different types of law firms and different regulators, including by ensuring consistency of decision making at the final appeal stage.
34. We will publish a discussion document before the end of 2013/14 setting out:
- the current systems and whether we think there are issues of consumer protection and interest that arise
 - our assessment of best practice in sanctions and appeals structures in other sectors and whether there is anything we can learn and apply from this to legal regulation and enforcement
 - the barriers to achieving best practice
 - options for change.
35. In the meantime, we continue to expect new applicants for designation as an approved regulator or licensing authority (or for relevant changes to regulatory arrangements or licensing rules) to use the General Regulatory Chamber for their appeals.

¹⁵ http://ajtc.justice.gov.uk/docs/principles_web.pdf

Ending the transitional arrangements for licensable bodies and the regulation of “special bodies”

Overview

36. The Act provides a transitional period during which regulated legal service providers that would otherwise have to apply for an ABS licence do not need to do so. In order to end the transitional period, an Order needs to be made by the Lord Chancellor on the LSB’s recommendation. Many of those affected are traditional law firms, but the arrangements also protect “special bodies” such as not for profit advice agencies and some charities¹⁶. We are dealing with these separately.
37. The Intellectual Property Regulation Board (IPReg) is in the process of preparing an application to enable it to license intellectual property firms once the transitional arrangements are removed.

Why this work matters

38. Opening the market to new providers and forms of practice has the potential to increase access to justice - making services more accessible and affordable for consumers, leading to an increase in people solving legal problems and being satisfied with the outcome.
39. However, it is important for consumers to have confidence that regulation will be consistently applied, whatever type of legal services provider they use. This confidence and consistency in regulation will also create a market that is attractive to investors.

What we will do

40. For special bodies, we will continue our constructive engagement with the sector in order to ensure that regulatory requirements do not impose unnecessary or duplicative burdens on them and are developed in a way that fully takes account of the way in which these organisations operate. We welcome moves by the SRA to remove prohibitions on charging and welcome interest from other bodies that may be interested in becoming a licensing authority for special bodies. We will not recommend ending the transitional protection until we are confident that there will be a licensing authority that can regulate the sector appropriately. Our next step in this process will be to issue draft guidance for licensing authorities in Q1 2013/14. Once the guidance is finalised we will consider applications for rule changes from existing licensing authorities and applications for designation from new bodies. The amount of work to be done on this issue means that the transitional arrangements for special bodies are unlikely to end before 2015, although potential licensing authorities will need to work on developing their arrangements in the course of 2013/14 in order to meet that deadline.

¹⁶ <https://research.legalservicesboard.org.uk/wp-content/media/Investigation-into-Special-Bodies-2011.pdf>

41. We will also continue to work with IPReg as it develops its application to become a licensing authority. We will aim to make a decision within six months of the designation application being received. Our decision to recommend ending the transitional arrangements will take into account the progress of the application and work on the practical and legislative steps with MoJ. We will also discuss with regulators such as the Costs Lawyer Standards Board (CLSB) and the Master of the Faculties how those they regulate may be affected by ending the transitional protection.

Regulatory performance and oversight milestones by quarter

Activity	Milestone / Output
Developing standards and performance	
Monitor regulators' delivery of regulatory effectiveness action plans	Q1-4 Receive and review reports from regulators on progress on delivering their action plans and other policy areas where action is needed Q4 Finalise plans for 2014/15 self-assessment
Immigration	
Improving the regulation and provision of immigration advice and services	Q2 Review qualifying regulators' progress to achieving the outcomes for consumers set out in our July 2012 letter to regulators.
First-tier complaints handling	
Monitor effectiveness of regulators' progress in improving first tier complaint handling	Q2 Receive and analyse reports from regulators on progress against action points set out in our July 2012 letters
Review of regulatory sanctions and appeals processes	
Ensure consumers are protected from lawyers who are corrupt, negligent or of poor quality	Q4 Publish discussion document
Ending transitional arrangements for licensable bodies and the regulation of special bodies	
Special bodies	Q1 Issue draft guidance for licensing authorities
Licensable bodies	Q1 Work with regulators to understand how those they regulate will be affected by ending the transitional protection

42. The detail of work required later in the year will depend upon the outcome of decisions taken early in 2013/14.

Aims for this work

Developing standards and performance

43. We expect that regulators will make progress against their own action plans and will be able to show improvements in the way they regulate. We also expect that the requirements for regulatory effectiveness will have a significant influence on regulators' approaches to applications to change their regulatory arrangements and for those bodies that apply for designation as an approved regulator or licensing authority.

Review of regulatory sanctions and appeals processes

44. We expect to be able to show how far the current systems are appropriate or not and identify whether and if so how quickly they can be changed.

