

Meeting: Legal Services Board
Date: 18 October 2022
Item: Paper (22) 50
Title: CEO's Progress Report
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Status: Official

Introduction: Purpose of the paper/ Issue

1. This paper updates Board Members on key developments across the organisation since the 13 September 2022 Board meeting.

Recommendation

2. The Board is invited to **note** this report.

Appointment matters

LSB Board

3. The campaign for three new Board Members, two lay, one non-lay, has closed with 42 applications for the lay roles and 18 for the non-lay.
4. Six candidates have been shortlisted for interviews for the Chair role, and interviews are taking place this month. The Chief Executive has held informal conversations with all of the shortlisted candidates.

Office for Legal Complaints (OLC)

5. The campaign for two OLC Board Members, one lay and one non-lay member, has closed with a total of 46 applications. First round interviews are now underway, to be followed by a sift meeting on 1 November, ahead of final panel interviews in early December. Gary Kildare is chairing the recruiting panel on the Board's behalf.

Colleague and organisational matters

Staffing

6. The latest colleague pulse survey was conducted in September, and the results shared with colleagues and the RNC. The picture is overall, once again, good – observing that there have been some slight movements in the scores. The next pulse survey will take place in November.

7. On 3 October, I wrote to Board members, colleagues and members of the Legal Services Consumer Panel to ask you all to complete our diversity survey so that we can update our diversity data. We will use this information to help us consider if we live up to our aspiration of being an organisation that values difference and harnesses talent from a wide range of backgrounds and groups. We are small, so it may be difficult to draw any firm patterns from the data we collect, but we can build up an understanding of our overall diversity. The closing date for completing the survey is 14 October.
8. We continue to await confirmation from MoJ regarding our pay remit of 2% submitted in June for the 2022 pay award. The latest update from MoJ was received on 3 October, as follows:

'Inevitably, changes to the MoJ ministerial team has impacted our ability to get the remit approved timeously with most recently, a clearing house process in operation to ensure that new Ministers receive prioritised advice as part of their induction and early decision making. I appreciate for the LSB having clarity on its pay award settlement is a very important issue, and we continue to do what we can to obtain the necessary approvals. We remain in touch with Private Office colleagues and I hope very soon, we will be in a position to start progressing more operational issues through ministers. Understandably, there will be a queue of these and it may still be a few weeks before we have an answer for you'.

Governance

Board External Evaluation

9. Campbell Tickell, the external consultants who are managing the Board evaluation this year, will be observing the October Board meeting. They have completed interviews with Board Members and have held workshops with staff and SLT members. They also observed the 5 October ARAC meeting. They continue to expect to report at the November meeting.

SDT

10. The SDT submitted its budget application to the LSB on 6 September. The Board's consideration of the budget is dealt with elsewhere on the agenda.

Office for Legal Complaints

11. The latest Voluntary Assurance letter can be found at Annex A. LSB colleagues visited the Legal Ombudsman (LeO) offices on 21 September to discuss the work that LeO is doing to improve performance and customer experience and to discuss plans for the next phase of proposed changes to the Scheme Rules. A meeting took place last month to discuss the OLC's early thinking on its budget prior to commencing public consultation. Some performance measures were still below target in August 2022, but OLC remains confident that it will meet its targets by year-end.

Regulatory Developments

News Round Up

12. The news round-up is attached at Annex B.

Research

13. Fieldwork is ongoing for the use of technology and innovation survey and the counter-inclusive practices research. Recruitment for the latter was delayed by the national mourning restrictions on communications but is now back on track. The LSB Public Panel profiling has reached 9,100 towards the target of 10,000.
14. In support of our financial protections project, we and the Solicitors Regulation Authority (SRA) continue to engage insurers as the submission deadline for providing Professional Indemnity Insurance (PII) data approaches. We will soon begin procurement for econometric analysis of the data.
15. Planning for 2023/24 research projects has started, notably for the next wave of the individual legal needs survey. Commissioning research agencies has become more expensive due to current economic conditions, so we are undertaking further market analysis of indicative prices to inform budget planning.

Statutory Decisions

16. Since my last update the LSB has approved one application and one request for exemption. The application was from ICAEW in relation to changes to its disciplinary byelaws and wider disciplinary framework. The exemption was a further 12-month extension to the Solicitors Indemnity Fund.
17. The LSB has also issued one Practising Fee approval decision since the last update. This application was from the Faculty Office.
18. At the time of writing the LSB is currently considering:
- a. four Practising Fee applications from the CLSB, IPReg, ICAEW and the CLC.
 - b. a request for exemption from the CLC in relation to the level of its compensation fund contributions for the coming year.

