BUSINESS PLAN 2025/26

Consultation response document

A consultation on the draft business plan 2025/26 ran from 3 December 2024 to 3 February 2025**.** In response to the stakeholder feedback received, we have made some changes to the final business plan, which can be found on our website here.

April 2025

Contents

Abbreviations

CILEX – Chartered Institute of Legal Executives

CLC – Council for Licensed Conveyancers

CRL – CILEX Regulation

EDI – Equality, Diversity and Inclusion

FCA – Financial Conduct Authority

LeO – Legal Ombudsman

LSB – Legal Services Board

LSCP – Legal Services Consumer Panel

MoJ – Ministry of Justice

NDA – Non-disclosure agreement

OLC – Office for Legal Complaints

PERL – Professional ethics and rule of law

PII – Professional indemnity insurance

SLAPPs – Strategic lawsuits against public participation

SLC – Society of Licensed Conveyancers

SDT – Solicitors Disciplinary Tribunal

SRA – Solicitors Regulation Authority

TLS – The Law Society

Introduction

1. The LSB is the statutory body responsible for overseeing the regulation of legal services in England and Wales. We are independent of both government and the profession. We are funded by a levy on the approved regulators. We operate within a statutory framework set out in the Legal Services Act 2007 (the Act), which describes our functions and our powers. The Act sets out nine regulatory objectives, which we share with the approved regulators and regulatory bodies that we oversee. We also oversee the OLC, and we have certain functions in relation to the SDT.

2. On 3 December 2024, we published a consultation on our draft business plan and budget for the 2025/26 year. A press release accompanied the publication, and feedback was sought in particular from approved regulators, regulators, representative bodies, consumer and citizen groups, professional groups, and other stakeholders. The consultation closed on 3 February 2025. During the consultation period, we arranged an online event where stakeholders could share their views about the draft Plan.

3. We have carefully considered and taken account of responses. There are a range of views from stakeholders on which activities should be prioritised and we have exercised judgement to balance conflicting views in our analysis of the responses. This paper summarises key points from the responses received to the consultation, the LSB's consideration of those points and the material changes made to the business plan since consultation. The finalised business plan is available on our website.

The responses

4. We received 12 written responses to our consultation. Where stakeholders consented to their responses being made public, these have been published on our website alongside this document. The feedback provided at the online stakeholder discussion is summarised in a note. Annex A lists the organisations which were represented.

5. A wide range of perspectives is crucial for shaping our work; therefore, we are grateful to each organisation and individual that took time to respond to our proposals.

Key themes in responses

6. Key themes across the responses included strong support for our continued focus on direct regulatory oversight, and there was overall support for the five key policy workstreams.

7. There was also a call for the LSB to take a more targeted, risk-based approach to regulation, and to ensure that our plans avoid duplication with frontline regulators. Responses also identified the need to recognise different risks across different areas of legal practice. There were also differing views on priorities for research and suggestions for other workstreams that the LSB should undertake.

8. Several responses to the budget opposed our proposed budget increase, noting previous budget increases, and particularly querying the proposed additional resources and non-pay contingency. There was also a request for more information

about the drivers of the proposed budget increase. Suggestions were made to seek internal efficiency savings.

Summary of responses

Do you agree that our proposed workstreams for the 2025/26 business plan reflect the biggest challenges affecting the sector? Are there any areas missing from our proposed business plan 2025/26 that you consider should be included? (Questions 1 and 2)

Overview of comments

9. Overall, there was general support for the proposed workstreams, with many stakeholders noting their support for activities on access to justice, EDI, PERL, consumer protection, an evaluation of the internal governance rules (IGRs) and continuing to focus on regulatory oversight. Several responses highlighted enthusiasm for collaboration and coordination to maximise impact (BSB, CILEx Regulation, online stakeholder discussion event attendees, SRA, TLS).

10. There were some differing views on what should be the LSB's priority areas. The Bar Council objected to several activities in the draft business plan, such as the use of the Public Panel, and work on EDI.