Ending the transitional arrangements for licensable bodies and the regulation of "special bodies"

45. We expect that the not-for-profit sector will have a much greater awareness of the requirements of legal services regulation. We also expect to have put in place requirements for a targeted and proportionate regulatory framework for special bodies that are understood by the not-for-profit sector.
46. We expect to give certainty about when the transitional period will end for traditional law firms and not-for-profit organisations.

B: Strategy development and research

Reviewing the scope of regulation

Overview

48. Regulation has to be targeted at risks, and the costs and benefits of regulation need to be understood¹⁷, to ensure it is proportionate in delivering the regulatory objectives. This means that ‘what’ is regulated is as important as ‘how’ regulation is delivered. The LSB has recommended that to the Lord Chancellor that will-writing activities¹⁸ be regulated. But the need to maintain focus on what is and is not regulated remains. The Board will continue to be mindful of the extent to which regulation is warranted in different areas of legal activity. We will therefore continue our work on will-writing and start to look at general legal advice to individual consumers in the context of assessing the risks presented by non-reserved legal activities, whether performed by authorised persons or not.

Why this work matters

49. Legal services should be subject to effective, proportionate regulation. This must ensure that core principles are maintained and consumers protected. Of equal importance, however, is the need to identify and remove disproportionate regulation that hinders innovation and growth. Outcomes focused regulation targets regulatory efforts at risk and moves away from a blanket protection approach, which layers unnecessary cost on low risk activities. Our work on scope aims to assess how far regulation should stretch across areas of legal activity to deliver the regulatory objectives and to ensure that any regulatory intervention is appropriately targeted and risk-based both in existing and new areas of regulated legal activity.

What we will do

50. We will:
- work with MoJ to take forward proposals, if the Lord Chancellor accepts our recommendation to regulate will-writing activities
 - encourage stakeholders to develop initiatives to help raise service standards among estate administration providers to help the market function well for both consumers and providers of these services, facilitating this if needed¹⁹
 - investigate whether common risks occur across general legal advice to individual consumers
 - publish a discussion paper highlighting our emerging work on general legal advice.

¹⁷ <https://research.legalservicesboard.org.uk/wp-content/media/Investigation-into-Special-Bodies-2011.pdf>

¹⁸ <https://research.legalservicesboard.org.uk/wp-content/media/Will-writing-experiences-2011.pdf>

¹⁹ <https://research.legalservicesboard.org.uk/wp-content/media/Probate-and-Estate-management-survey-report-2012.pdf>

Developing a changing workforce for a changing market

Overview

51. This work continues our workforce development activity from 2012/13 and addresses diversity, quality and education and training initiatives.

Why this work matters

52. It is as important to support innovation in legal education and training as it is to support innovation in legal business. Flexibility in any workforce is crucial to firms being able to meet the needs of consumers. As with all regulation, the incentives for high standards need to be maintained and indeed enhanced, but barriers to entry and diversity of approach need to be justified on the basis of risk.
53. As the Legal Education and Training Review (LETR) being conducted by Bar Standards Board (BSB), ILEX Professional Standards Ltd (IPS) and SRA comes to a close, the focus of all regulators will shift to implementation. We trust this work will ensure that employers, educators, training organisations, and others have greater freedom to design routes to authorisation that meet the outcomes required by regulators.
54. A diverse population using legal services benefits from a diverse legal workforce is a key marker of access to justice. As all regulators share the obligation to encourage a diverse profession, we believe that doing no more than simply avoiding falling foul of statutory provisions on diversity is not sufficient. We will be working with regulators to ensure that diversity monitoring is effective and transparent at the level of individual organisations as well as the overall profession, that analysis pinpoints where improvements could be made and that practical solutions are developed, implemented and evaluated where required to address issues highlighted in the data. We will continue to expect particular weight to be given to action on social mobility.
55. Finally, this work looks more broadly at quality issues, whether directly following our 2012 consultation on approaches to quality, the introduction of the regulators' Quality Assurance Scheme for Advocates (QASA) or through our interest in the relationship between regulators and price-comparison websites.

What we will do

56. The LETR report is now expected to be published in Summer 2013. Regulators will then be considering how to take forward the report's findings. We will support and challenge regulators as they take forward both any immediate and strategic action informed by the recommendations of the review. We will also need to consider the implications for the other regulators and the tools available to us to ensure any cross sector recommendations are taken forward. We will help regulators to keep a clear focus on the educational, professional and ethical outcomes to be attained and maintained, but without prescription about the way that this is achieved. There are no regulatory objectives that are untouched by this work.