Investigation

19. The Board will be aware that we have commenced an investigation into the ongoing matters between CILEX and CRL in consideration of exercise of our enforcement powers under the Legal Services Act 2007 and our Statement of policy for enforcement. The notice of investigation which includes the scope and next steps will be published on our website. We hope to complete the investigation in a timely way and by early 2023. The team will provide you with a full update on progress at the November board meeting.

Empowering Consumers

20. We have completed a series of bilateral meetings with the regulators to discuss their plans to meet the outcomes in our policy statement, including their respective indicative timeframes for doing so. Regulators have been asked to provide an update on this as part of this year's annual regulatory performance information request and the data they provide will be considered at the next Market Transparency Coordination and Oversight Group (MTCOG) meeting.

Regulatory Performance

Regulatory Performance Review

21. Following our review of the 16 responses we received to the consultation, we have prepared a draft response to consultation, revised sourcebook and revised process document. These documents are scheduled to be discussed by the Board at this meeting.

Regulatory Performance Update

22. We have issued our annual performance update requests to the regulatory bodies. Their responses are due by 28 October. As well as requesting information about regulatory bodies actions on specific outcomes, we have also asked about (1) issues that have arisen since the last assessment, (2) how the regulatory bodies have taken account of the findings of our targeted review of the Faculty Office, (3) how they have taken account so far of our statement of policy on consumer empowerment and, (4) as it is the last assessment under the current framework, to provide a self-assessment of their work over the past 12 months against the current standards.
23. In line with the proposed approach set out in our regulatory performance review consultation document, we will assess regulators' performance against the current standards and outcomes but will present our assessment using the narrative format we intend to use under the new framework. Subject to Board approval of the consultation response and new performance framework, we plan to use the new rating system for grading performance against the existing standards in this year's assessment. The final version of this system will be confirmed, subject to Board approval, when we publish our consultation response and the new performance framework.
24. We have written to the approved regulators to say that we will not be seeking information from them about actions they are taking to ensure they meet the current regulatory independence outcome (WL7: The Approved Regulator/Regulatory Body meets the outcome to ensure regulatory independence). This is because we are not intending to include approved regulators in our new assessment process and because in 2023 we are planning to carry out an evaluation of the Internal Governance Rules (IGR), which will mean seeking information from approved regulators and regulatory bodies on their experiences of the IGR.

Technology

25. We continue with the process to procure a supplier for the 'Proof of Concept' study, which will explore the range of options for a service, or tool, that enables consumers to easily access regulatory information on legal services providers. This is part of our work to take forward the Competition and Markets Authority (CMA) recommendation on the development of a 'single digital register'.
26. The Regulatory Response Unit, which we support, will shortly be developing a joint statement on Artificial Intelligence (AI). We are also engaging with the Office of AI, a joint BEIS-DCMS unit responsible for AI policy, as they progress their thinking on the regulation of AI.
27. Following on from Board discussion earlier this year, work is underway to scope the outcomes that regulators can help achieve when fostering responsible innovation. This work will be discussed at SLT in mid-October and an update to Board will follow.

Diversity and Inclusion

28. The EDI project workplan for the next two years has been developed, which will demonstrate the LSB's commitment and increased focus in this area. It moves us from building our knowledge of remaining EDI barriers and current regulatory intervention to setting out clear expectations for regulators with the proposal for publication of a statement of policy in 2024. We have scoped a wide-range of activities that will enhance our research, stakeholder engagement and policy development workstreams - with improving regulators' approaches to the evaluation of their EDI interventions and stamping out counter-inclusive practices in the profession as two key areas of focus. We propose to bring a paper to the Board in Spring 2023.
29. Early findings from our live research project on counter-inclusive practices have revealed rich insights and thematic findings will be presented at the 13 October conference.
30. Our work with the JDFO continues to make progress through the working group which the LSB chairs. We are reshaping the JDF action plan into cross-cutting themes which will better explain the desired outcomes and set out the evaluation plans using the Theory of Change model [setting out: the intended outcome of the initiative; how this will be measured; and any evaluation of its impact to date and in future]. We have also commissioned the professional bodies [CILEX, The Bar Council and The Law Society] to produce a model that reflects what seniority could look like in practice in their professions which will inform the work of the JDF but also our EDI work more widely.