11. LSCP suggested focusing on unmet legal needs and the LSB using more of its convening power. It noted that the business plan lacked details on work related to quality and price transparency for consumers. It welcomed the proposed policy priorities but emphasised the need for transparency about the information used to identify these areas and called for stakeholder engagement before starting projects on broad topics like access to justice and consumer protection.

<u>Regulatory oversight and surveillance capabilities</u>

12. There was strong support for our continued focus on regulatory oversight and there was agreement that it should be an area of focus (Bar Council, CILEX, IPReg, SRA, TLS, Richard Moorhead).

13. TLS invited the consideration of failings associated with the SRA's intervention into Axiom Ince Limited, and role in the collapse of the SSB Group Limited in the next regulatory performance assessment of the SRA. It considered it likely that the LSB would need to focus resources in this area if the solicitors' profession was to be reassured. TLS also asked for greater transparency on how compliance was measured and how evaluation was being carried out against key policy expectations.

14. Some stakeholders also stressed the need for greater scrutiny of the OLC budget to ensure it provides value for money (Bar Council, CLC). CLC suggested that the LSB use insights from consumers, regulators and the regulated community to help inform our perspective and exert pressure to drive further improvements by OLC to publish data about first tier complaints and complaints handling in a timelier way.

15. IPReg said that the LSB's consideration of applications to change regulatory arrangements had become more resource intensive over time and suggested that rather than increase the staff needed to consider applications, the LSB reviews its

approach. It considered that the anticipated increase in applications was expected following LSB's additional requirements imposed on regulators through new policy statements and statutory guidance. It suggested that if the next performance assessments identified specific areas needing increased oversight, costs should be obtained from those specific sectors, rather than having all regulated persons pay for oversight.

Professional ethics and the rule of law (PERL)

16. Most respondents supported the proposed work that continues the professional ethics and rule of law workstream, particularly on instilling long-term change in workplace and leadership culture. For example, CILEX felt it was crucial for the LSB to continue this work to ensure public trust and confidence in the sector. Similarly, CLC expressed strong support to drive cultural change in PERL, but reflected on the importance of ensuring that any proposals put forward were proportionate and considered the diverse nature of the profession, allowing regulators to tailor their responses in line with their needs.

17. The SRA considered PERL an important area for prioritisation though argued that its principles-based rules were well-placed to address issues once identified and recognised the ongoing challenges regulators had in identifying specific cases of wrongdoing for investigation. It expressed support for the LSB using its convening role to instil a culture where whistle-blowers could bring problems to regulators' attention.

18. TLS considered that collaboration with regulators and sector bodies in this area was essential and noted its own three-year ethics programme. It viewed the Code of Conduct for solicitors as fit for purpose and considered promoting cultural change and greater discussion around ethical issues key to raising standards. It noted that a lack of sufficient funding for the legal sector was the greatest threat to the rule of law and considered it important that LSB and legal regulators united in amplifying the message to Government and key stakeholders.

19. The Bar Council did not consider that direct or specific regulation was suitable for addressing SLAPPs and NDAs which they consider were best addressed through legislation. It was aware of lawyers' compliance being called into question in the wake of recent high-profile events but did not consider it had seen evidence that public confidence had been damaged and saw a risk that an unbalanced discourse on this issue would damage public confidence in legal professionals.

Equality, diversity and inclusion

20. There was generally strong support for the proposed continuation of the EDI workstream, with most respondents noting the importance of ensuring a diverse and inclusive sector, both for consumers and for legal professionals.

21. CILEX expressed concerns that applying a broad-brush approach would constrain the work of the approved regulators. It asked for clarification on the cost of this workstream, noting that this was a repeatedly stated goal of the LSB, yet annual data confirmed that substantial barriers to entry to the profession remained.

22. The Bar Council asked that the LSB use its regulatory performance assessment framework to ensure the BSB enforces its current EDI rules. It remained unconvinced that a new framework for EDI was needed and asked the LSB to present evidence to justify any change to the regulatory framework and to demonstrate what new benefit any intervention would deliver.