57. We will be reviewing diversity data collected by regulators to see if there are any process improvements that can be introduced in future years. We will also produce a baseline from which to measure change. This work may highlight specific areas for policy development or areas where additional research may be required. We hope that this analysis, together with targeted research into how firms judge talent, will help us to understand what drives decisions on recruitment and progression and start to influence change.
58. Much of our initial work on quality issues was completed in 2012/13, so in 2013/14 we will be working closely with the regulators to monitor progress in relation to the success criteria set out in our quality consultation response document. We will continue to place specific emphasis on how they are responding to the work on price comparison websites. We will also be monitoring closely the effective introduction, development and ongoing evaluation of quality assurance for advocacy.

Putting consumer interests at the heart of regulation

Overview

59. Ensuring that the interests of consumers are considered in regulation is a theme that runs through all of our work. This section describes the specific activities we will undertake to ensure that is done systematically, and in ways that may also be helpful to the regulators as they consider their own policy-making approaches. In all of our work, we continue to value the insightful advice on the interests of consumers we receive from the Consumer Panel in particular.

Why this work matters

60. Delivering change for legal services consumers is an important aspect of the regulatory framework. We have a strategic objective for the 2012-15 period to ‘help consumers to choose and use legal services’²⁰. We want to make sure that we consider these issues systematically through our policy development process: this includes use of a “consumer toolkit”, which provides a framework for understanding the impact on consumers of the issues that arise in projects. We want to make sure this framework is as helpful as possible, not least in addressing the ideas of *British Standard (BS) 18477 for inclusive service provision* to ensure that we also specifically consider vulnerable consumers.
61. Regulators also have an obligation to consider the impact that their policies will have on consumers and to ensure that their regulatory arrangements guarantee delivery of the regulatory objectives. Regulatory self-assessments have indicated that a number of regulators do not adequately do this and considering BS 18477 may provide an opportunity for them to review their approach to consumers in their policy making.

²⁰ <https://research.legalservicesboard.org.uk/wp-content/media/2012-Individual-consumers-legal-needs-report.pdf>

What we will do

62. In 2013/14 we will:

- continue to ensure that the needs of consumers, including vulnerable consumers, are at the centre of our policy thinking by incorporating the ideas of BS 18477 and lessons from our research with the Consumer Panel and Mencap into the needs of clients with learning disabilities into our consumer toolkit to inform our policy development process and make this available to the regulators to support their own processes
- consider how best to challenge regulators to demonstrate how they have incorporated the standard into their thinking through the regulatory effectiveness and rule approval process
- consider how best to respond to advice from the Consumer Panel on ‘financial protection arrangements’ and ‘choosing and using legal services’²¹ including scoping any necessary ‘Phase Two’ work
- continue to engage with the SRA’s review of compensation arrangements.

Cost and complexity of regulation

Overview

63. Respondents to the MoJ’s Triennial Review of the LSB and OLC highlighted the costs of regulation as a concern. In pushing for a focus on outcomes, rather than highly prescriptive rulebooks, the Board’s work on regulatory effectiveness had reflected similar concerns, but at a different point in the regulatory hierarchy. In our response to the Review, we committed to investigate the cost of all legal services regulation and its impact on the regulated community. This work will therefore address not only costs of the LSB and the OLC, but will aim to identify the totality of costs that practitioners face simply in order to be able to practise. These wider costs include practising certificate fees (including elements for non-regulatory ‘permitted purposes’), insurance and compensation, and compliance costs, all of which are ultimately passed on to purchasers, both public and private.
64. This investigation will also attempt understand underlying causes for costs and the impact that the complex legislation underpinning the regulatory framework, the approach of regulators and the perceptions of the regulated community have on the costs burden.

Why this work matters

65. The Triennial Review highlighted the importance of understanding the costs imposed by legal services regulators and regulation. This project aims to bring greater clarity and evidence to this debate. By understanding more clearly the costs imposed by

²¹ <https://research.legalservicesboard.org.uk/wp-content/media/2012-Legal-information-sources.pdf>

regulation on the legal services market we hope to stimulate a longer-term programme of work aimed at simplifying legal services regulation. For that reason, we will seek to engage a wide range of stakeholders in the governance of this work.

What we will do

66. The work will focus on the following areas:

- costs imposed on the legal market by the LSB and regulators, both directly and indirectly
- benchmarking the direct and indirect costs imposed by the Legal Ombudsman
- analysis of the cost imposed on the market by expenditure of representative bodies on permitted purposes
- analysis of the costs and benefits of specific regulations
- analysis of whether the current framework's legislative and regulatory complexity, inconsistencies and gaps present structural barriers to better regulation, lead to sub-optimal consumer and regulatory outcomes and prevent de-regulation.

Research – evaluation and evidence

Overview

67. Underpinning all of our work is a comprehensive programme of research to ensure we have a robust evidence base to inform our regulatory decisions. We have finalised our plans for 2013/14 in light of the significant feedback we received at our Business Plan seminars and in consultation responses.