Sanctions update

31. We have written to all regulators in connection with the latest sanctions announced by the Government on 30 September, which includes a ban on the provision of certain professional services, including "transactional legal

advisory services" as part of the ongoing response to Russia's war in Ukraine. We will be convening a roundtable with the regulators and the Ministry of Justice in the next few weeks to discuss the definition and scope of the new sanctions requirements, as well as seeking an update from regulators on their broader sanctions work.

Economic Crime and Corporate Transparency Bill

32. The Home Office has now introduced the Economic Crime and Corporate Transparency Bill. This includes a proposal to introduce a new regulatory objective into section 1 of the Legal Services Act. The proposed new objective is: "promoting the prevention and detection of economic crime." Overall, we see the proposal as a positive step in putting beyond doubt that regulatory bodies should be focused on ensuring that authorised persons are not involved in facilitating economic crime, such as money laundering and sanctions busting. As previously discussed at Board, if a new regulatory objective such as this is introduced, we would expect to develop and consult upon a statutory statement of policy setting out our interpretation of the new objective and how it would apply for the LSB and regulators.
33. The Bill also includes provisions to remove the cap on the SRA's internal fining powers, in relation to disciplinary cases relating to economic crime. Board members will recall that the MoJ recently increased the cap on its fining powers, for all cases, from £2,000 to £25,000.

Curating the Strategy

34. We continue to receive regular contributions from regulators as well as other stakeholders, such as consumer support groups, membership organisations and legal charities to the Reshaping Legal Services microsite platform.
35. We will shortly finalise and publish the first episode of the Reshaping Legal Services podcast series. We have recorded clips with stakeholders for two episodes, focussing on dismantling barriers to a diverse and inclusive profession and achieving fairer outcomes for consumers.

Legal

36. We received on 7 October a suite of claim forms to the County Court Business Centre, Online Civil Money Claims, which were issued on 5 October 2022. One of the claim forms is made against the LSB in the amount of £70 and seeks for the LSB to respond to regulatory compliance concerns relating to a law firm. In our view the claim is plainly misconceived. Nonetheless we may be obliged to go through the formalities of resisting it, for which we need the Board's permission.

Communications and Engagement

Annual Conference

37. The annual conference is scheduled to take place on 13 October 2022. Once held, we will evaluate the event and its initial impact. A plan for further

engagement to follow up themes and initiatives arising from the conference is being developed. We are also considering whether there are activities for the LSB to take forward to follow up on discussions at the conference.

External events

38. The Director, Policy and Regulation chaired a breakout session on complaints and regulation at the Legal Wales in Llandudno on 7 October 2022.

Meeting Schedule (13 September – 17 October 2022)

39. Since the last Board meeting there have been 20 external senior meetings up to and including 17 October (table below updated on 4 October 2022):

14-Sep	LSCP	Chief Executive
14-Sep	LDD / Legally Disabled?	Chief Executive
14-Sep	CILEx Regulation	Chief Executive
14-Sep	InterLaw	Chief Executive
15-Sep	Notaries Dinner	Chair
15-Sep	City of London socio-economic diversity taskforce	Chief Executive meeting
20-Sep	Legal Ombudsman	Quarterly Chairs meeting
20-Sep	LSB Conference – briefing meeting with panel speakers	Chris Nichols and Paul Nezandonyi attended
20-Sep	CILEX	Chair and Chief Executive
20-Sep	Legal Ombudsman – quarterly catch-up meeting	Chair
21-Sep	Legal Ombudsman – meeting at office in Birmingham	Stephen Gowland, Margie McCrone, Chris Nichols and Clare Brown attended
27-Sep	OLC	Chair and Chief Executive
30-Sep	Panel briefing meeting - LSB conference	Briefing meeting with conference speakers (Angela Latta attending)
3-Oct	Opening of the legal year	Attending opening of the legal year
7-Oct	Legal Wales Conference 2022	Chris Nichols will be attending
7-Oct	Law Society	Chief Executive meeting
10-Oct	Judicial Diversity Forum	Officials meeting
10-Oct	BSB Quarterly catch-up meeting	Chair and Chief Executive
13-Oct	LSB annual conference	Board members and colleagues
17-Oct	SRA	Chair and Chief Executive

Risks and mitigations	
Financial:	N/A
Legal:	N/A
Communications and engagement:	N/A
Equality and diversity:	N/A
Resource:	N/A

Annexes

Annex A – OLC Voluntary Assurance Letter

Annex B – News Round Up

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
N/A	None	N/A
N/A	None	N/A