23. The SRA was supportive of the LSB's plans on EDI and viewed it as an area where the LSB and front-line regulators working together could bring significant benefit.

24. TLS supported an evidence and outcomes-based approach to EDI and encouraged the LSB to identify which regulatory interventions were most impactful. It emphasised identifying actions that need to be taken to drive change. It also encouraged the LSB to ensure follow up action plans developed by the SRA were evidence based, and that progress was monitored, and interventions thoroughly evaluated. It welcomed a more robust approach from the LSB in ensuring that regulators conduct the activities they agree to when making applications for changes to regulatory arrangements. For example, publication of data showing the results for those following different routes of SQE qualification had been delayed.

Access to Justice

25. Most respondents supported the proposed work in this area. CILEX noted that access to justice remained elusive for certain parts of the population with further work required. It had engaged with the Civil Justice Council's recent consultation and was awaiting its recommendations. It would seek to support its practitioners to ensure civil litigation funding protected consumers.

26. The Bar Council considered that access to justice was a multifaceted issue most appropriately addressed by government, the third sector and professional bodies. It recognised that improving access to justice is a regulatory objective but said that the Act provided that the LSB must act in a way that is compatible with the regulatory objectives, not that all the regulatory objectives must be always promoted.

27. TLS said it supported an evidence-based approach to identifying where regulation could improve access to justice and encouraged the LSB to support a more holistic, joined up approach between different regulators and government initiatives. For example, it noted the MoJ's Legal Support Strategy Steering Group focused on increasing access to justice and the SRA's 'Regulators Pioneer Fund' project to build the evidence base on online dispute resolution platforms. The research it carried out with practitioners as part of the project highlighted several areas where online dispute resolution had the potential to significantly expand access to justice but there was also weak consumer protection, and TLS invited LSB to draw on this work so there could be a joint focus on actions to address the challenges. It was keen for the LSB to address the risk of market failure in this area as a matter of urgency and in support of regulatory objective six - encouraging an independent, strong, diverse, and effective legal profession. It noted the introduction of fixed recoverable costs for civil cases up to £100,000 had created access to justice barriers because when these fixed costs did not cover actual expenses, clients either lost most of their compensation to cover the shortfall or found solicitors unwilling to take their cases.

28. Hook Tangaza suggested improving access to justice through supporting more ABSs to enter the market in England and Wales. It considered that the decline in the number of individuals wishing to qualify into areas of law such as crime, immigration and welfare advice, as well as the disappearance of practical training in these areas was a threat to access to justice. It noted that the flexibilities potentially unlocked by the introduction of the SQE had not yet translated into more diverse training opportunities.

Disciplinary and enforcement processes

29. The LSB's planned work on disciplinary and enforcement processes was generally welcomed (CLC, CILEX, SRA, TLS). The SRA welcomed feedback on what good enforcement might look like and encouraged this work being published as soon as possible as to help support its work in this area.

30. The Bar Council said it supported the proposed principles on timeliness, consistency and proportionality but was unclear what evidence there was that transparency was lacking in regulators' processes.

31. CLC noted that many of the enforcement tools available to regulators were determined through primary legislation and that this should be taken into account when reviewing the effectiveness of regulators' enforcement processes and tools.

32. TLS said that it would like to see the LSB require regulators to demonstrate that the current tools and powers available to them are being properly utilised and should make a properly evidence-based case for any additional powers or tools needed to deter serious misconduct. It also suggested that there be no overlap with existing mechanisms for disciplinary and enforcement actions, such as the SDT. It noted that as the SRA's internal fining powers were increased, it was likely that fewer cases would be referred to the SDT, and suggested the LSB focus on greater monitoring of this area to ensure that matters are fairly and properly triaged and investigated.

Consumer protection

33. CILEX noted that there is already extensive research including by approved regulators in this area and considered the LSB should dedicate its resources to implement the findings of the existing research.