68. In October 2012, we published our first evaluation of the impact of the Legal Services Act 2007. Instead of repeating the full evaluation, so soon after the original evaluation, we will continue to enhance our evidence base by carrying out in-house analysis of data already collected by ourselves or by regulators. This will help to build up the evidence and analysis needed for a repeat of the full evaluation in 2014/15.

69. We will continue to consult our Research Strategy Group (RSG) through the year. The RSG comprises a mixture of LSB non-executives, colleagues, academics and representatives from regulators and professional bodies and is vital to informing our understanding of the research and evidence gathering plans of regulators and others. It is through this group that our role as a hub in bringing those involved in researching the legal services market together is crystallised. We believe that both hard data and qualitative evidence, robustly gathered and assessed, is critical to the decisions we take. We will continue to seek to close gaps where we find them in the existing evidence base held by approved regulators through continued joint working with third parties.

70. In particular, we will be seeking to enhance the role played by jointly funded research projects in our research programme, whilst also ensuring that no conflicts of interest that might threaten the reality or perception of independence in research findings arise.

Why this work matters

71. To deliver the true spirit of the reforms set out in the Act, the LSB must not only deliver the structural elements, but also ensure that these reforms and our core work programme delivers the Act's regulatory objectives. By grounding our analysis in research and evidence, we will ensure that we develop effective regulatory policy that meets the regulatory objectives in a way which is consistent with the principles of better regulation.

What we will do

72. This year we will continue to build on our existing evidence base, particularly with regard to the importance of understanding both the levels and sources of costs imposed by regulation, and ensure we strengthen our analysis of existing LSB and regulator data to support future evaluations.
73. All of the projects listed below have been re-scoped significantly in light of feedback on the research proposals included in the draft Business Plan. Specific important examples of changes to the draft plan include the merging of our planned work on general advice and mapping the unregulated sector. We now plan to carry out this work in-house. Through the totality of our programme, we will look at the effective use of public legal education, through which, together with the work by the Legal Services Consumer Panel, we expect to support regulators in moving their own work forward in this area. We have also agreed to offer support a contribution towards a PhD student at Warwick University, building on funding by the Economic and Social Research Council (ESRC). Starting in September 2013, the PhD student will be exploring the impact of outcomes focused regulation within law firms.

Research with identified funding

Title	Description	Work supported	Funding source - secured
Cost and complexity of regulation	Case studies to look at costs and benefits of individual aspects of regulation	Regulator performance and oversight	Mixture of in-house resource and external commission
Regulatory barriers to entry, exit or merger	Economic analysis looking at regulatory barriers, proposing options for increasing market flexibility	Scope of regulation	Jointly commissioned research with The Law Society

Consumer experiences of 'DIY law'	Depth exploration of consumers' experiences of self-help tools and whether their desired outcomes were delivered	Scope of regulation	External commission with the Consumer Panel. Other partners, such as the Legal Ombudsman, would also be welcomed
General legal advice	Testing the risks of general legal advice	Scope of regulation	In-house resource

Research without identified funding

Title	Description	Work supported	Funding source – yet to be secured
Diversity – understanding the conceptualisation of talent	Working with law firms to understand what law firms and clients look for from professionals and how this impacts on workforce diversity	Workforce development and diversity	Facilitating academic study through collaborative funding
Using behavioural economics to understand the effective use of public legal education	Literature review exploring how consumers can be empowered to improve outcomes when they use legal services	Workforce development and diversity	External commission
International study of innovation and regulation	Comparative study of the development of innovation and the barriers regulation presents to adoption of innovation in legal services	Regulator performance and oversight	Facilitating academic study through collaborative funding

74. We acknowledge that this programme is ambitious for a budget of £250,000 and it can only be delivered in its entirety if funding is shared with partners. At present, only the projects on innovation and diversity and behavioural economics have not been allocated any funding, though to be completed in full all the research pieces will require support of funding from a range of other organisations. We would welcome the opportunity to talk to potential research partners with an interest in working with the LSB on research in 2013/14, or from those who may already be planning to do work of

this nature. The greater degree of external funding we are able to secure, the more value we will be able to deliver from our research budget.

