

Draft: Business Plan 2017/18

A consultation on the proposed work programme of the Legal Services Board for 2017/18

This consultation will close on 17 February 2017

This consultation paper will be of interest to:

Approved regulators

Providers of legal services

Legal representative bodies

Legal advisory organisations

Other third sector organisations

NDPBs

Consumer groups

Law schools/universities

Legal academics

Members of the legal profession

Accountancy bodies

Potential new entrants to the ABS market

Think tanks

Government departments

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Executive summary

1. The Legal Services Board (LSB) is looking ahead to 2017/18 and the work we need to do to deliver our statutory functions. Our focus continues to be on securing regulation which has the interests of consumers at its heart, which enhances quality, ensures value for money and contributes to enabling access to justice across England and Wales.
2. This document seeks your views on our draft programme of work for 2017/18, the final year of our three year strategic planning period. Our work will continue to be structured around the three strategic goals we set out in our 2015-18 Strategy:
 - I. breaking down regulatory barriers,
 - II. tackling unmet legal needs,
 - III. and fulfilling our duties of monitoring performance, evaluation and oversight of the regulators and the Office for Legal Complaints (OLC).
3. The draft programme of work, which you will find at **Annex A**, summarises all of our core deliverables. It includes our expected programme of statutory decisions, the areas where we are continuing to press for regulatory improvement, such as independence and transparency, and a small number of new themes. On page 10 is a diagram summarising the work we intend to carry out under the three strategic themes.
4. These projects will not only contribute towards the three strategic objectives, they also have another element of common purpose. Public trust and adherence to professional standards are rightly much discussed underpinnings of a successful legal sector. From our guidance on education and training through to the project on independent regulation and the review of enforcement activity, we want to ensure that our work this year reinforces the importance of both of those elements.
5. Providing value for money is core to what we do. Our proposed indicative budget for 2017/18 is £3,848k. This continues a downward trajectory and represents a further £150k reduction from 2016/17 and a £450k reduction from the start of our strategic planning period.
6. We will publish our final Business Plan for 2017/18 in March 2017. The final Plan will take into account responses from stakeholders to the draft work programme. It will also build in actions arising from ongoing activities, including any emerging conclusions from the Ministry of Justice's Tailored Review, due to be published in early 2017, and the outcome of the CMA's market study, due to be published in mid-January at the latest.
7. The closing date for consultation responses to our draft Business Plan is **17 February 2017**.

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. 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 helps to command 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 enables us to identify areas of unmet need and generate fresh thinking on new ways of tackling this and other issues in the sector.
 - **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.¹
7. We are funded by, but wholly independent of, the approved regulators of the legal profession. In 2017/18 we will reduce our indicative budget in cash terms by £150k from 2016/17. The 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 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.

¹ http://www.legalservicesboard.org.uk/about_us/our_staff/equality_and_diversity/index.htm

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 have 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 needs² 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 passed³ 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

² <https://research.legalservicesboard.org.uk/news/latest-research-12/>

³ <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 service 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 interim findings. According to the CMA, legal services markets are not functioning as well as they might and the potential gains from greater competition may be substantial
 - the publication by the LSB of its vision for legislative reform of the regulatory framework for legal services⁴ and the associated public debate about independence of regulation and the legal profession
 - applications from the Bar Standards Board and the Institute of Chartered Accountants in England and Wales 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.

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

Proposals

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 to account** for their performance, including 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 **Annex A** we outline in detail the areas of work we propose to focus on in 2017/18. We explain what we are trying to achieve with each project and give a high-level description of what the work in this area may involve.
18. In 2017/18 we will also be developing our new Strategy for 2018-21. This is an important project 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.
19. 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 this sector. In particular, we will want to consider the outcomes of the CMA market study.
20. In all of our work, we hold ourselves to the same standards we expect of those we oversee and in 2017/18 our approach will be informed by the outcomes of the Ministry of Justice's Tailored Reviews of the LSB and OLC, the Committee on Standards in Public Life report *Upholding the Seven Principles of Public Life in Regulation*⁵ and the Cabinet Office's 'cluster review' of regulators.

⁵ <https://www.gov.uk/government/publications/striking-the-balance-upholding-the-7-principles-in-regulation>

Summary of the 2017/18 Business Plan

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

- Assessing effectiveness of LSB's education and training guidance
- 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

Consultation questions

We want to know your views on our draft Business Plan for 2017/18 and would welcome responses to the following consultation questions.