34. The Bar Council considered there was a role for the LSB to monitor the use of AI in legal services to ensure interests of consumers are protected. However, it did not consider the LSB to have a role in promoting the use of technology, including AI. It recommended that the LSB considers the scope of its remit before beginning work on the risks of harm to consumers from recent market developments and suggested that the LSB avoid duplication with bodies such as the CMA.

35. IPReg considered that risks posed to consumers from large firm failures, third party litigation funding and bulk litigation claims were limited to certain areas of the market and suggested that any subsequent requirements relating to these consumer protection risks were targeted at the affected areas, proportionate to the risks presented. It suggested that if the risk profile increased due to issues in a particular part of the sector, it might be appropriate to obtain the costs from that part of the sector.

36. The SRA welcomed the LSB leading the Technology and Innovation Forum as an opportunity to share intelligence and ideas to help make sure technology and innovation are used to improve consumer outcomes. It also supported our continued focus on providing the framework for regulators' work on technology and innovation, including advocating with central government on the sector's challenges.

37. TLS welcomed the work in this area but noted that any proposals should be proportionate and evidence-based or there was a risk of imposing additional regulatory burdens and costs on firms. It also welcomed our planned work on technology and AI and noted the importance of collaboration to strengthen the voice of the legal profession and ensure consistency in approach. It was particularly interested in the LSB Statutory Guidance on using technology and innovation to improve access to justice and was open to further discussions on how LSB would continue supporting work in this area.

38. Hook Tangaza suggested that the LSB should cover technology explicitly and play a role in consolidating the work done across the sector, as this would help to provide a stronger focus for subsequent policy development at a national level.

Evaluation of the IGRs

39. All responses that referred to the evaluation of the IGRs affirmed support for the work and noted its importance.

40. CILEX noted that this was committed to in 2023/24 but suggested it had not been prioritised. It called for urgent engagement with the approved regulators to ensure that IGRs were fit for purpose.

41. The SRA considered that this work should safeguard independent regulation, and its principal concern was that nothing should dilute the important role that the IGRs play in the maintenance of public confidence and trust in the profession.

42. TLS considered an assessment of the effectiveness and clarity of the IGRs and guidance was required in relation to the residual assurance role of approved regulators and the requirement for regulatory bodies to provide sufficient assurance to ensure that the right balance is struck between a regulatory body's independence and its responsibility to provide adequate and timely information. It noted that this uncertainty and lack of detail could have undesirable consequences, as illustrated by the failings recently identified by an independent review undertaken by the LSB of the events leading up to regulatory intervention into the collapse of Axiom Ince. It argued it was unclear to what extent an approved regulator would be able to seek specific information without attracting criticism for undermining regulatory independence or effectiveness. It also asked that the LSB ensured that the scope of its review remains focused on how the current arrangements work and does not expand into other areas.

Review of the LSB's enforcement policy

43. All responses that referred to the review of the LSB's enforcement policy affirmed support for the work and noted its importance.

44. CILEX requested an update on this work and an expected completion date on the basis that the work would have associated costs which would have an impact on the LSB. The SRA said it would be helpful to build in lessons learned from LSB's first use of the process for proposed directions under the policy and noted that it may therefore be likely that the review is concluded in the next business plan year 2026/27.

<u>Other feedback</u>

45. The Bar Standards Board asked LSB, as part of our refresh of the 10-year strategy, to reflect on the range of outcomes we set in our strategy and policy statements and work towards a common understanding of how best to describe the desired outcomes and seek a consensus on the key priorities for the sector.

46. The Bar Council asked LSB to apply more robust scrutiny of regulators' PCF applications as it was concerned about continued increases to the BSB's budget.

47. CILEX asked for a breakdown of costs for each workstream and a series of metrics for each workstream. It also asked, that given it had been almost a year since the ninth regulatory objective came into effect, how much resource and associated cost had been allocated to it over the last year, what work had been undertaken to comply with it, whether the LSB had needed to review any overarching rules or guidance, and whether any additional resources were needed.