Strategy development and research milestones by quarter

Activity	Milestone / Output
Reviewing the scope of regulation	
Will writing, probate activity and estate administration	Q1 Lord Chancellor decision on recommendations for will-writing and estate administration Q2 Subject to positive Lord Chancellor decision on will-writing, work with MoJ to take forward proposals Q2 Begin work with stakeholders to facilitate development of voluntary initiatives for estate administration
General legal advice	Q3 Publication of discussion document
Developing a changing workforce for a changing market	
Education and training	Q2 Hold roundtable on education and training in response to the LETR Q2 Consider need for statutory guidance or policy criteria for education and training in light of initial views on way ahead from regulators
Diversity	Q1 Review of regulators' implementation of action plans Q4 Carry out research into best practice and conceptualisation of talent to promote a positive approach to diversity issues with progression and retention
Comparison websites	Q3 Revisit actions with regulators
Consumers	
Review our consumer toolkit, to update and reflect the BS18477	Q1 Complete review of consumer toolkit and consider how best to make this available to regulators
Cost and complexity of regulation	
Analyse whether the current framework's regulatory complexity, inconsistencies and gaps present structural barriers to better regulation, lead to sub-optimal consumer and	Q1 Publication of work programme Q3 Initial report

regulatory outcomes, and prevent appropriate deregulation	
Research	
Evidence	Q1 Publish Research Plan

Aims for this work

Scope of regulation

75. We recognise that our work on the scope of regulation is likely to take longer to impact on the regulatory objectives than in many other areas. Even so, our work has already identified problems with the way that existing regulation currently provides quality assurance. This will start to be addressed over the coming year. In the longer term, a better targeted regulatory system can be expected to ensure that unnecessary regulatory burdens do not raise the cost of legal advice to consumers or restrict competition in the market, and seek to ensure that all consumers are adequately protected when they purchase legal services, increasing confidence in the legal market and increasing access to justice. We will ensure that this work is managed alongside work to assess the cost of regulation.

Workforce development

76. This work is designed to encourage the development of a flexible training system linked to clear risks and the regulatory objectives. This greater flexibility, and the stripping away of unnecessary rules, will support the legal market in becoming more dynamic, more diverse and better able to meet the needs of consumers. Equally, the effective, transparent publication of diversity data by legal firms will allow the comparison of firms' performance across a range of diversity characteristics for the first time, helping regulators to target regulatory action accordingly.

Research

77. Our research is designed to inform both the development and assessment of our regulatory policy and support our evaluation of the impact of reforms to the regulation of legal services. Our planned projects, such as testing the risks arising in general advice, will input directly into the scope of regulation project. It will help us identify the scale of any risks present and inform our analysis of the most appropriate response. Our evaluation work will continue to track changes in the legal market providing an early warning of significant changes and any problems that may occur.

C: Statutory decision making

Overview

78. The LSB has a range of statutory decision-making responsibilities. Some are ad hoc, in response to requests from the regulators and others, and some are recurring; we want to ensure that this work is consistent with, and supports, all our other activities.
79. Ad-hoc decisions include applications for designation for reserved legal activities and proposals by approved regulators to change their regulatory arrangements. It is probable that there will be a significant peak in these activities in 2013/14. As we signalled in our response to the Triennial Review, we are increasingly seeking to work closely with regulators in advance of submission to make the approval process easier for all parties. We will continue to monitor the need for any changes to our rule approval process in the light of experience.
80. Recurring work includes:
- approving the annual practising certificate fees set by each approved regulator
 - assessing evidence that the regulatory arms of approved regulators and licensing authorities are acting independently of representative interests
 - approving the annual budget for the OLC
 - approving the annual budget for the SDT
 - recouping our costs, and those of the OLC, through the statutory levy on approved regulators.

Why this work matters

81. Approving new designations and changes to regulatory arrangements is a key part of our statutory 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 regulators are doing to improve the standards of regulation.
82. For new entrants and new designations, we ensure that their regulatory arrangements meet the four constituent parts of regulation by being outcomes focused; informed by risk; apply proportionate supervision; and deploy effective enforcement. We also review internal governance and broader capacity and capability and consider these aspects when assessing applications to change regulatory arrangements.
83. Our regular annual work also contributes to the LSB's wider programme and to meeting our regulatory objectives. For example, our work on practicing certificate fee approval contributes to a better understanding of the costs of regulation and the annual review of Internal Governance Rules compliance aims 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

84. We expect to have to consider the following applications within statutory or agreed timeframes (as applicable):
- from existing approved regulators and licensing authorities to extend the range of reserved legal activities for which they are designated
 - from new entrants seeking designation for the first time
 - for changes to regulatory arrangements
 - from all approved regulators and licensing authorities to approve their practising certificate fees
 - from the SDT and OLC to approve their budgets.
85. For 2013/14, our assessment of regulatory independence will continue to be based on a dual certification, targeted at specific issues for each applicable approved regulator. Through this, we will be able to identify and address any concerns about a regulator's independence from representative interests defined widely, ie both the representative arm of any applicable approved regulator and wider professional interests.
86. In all of these areas of work, we will keep our own rules and processes under review to ensure that they keep pace with, and contribute to, our wider work on regulatory effectiveness. This will include further refinement of our approach to assessing regulatory independence for the longer term.