- 1. Do you have any comments on our proposed programme of work?**
(See Annex A)
- 2. Do you have any comments on the research we have proposed?**
(See Annex A, pages 23-24)
- 3. Do you have any comments on our proposed indicative budget?**
(See Annex A, pages 25-26)

How to respond

We welcome views and comments on all aspects for our draft Business Plan by 6pm on **Friday 17 February 2017**.

We would prefer to receive responses electronically (in MS Word format), but hard copy responses by post are also welcome.

Responses should be sent to:

Email: consultations@legalservicesboard.org.uk

Post:

Ramandeep Bhatti
Legal Services Board
One Kemble Street
London WC2B 4AN

We intend to publish all responses to this consultation on our website unless a respondent explicitly requests that a specific part of the response, or its entirety, should be kept confidential. We will record the identity of the respondent and the fact that they have submitted a confidential response in our summary of responses.

If you want to discuss any aspect of this consultation, or need advice on how to respond, please contact the LSB by telephone (020 7271 0050) or by one of the methods described above.

We will consider all responses to this consultation and will publish the final Business Plan for 2017/18 in March 2017.

Complaints

Complaints or queries about the LSB's consultation process should be directed to Jenny Prior, the Consultation Co-ordinator, at the following address:

Jenny Prior
Legal Services Board
One Kemble Street
London WC2D 4AN

Or by e-mail to: consultations@legalservicesboard.org.uk

Annex A: Draft LSB work programme

1 Breaking down the regulatory barriers to competition, innovation and growth

Why this work matters

1. 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.
2. Increasingly the market is moving away from traditional legal services structures defined by title, partnerships and Chambers. 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.
3. Regulators must make sure that regulation does not hinder market developments or restrict innovation.

Breaking down regulatory barriers

In 2017/18 we will:

- assess the effectiveness of our education and training guidance
- support changes in legislation to remove barriers
- update our innovation research.

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.

Assessing effectiveness of LSB's education and training guidance

4. Section 4 of the Act gives the LSB specific duties to maintain and develop the standards of education and training. This year (2017) will mark four years since the publication of the 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 fully competent, well trained, and better able to serve the needs of consumers.
5. We have maintained a 'watching brief' on education and training over the last few years and maintained oversight through the rules applications process. In 2017/18 we will undertake work to assess the effectiveness of our 2014 guidance and make sure it continues to reflect best practice and supports regulators to make improvements.

Supporting changes in legislation to remove barriers

6. 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. We published our vision for reform of the legislative framework for regulation of legal services earlier this year.
7. In 2017/18 we will engage with any Ministry of Justice proposals in relation to 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

8. The Legal Services Act 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.
9. 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

10. Markets work best when consumers have choice and can exercise that choice confidently. Whilst segments of the legal services sector are highly competitive, 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.
11. 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.
12. 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

13. Over a period of years we have been working to make it easier for consumers to make informed choices when choosing between providers across the market. This work has focused on improving understanding and transparency of price and quality and facilitating market entry by Digital Comparison Tools. 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.
14. As part of our on-going work on market transparency and enabling need for legal services to be met more effectively, in 2017/18 we will consider any recommendations in this area from the CMA's legal services market study, which is due to report at the latest by mid-January 2017. We will explore with the CMA how we can best contribute to securing better outcomes for consumers in this area by working closely with the frontline regulators and other bodies in an implementation phase. 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.
15. Earlier this year, to inform our work on regulatory data, we asked the Legal Services Consumer Panel (LSCP) to provide us with advice on the effectiveness of current information remedies in legal services regulation and how these could be improved. We expect to receive the Panel's advice in December 2016 and will consider this as we develop our work.

Vulnerable consumers

16. Early in 2017/18 we will publish research on vulnerable consumers' experience of legal services. We intend to complement these findings in 2017/18 with work to explore the opportunities to improve delivery of legal services to vulnerable consumers. We will engage with regulators, representative bodies, and consumer organisations, including the LSCP and we expect this work will involve the Consumer Panel's guidance on consumer vulnerability and identification and promotion of current good practice in legal services and regulation.

Prices of individual legal services

17. The research we are currently commissioning on prices of legal services will be completed and published in 2017/18. This is an update of the 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

18. 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

19. 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.
20. 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 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.
21. Our crosscutting research 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
- work towards the independence of regulation
- continue our work in diversity
- review the delivery of enforcement activities
- undertake our duties in regards to the Office for Legal Complaints .

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

Approving requests for changes to regulatory arrangements

22. In 2017/18 we will continue the work started this year to develop the process for approving 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.
23. 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

24. 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

25. Through the approval of practising certificate fees we will maintain our focus on the level and transparency of regulators' costs.