48. CLC considered that extensions to the determination period of applications to change regulatory arrangements risked operational delays and asked for more dedicated investment in statutory decisions. It considered the current form did not elicit all the information the LSB required to enable timely determination of applications. It also suggested that the LSB review the granularity of its approach to the scrutiny of proposed new or amended rules as it considered that LSB could sometimes second guess frontline regulators' decisions. CLC considered that frontline regulators were well equipped to determine how sector-wide risks in their regulatory area should be addressed. CLC also expressed the view that the regulatory performance annual assessment was rigorous and considered inputs to regulation at the expense of the outcomes of regulatory activity. It asked the LSB to instead focus on risk in determining the proportionality of the annual oversight activities in relation to each regulator.

49. CRL asked LSB to undertake a review of its own performance during this year, receiving as part of this feedback from legal regulators and other stakeholders.

LSB response to feedback

50. We note that many respondents considered that the business plan activities were comprehensive and addressed important issues currently being faced by the sector. There were differing views about which projects should be prioritised, but generally there was consensus that we had identified projects that were worth pursuing in 2025/26 to deliver fairer outcomes, stronger confidence and better services. We note that most workstreams are continuing from the 2024/25 business plan, which had previously been consulted on.

51. We were asked about what information we had drawn on to identify our five key policy priorities. We have been through a rigorous process of prioritisation, informed by our research and data, including from our periodic data digest, our strategy and the regulatory objectives that underpin it. Our business plan reflects a continued focus on long-term challenges, and prioritisation of new work where wider events have highlighted the need to do so. For example, we know that: access to justice is a growing concern in the legal sector; there remain barriers to a more equal, diverse and inclusive sector; high profile events have called into question professional ethical failures of lawyers; an increase in poor practices and certain market conditions that may cause harm; and the need to review regulators' disciplinary and enforcement processes following weaknesses identified through our annual regulatory performance assessments.

52. The business plan represents a package of activity that appropriately addresses the most significant issues impacting consumers. As oversight regulator the LSB needs to take regulatory action where regulators fail to meet standards, particularly in circumstances where there has been adverse impact on consumers, and risks to the public, undermining public confidence in legal services.

53. Through our activity schedule, we carry out a prioritisation exercise every quarter. It is published with the final business plan and is updated on our website throughout the year. It also provides more clarity to assist regulators and other stakeholders with planning. Further, our annual report and accounts, which are audited by the National Audit Office, provide transparency of our activities. This includes performance against our Business Plan and statutory deadlines, performance against budget and fulfilling statutory requirements such as responding to Freedom of Information Act (FOIA) and Data Protection Act requests.

54. Throughout the year, we track our performance against the Business Plan through several mechanisms. The LSB's monthly Programme Board reviews progress, risks and issues and we prepare quarterly performance reports, reviewed by the Board, submitted to the MoJ, and published on our website. In addition, we will increase our focus on the impact and evaluation of our interventions to ensure we are having the impact we intended and note stakeholder support for this in the responses to our business plan consultation.

55. We also remain flexible to any need to reprioritise during the year, as required to deliver effective regulation, for example, as we did in 2024/25 to accommodate the independent review of the regulatory events leading up to the SRA's intervention into Axiom Ince Limited (Axiom review), and initiation of the subsequent formal enforcement process.

Direct regulatory oversight

56. We acknowledge that stakeholders continue to be strongly supportive of our ongoing focus on regulatory oversight of regulators' performance and seeking assurance that they are well-led with an effective approach to, and delivery of, regulation for the public. This includes ongoing monitoring and our increased capacity to carry out reviews and investigations where we have concerns about a regulator's performance, and or in response to risks that potentially adversely impact on the regulatory objectives, undermining public confidence in the regulatory framework. In 2024/25, we

initiated enforcement action against the SRA following the Axiom review and subject to the outcome of that process, we may need to undertake monitoring activity in 2025/26. We will also conclude the related independent review of the SRA's regulatory actions in the lead-up to the collapse of the SSB Group Limited. We will continue to monitor compliance with the undertakings agreed following our investigation into disputes between the Chartered Institute of Legal Executives and CILEx Regulation Limited.