Reviewing the levy

Overview

87. When making the levy rules in 2010, the Board gave a commitment to review the methodology used to collect the amounts due for both the LSB and OLC.
88. This recognised that, at that time, there was insufficient data to identify any robust alternative to the apportionment methods of 'per authorised person' for LSB costs and based on 'an average of three years complaints data from approved regulators ending on 31 December 2009' (the last full year before OLC began its operations) for OLC costs.

Why this work matters

89. The Act, at section 173(3), states that '*Before making rules under this section, the Board must satisfy itself that the apportionment of the levy as between different leviable bodies will be in accordance with fair principles*'. We believe that these

principles should be consistent with the principles of better regulation and the apportionment of the levy should therefore be transparent, accountable, proportionate, consistent and targeted.

90. In 2010, there was general agreement that the apportionment methods for LSB and OLC were the 'best available' in the absence of any other reliable data. The OLC has now been administering an operational Legal Ombudsman scheme since 6 October 2010 and so 2013/14 is an appropriate time to revisit both apportionment methods. This is to ensure that the methodology continues to comply with 'fair principles'.
91. As new regulators are designated, we also need to ensure that any revised methodologies also capture their share of both LSB and OLC costs, both as they enter the regulatory system and on an ongoing basis.

What we will do

92. We will explore with all existing approved regulators and other stakeholders whether there are better alternative methodologies which will better meet the criteria of 'fair principles', after which we will conduct a formal consultation.
93. Following an analysis of the consultation responses, we will make recommendations to the Board to retain or alter the existing levy rules. If alteration is proposed, we will compile an appropriate Statutory Instrument for submission to the Lord Chancellor in accordance with the Act at section 173(4) for consent and subsequent laying in Parliament.
94. We will aim for any new rules to be effective from the 2014/15 financial year.

Statutory decision making by quarter

Activity	Milestone / Output
Statutory decision making	
Internal governance rules	Q1 Receive signed dual certificates
SDT budget	Q3 Assess budget application
OLC budget	Q4 Assess budget application
Practising certificate fees	Q2 and Q3 assess applications
Reviewing the Levy	
Information gathering Consultation Agree new rules	Q2 Informal meetings with regulators Q3 Prepare and publish proposals for consultation Q1 14/15 Produce updated rules in light of consultation for Board approval and Lord Chancellor consent (including draft Statutory Instrument)

Aims for this work

95. Through our statutory decisions work we will ensure that approved regulators and licensing authorities continue to develop regulatory arrangements that are outcomes focused and reflect the risks in the legal services areas in which they operate. The work on new designations - from either existing approved regulators and licensing authorities or new entrants - will contribute to greater competition in the provision of legal services while ensuring that there are appropriate arrangements for the protection of consumers and the wider public interest.

Delivering our Plan

Budget

96. The table below shows our proposed budget for 2013/14. Based on our planning assumptions we are again proposing a budget reduction.
97. Figures for 2014/15 and 2015/16 are highly provisional at this stage and would be subject to planning for the detailed activities that we would need to undertake in those years. Whatever our requirements, we will continue to drive efficiency savings and deliver value for money.

LSB budget for 2013/14 and predicted budget for 2014-16 (£000)

	Operational budget 2013/14	Operational budget 2014/15	Operational budget 2015/16
Staff	2,585	2,585	2,585
Accommodation	610	589	589
Research and professional services	250	250	240
IT/facilities/finance	245	240	230
LSB Board	194	194	194
Consumer Panel	41	41	41
Office costs	101	100	91
Depreciation	90	59	50
Governance and support services	72	80	70
Legal reference/support	84	90	90
TOTAL excl OLC Board	4,272	4,228	4,180
OLC Board	176	170	168
Total inc OLC Board	4,448	4,398	4,348

Budget assumptions

98. Based on the current staffing complement, approximately 90% 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 10% will be accounted for by the research, professional services and office running costs needed to support the LSB's work programme for 2013/14.
99. We will deliver the proposed £50,000 budget reduction by reducing both our staffing and research budgets and absorbing all other increases on non-pay expenditure headings, including for increased levels of activity and the contractual uplifts in our Service Level Agreements with the Competition Commission (CC) for the provision of

IT, finance and facilities support. This could equate to an efficiency gain of 3.5% depending on the final CC increases.

100. The budget is also based on an assumption that the LSB will stay in its current accommodation, with services provided by the CC, for the entire financial year. There is a significant degree of uncertainty, which has increased markedly during the consultation period on the plan, in light of the pending establishment of the Competition and Markets Authority, which will bring together the CC with the competition and markets functions of the Office of Fair Trading (OFT). Nevertheless, the Board will seek to absorb any costs emerging from any move from within the budgetary envelope consulted upon.
101. Costs will continue to be recouped through the statutory levy on approved regulators.