Holding the regulators to account for their performance

26. 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 have 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.
27. We have also begun our review of the process and standards we use to assess the performance of the regulators. 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.
28. In 2017/18 we will be consulting on any changes to the regulatory performance process and standards and, following this, will implement the new approach to assessing the regulators' work.

Independence of regulation

29. 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.
30. In 2017/18 we will consider whether there is value in seeking an updated dual self-certificate of compliance with the Internal Governance Rules (IGR) from the regulators. A review our IGRs may be necessary to consider whether, in the light of our experience, we should introduce any changes to them to address any issues that have arisen.
31. The Ministry of Justice has stated its intention to consult on proposals to make legal services regulators fully independent from the representative bodies. Full independence would be in line with our vision for the future legislative framework for regulation for legal services⁶. We will respond to any such consultation.

Diversity – assessing regulators’ responses to revised LSB guidance

32. The nature of any work in this area will be determined after our current consultation on diversity closes.

Diversity – movement through the professions

33. Alongside this year’s work to revise the LSB’s statutory guidance on encouraging a diverse profession, the LSB will seek to sustain our leadership role on diversity in 2017/18. Recently published analysis of diversity data on progression within the professions (to senior roles such as partnerships, the judiciary and QC appointments) suggested only minimal changes over time. This year we will explore the reasons underlying this slow pace of change and identify whether there is a role for regulators in helping to address the problem.

Transparency of regulators’ costs

34. Last year 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 desk review looking at how oversight is used to apply pressure on costs transparency for regulators elsewhere in the economy.
35. In 2017/18 we will use the working group to continue to seek improvements in the level of transparency of regulators’ costs. Our work in this area aims to help to

⁶http://www.legalservicesboard.org.uk/news_publications/LSB_News/PDF/2016/20160909LSB_Vision_For_Legislative_Reform.pdf

address low awareness among providers about how their practising certificate fee 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

36. 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 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.
37. To improve our understanding of the issues with these disciplinary procedures, 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

38. The Legal Ombudsman scheme 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 Legal Ombudsman scheme appropriately. This is an active and ongoing responsibility involving regular contact including quarterly meetings between members of the LSB and OLC Board. Those meetings allow the LSB to review the way in which the OLC is overseeing performance and ongoing work with the OLC and Legal Ombudsman.
39. In 2016/17 the LSB used its statutory powers under the Act to set reporting requirements for the OLC with the intention of building on the work the OLC Board was already implementing with respect to its performance framework. The OLC fulfils this requirement by submitting monthly statistical reports and quarterly reports which comprehensively set out the OLC's assessment of the Legal Ombudsman's scheme performance over the preceding quarter.
40. In 2017/18 we will continue to hold the OLC to account to make sure that it administers a Legal 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.

41. 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.
42. We will also fulfil our statutory responsibilities to receive the OLC's Annual Report and Accounts, to approve its annual budget and consider any Scheme Rule changes. Audit and Risk Assurance Committee Chairs from the LSB and OLC will meet to make sure that any risks are understood and mitigated and that mutual risks are also managed effectively.
43. Should OLC decide to apply for approval as an Alternative Dispute Resolution entity, we will deliver our functions as a competent authority, if required, in line with *The Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015*.

Market information: research planned for 2016/17

44. 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.
45. 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.
46. 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. Our intention is that, 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.
47. We will continue to take a pragmatic approach to any opportunities to work with other funders to address longer term research needs.
48. 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 hope to 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

49. The table below shows our indicative budget for 2017/18, the third and last year of our three-year Strategy. We have reduced the costs of running the LSB consistently each year since our inception on 1 January 2009. The 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) and this continues on a downward trajectory.
50. We intend to reduce our budget for the next two years as well, 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.
51. 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.
52. 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 finance any pay increases and inflation rises through on-going 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

53. 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 freely from project to project according to the priorities of the organisation. All colleagues make a contribution to our regulatory activities.
54. The largest non-staffing item is for accommodation and services and we occupy space and receive services from two other public bodies and 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 very competitive outsourced services for information and communication technologies (ICT), human resources (HR), facilities, payroll etc. We have two in-house lawyers and 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.
55. Our research and evaluation programme has provided data and evidence to inform our decision making and has been of benefit not only to approved regulators but has also informed government policy and industry thinking. We have sought to maximise the use of our limited spend in this area through collaboration with approved regulators and other organisations.
56. 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.
57. 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.
58. 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 on-going efficiency savings. This reflects our public commitment to driving efficiency savings and securing value for money in our work.

Risk and information management

59. 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.
60. 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

61. 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.
62. 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

63. 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.

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 (pending the laying of the order) | 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) |
| 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 |
| Faculty Office | | 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 2015.