57. We have assessed all regulators' performance against our regulatory performance framework in 2024 and have published our regulatory performance assessment report. Our assessment of the regulators and ratings against our standards reflect recent events and performance. We found that the two largest legal regulators in England and Wales, the SRA and the BSB, fell short of expected standards. Our findings included shortcomings in the SRA's authorisation, supervision and enforcement approach which follows the independent review we commissioned of the SRA's actions leading up to its decision to close the law firm Axiom Ince. We were also concerned by the BSB's slow rate of improvement to its Reform Programme to improve its efficiency and effectiveness. We identified that it was taking too long to investigate misconduct complaints against barristers following the independent review by the law firm Fieldfisher, which concluded that the BSB could realistically meet its time-based targets in this area but was failing to do so

58. As set out in our Regulatory Performance Report, in 2025/26 we will reflect on our approach to oversight more broadly to ensure it is proportionate and effective. We will also consider how to reduce burdens on regulators who are performing well, while targeting our resources to focus on poorer performers.

59. The LSB consistently monitors how the OLC is assuring itself that the Legal Ombudsman (LeO) is performing against key performance indicators and metrics. This includes close scrutiny of its resources, business and strategic planning, when considering whether to approve the OLC's annual budget. In March 2025 we considered the OLC's final budget and business plan for 2025/26. We recognised that LeO has faced a significant uplift in demand in recent years, and that investigations have been added to LeO's casework queue at a greater rate than forecast. As such we approved the core part of the OLC's budget proposal to increase staffing to meet demand including resource that seeks to reduce demand over the medium term. Over the course of 2025/26, we will continue to monitor and hold it to account for its performance.

60. The LSB is required by Part 3 of Schedule 4 to the Act to grant or refuse applications made by approved regulators for approval of alterations to their regulatory arrangements. Our rules and guidance here make clear the process for regulators making applications, including information requirements. The LSB's rules, policy statements, guidance and other interventions are intended to effect change by requiring regulators to take certain actions or setting expectations prompting regulators to act – which may result in regulators proposing changes to their regulatory arrangements, that is the rules and regulations for those they regulate. We are taking steps to ensure the statutory decisions team has the appropriate resources to consider such applications, and in doing so have regard to best regulatory principles, including the need to be consistent, proportionate, accountable and targeted.

Professional ethics and the rule of law

61. We note the continued stakeholder support and engagement on our PERL work. It is essential that regulation supports strong professional ethical conduct to maintain public confidence in legal services.

Equality, diversity and inclusion

62. We recognise the importance of using an evidence-led approach to EDI and collaborating with others across the sector to meet our shared goals and will be led by research, data and stakeholder input in developing our policy proposals. The 2024 Regulatory Performance Assessments monitored regulators' progress on ensuring an equal, diverse and inclusive profession and the findings will inform our approach to EDI in the coming months.

Access to justice

63. We acknowledge the points made by stakeholders on whether we should focus on the role of regulation in improving access to justice. We agree that regulation is not the primary solution to access to justice and that funding is critical, however, we believe can play a supportive role in collaboration with the wider sector. We know that there are various initiatives including those being led by the MoJ, TLS and SRA as well as by third sector organisations and we are working closely with our sector partners to ensure our work supports wider initiatives which aim to improve access to justice.

64. A key part of our approach will be to provide support and expertise to wider sector initiatives where regulation can help achieve their aims including any research or evidence we can contribute to those discussions. We are also aware of the need to find the right balance between enabling innovative business models which provide access to justice to thrive whilst ensuring that consumers are protected when appropriate and/or are aware of risks and able to make informed choices. Our approach will include considering how to provide opportunities for innovative approaches which provide important avenues to redress whilst ensuring consumers are adequately protected. We are aware of the need for funding models for access to justice and the unique role of ABS and fully support innovation where it improves access to justice and consumer outcomes, for example as set out in our Statutory Guidance on technology to improve access to justice.