Supporting our delivery

Our people

102. The LSB depends on its people. We strive to recruit the best, through open and fair procedures, and to reward people fairly. As a small organisation, we know that we will find it difficult to offer significant career progression through promotion and so we are committed to being an organisation that provides learning and development opportunities to allow people to take from us as much as they can.

Corporate governance

103. The LSB is accountable to Parliament through the Lord Chancellor and is sponsored by the MoJ. The relationship between the MoJ and the LSB is outlined in our *Framework Document*, which was updated in June 2011. The Triennial Review suggested that this document may benefit from updating and we are considering proposals very recently received from MoJ.
104. We welcome our duty under the Act to have regard to generally accepted principles of good corporate governance and were pleased by the endorsement of our practices in the Triennial Review. The LSB has adopted a comprehensive *Governance Manual*²² which includes the Board's *Code of Practice* and *Schemes of Matters Reserved To and Delegated From the Board* alongside *Terms of Reference* for the Board's two Committees – Audit and Risk (ARC) and Remuneration and Nomination (RNC). The Board's *Governance Manual* was reviewed during 2012 and minor changes were agreed at the November 2012 Board meeting.
105. The ARC's remit includes:
- reviewing and endorsing the annual budget, Annual Report and Accounts
 - external audit and any issues arising from the interim and final audits

²²http://www.legalservicesboard.org.uk/about_us/our_board/board_code_of_practice/index.htm

- appointing the internal auditors, approving the internal audit plan and receiving internal audit reports
- overseeing risk management.

106. The RNC's remit includes:

- agreeing, monitoring and reviewing the terms and conditions of service of the Chief Executive and other colleagues
- reviewing equality and diversity trends across the organisation
- monitoring and evaluating at a strategic level the impact of employment policies
- reviewing talent management and succession planning
- advising on issues relating to appointment and succession for OLC and Consumer Panel members.

Relationship with the Office for Legal Complaints

107. The LSB has a statutory relationship with the OLC. 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 Board 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.

108. The LSB may also require the OLC to report to it on any specified matter. To date only one request of this type has been made of the OLC. In 2013/14, 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
- approve the OLC's budget
- appoint a new Chair and members of the OLC when current terms expire.

109. More generally, we work to encourage effective joint working 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. This is clearly important in relation to complaints issues directly, but is of far wider application. We would like to see improved data sharing and transparency from all parties to help underpin these relationships.

Risk and information management

110. 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, ARC and Board level through regular review.

111. One area where we work hard to avoid both regulatory and operational risk arising is information management. 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.
112. Work conducted by our internal auditors on our IT security, data privacy policies and business continuity planning, and an advisory visit by the Information Commissioner's Office both provided assurance that the LSB's information risk and assurance policies were broadly robust and in line with prevailing best practice. We do however have some work to do to embed those policies more fully into practice and will be revising our procedures during 2013/14, whilst continuing to comply with our statutory responsibilities.

Corporate services

113. 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 IT, finance administration, telephony and facilities are all provided by the CC. 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 is currently being refreshed. 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 will keep these arrangements under continuous review to ensure that they remain the most appropriate way of securing value for money.

Measuring our performance

Finance process performance

114. 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

115. 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.

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

Statutory decision 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: <ul style="list-style-type: none"> • 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.

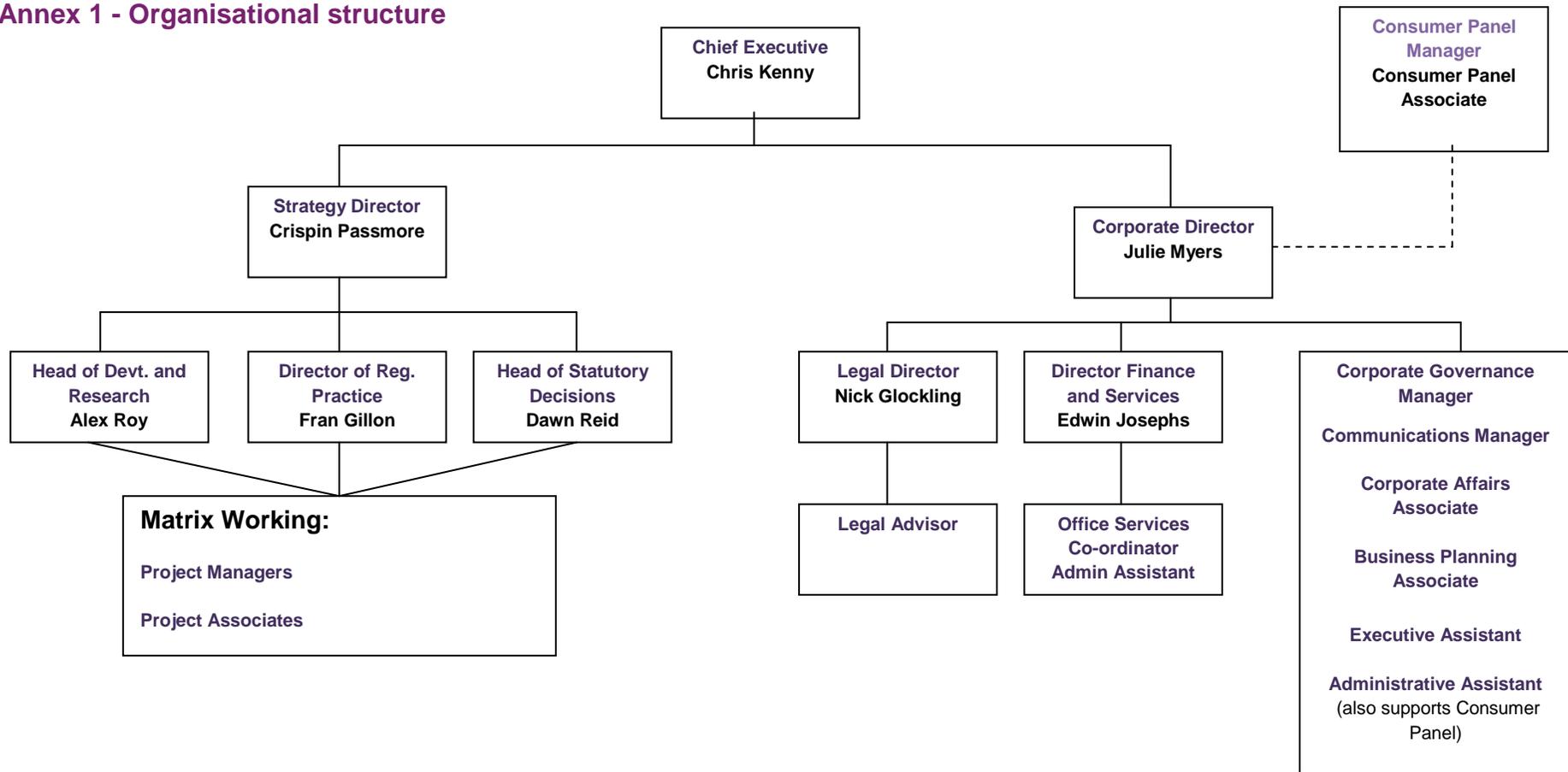
**This KPI only applies under sections 45(3) and 76(3) of the Legal Services Act 2007 (that is, where the approved regulator applies for cancellation, and therefore, is not as a result of an enforcement process)*

***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 - Organisational structure



Annex 2 - 2013/14 milestones

Quarter 1 Workstream April - June		Quarter 2 Workstream July - September	
Monitor regulators' delivery of regulatory effectiveness action plans	A	Monitor regulators' delivery of regulatory effectiveness action plans	A
Special bodies: Issue draft guidance on regulation for licensing authorities	A	Immigration: Review qualifying regulators' progress to achieving outcomes for customers	A
Licensable bodies: Work with regulators to understand how those they regulate will be affected by ending transitional protections	A	First-tier complaints: Review reports from regulators	A
Lord Chancellor decision on recommendations for will-writing, and probate activities	B	Will-writing: Subject to a positive Lord Chancellor decision, work with MoJ to take forward proposals	B
Diversity: Review implementation of regulators action plans	B	Begin work with stakeholders to facilitate development of voluntary initiatives for estate administration	B
Publish work programme in regards to the cost and complexity of regulation	B	Hold roundtable on education and training in response to LETR	B
Publish Research Plan	B	Consider publishing policy criteria for education and training in light of initial views from regulators	B
Review consumer toolkit and make available to regulators	B	Assess practising certificate fee applications	C
Internal Governance Rules – receive dual certificates	C	Levy: Meetings with regulators	C

Quarter 3 Workstream October - December		Quarter 4 Workstream January - March	
Monitor regulators' delivery of regulatory effectiveness action plans	A	Monitor regulators' delivery of regulatory effectiveness action plans	A
General legal advice: Publish discussion document	B	Finalise plans for 2014/15 self-assessment	A
Revisit actions with regulators in regards to comparison websites	B	Sanctions and appeals: Publish discussion document identifying options for change	A
Publish initial report on the cost and complexity of legal regulation	B	Carry out research into best practice and conceptualisation of talent to promote a positive approach to diversity issues with progression and retention	B
Assess SDT budget application	C	Assess OLC budget application	C
Assess practising certificate fee applications	C		
Prepare and publish levy rules consultation	C		