Disciplinary and enforcement processes

65. The draft principles on disciplinary and enforcement we are developing have been informed by successive regulatory performance assessments which have shown that there are weaknesses in several regulators' disciplinary and enforcement processes. We are undertaking a review of the CLC's disciplinary and enforcement approach to help inform the draft principles, and this review will also provide an opportunity for us to test these principles before consultation. As part of this work, we will evaluate whether regulators are effectively using their existing tools and powers. This assessment will help determine if additional powers or tools are necessary to address serious misconduct. We recognise that some regulators' enforcement tools are determined by primary legislation and will take this into account.

Consumer protection

66. Our work on consumer protection is at an early stage and our current priority is to build a comprehensive understanding of the risks of harm to consumers in particular from recent market developments. Our focus will be on identifying gaps in the legal sector's knowledge about the risks and harms that exist, and which risks in which areas of practice and/or user groups are most critical to address through regulatory and/or other interventions. In ensuring that consumers are adequately protected, our work will contribute to promoting consumer trust and confidence which is essential to stimulating further economic growth, while deterring poor business practices. Technology, including the role of AI is a key strand of this work. We will use our convening role to help identify key opportunities and challenges for the sector in this area, including through the recently set up Technology and Innovation Forum we are leading with the regulators.

67. In all of our work, we carefully consider the LSB's statutory remit at the initial stages and on an ongoing basis as a project progresses, and we will do so on the consumer protection project.

Evaluation of IGRs

68. We note regulators' support for this work and will ensure that it safeguards independent regulation. We wrote to the regulators to seek evidence of how the current IGR have worked in practice since their introduction in 2019, and the impact of any challenges that may have arisen in respect of the IGR. We have received responses from the regulators which will inform our evaluation of the current arrangements.

Review of the LSB's enforcement policy

69. We also anticipate undertaking our review of the LSB enforcement policy towards the end of the financial year and note regulators' support for this work.

Other feedback

70. As part of our refresh of the 10-year strategy, we will reflect on the regulatory and policy requirements and expectations we have set for regulators against the strategic objectives and consult with stakeholders to identify key priorities for the sector for the next five years to ensure the strategy remains current and forward looking.

71. Further details of our budget are detailed below. The LSB operates a matrix way of working with staff, which accounts for the majority of the budget, working across different workstreams. This approach helps us to remain agile in responding to new developments and risks. As a result, and having regard to the need to be proportionate and targeted in finalising the business plan, a detailed cost analysis at a granular level for each workstream is not available.

72. We seek to apply robust, proportionate scrutiny in all our statutory decision-making, including PCF applications and changes to regulators' regulatory arrangements, which a core function of the LSB under the Act and the mechanism by which regulatory requirements, including policy expectations are implemented by regulators as appropriate, and applied to those they regulate. We anticipate increasing complexity in applications from regulators for approval of alterations to regulatory arrangements and

practising fees. A small increase in our resource dedicated to this work will enable us to fulfil this statutory function effectively and in a timely way.

73. Parliament has conferred under the Act on the LSB a broad range of functions (including powers and duties); and in doing so has recognised that the operation of those functions requires choices to be made by the Board, as reflected in the business plan although in practice we consult widely and thoroughly on those choices in line with the principles of best regulatory practice.

74. We are grateful to respondents for their comments and suggestions on our proposed workstreams, and we look forward to engaging with stakeholders as we progress them to help shape our work. Engagement with regulators and other stakeholders will continue to be an important part of our work and addressing the nine challenges of the Reshaping Legal Services strategy will continue to require a cross-sector approach involving collaboration between the wide range of stakeholders that work in the sector and have an interest in its success. This includes government, regulators, professional leaders, legal businesses, among others. Where stakeholders in the sector are already making progress within our planned priority areas, we look forward to collaborating to build on that progress to make a meaningful difference for consumers.

Do you have any comments on our proposed research programme? Are there any opportunities for us to benefit from other research and/or find ways to collaborate with others in the sector to build on existing research/evidence? Is there anything missing from our proposed research programme that you think we should focus on? (Questions 3, 4, 5)

Overview of comments

75. There was general support for our research. Some respondents said that any additional research should not duplicate the existing information available, with the suggestion to collaborate and consult to maximise the use of existing research.

76. The BSB particularly welcomed our enhanced market surveillance and horizon scanning work and welcomed engagement in this area to inform its new strategy. It also welcomed our proposed State of Legal Services 2025/26 publication and was keen to understand the challenges for the next five years.

77. The Bar Council expressed concern that the research programme was too broad. It supported the use of existing datasets as a cost-effective way of gathering intelligence. It did not support the use of the Public Panel on the basis of concerns about small numbers of participants being given selected information and research conducted with people who have never used legal services. It also questioned whether there was a cost to LSB of making the Public Panel available for stakeholders to use and whether that cost would be incurred whether or not it was used. CRL requested an evaluation of the impact and benefits of the Public Panel prior to recommissioning.

78. CILEX noted that the prices research had been anticipated in the previous business plan and asked when it would be available. It was also concerned that there was no dedicated research on EDI planned and asked for any follow up actions on the lived experience research from 2023 as well as updates on any research from 2024. It also

welcomed any evidence arising from the Public Panel and whether the data could be made available to help provide insight on the most crucial issues and how they can be addressed. CILEX also suggested practical implementation of existing research was needed before new research was considered.

79. CRL asked for inclusion of AI and Lawtech in the business plan.

80. TLS was pleased to have partnered with the LSB on the Individual Legal Needs Survey 2024 and would continue to coordinate with LSB Research colleagues on analysis of the survey dataset to inform policy development and support members in addressing needs of individual consumers. It also welcomed the continued use of the Public Panel and noted that it used the Panel for its access to justice work and appreciated its usefulness as a shared resource to enhance the public's voice in research where knowledge of public opinion was limited.

81. LSCP said it would like to understand how LSB's flagship research e.g. on small business legal needs and individual legal needs contribute to the determination of priorities, policy initiatives and regulatory interventions leading to change. It welcomed the use of the Public Panel but considered it important to evaluate its efficiency as a research tool.

82. In terms of opportunities for the LSB to benefit from other research and/or find ways to collaborate with others, we received the following:

- The Bar Council highlighted several pieces of research it published including on life at the Young Bar, earnings, and wellbeing. It also highlighted the upcoming independent review into bullying and harassment at the Bar as of interest to LSB.
- CILEX recognised the benefits of dovetailing research and market surveillance and considered this an area for collaboration with regulators.
- CLC suggested LSB could play a greater role in bringing together the learning from research and sandboxing that is underway across the sector (by regulators and across the regulated community) to understand and ensure an effective regulatory response to emerging technology. It also asked for additional research into consumer perceptions and experience of technology and AI within legal services as well as how to drive consumer awareness of and use of digital comparison and pricing tools.
- CILEx Regulation welcomed an opportunity to collaborate with the sector and government to promote access to legal services, by way of an online legal information system. It also asked for more prominence to be given to evaluation and effectiveness of impact of previous workstreams, and more evidence of the measures and milestones to evaluate the impact of LSB's work.
- TLS said the LSB should continue to consult stakeholders systematically to help build their understanding of what relevant research has been recently published in each area, prior to launching new research projects to avoid duplication. It would continue to engage with the LSB on horizon scanning to ensure we filled gaps in our joint understanding of the legal sector's challenges.
- Hook Tangaza suggested that the LSB ask regulators to do more to understand their own regulated communities and how they operate. It noted

that if data was defined and collected consistently across the sector, it would greatly assist in policy formulation and help to improve consumer choice. It also said that the LSB should be proactive in ensuring that there is diversity in how legal services can be offered and consumed and asked us to explore this in depth as part of our State of Legal Services publication. It suggested the LSB form international partnerships for research and encouraged research sharing in the International Conference of Legal Regulators website.

- LSCP encouraged more collaboration and joint initiatives with regulators on research. It also asked regulators and the LSB to utilise insights from consumer research as part of consumer protection work.
- Professor Richard Moorhead suggested the need for better engagement with non-legal regulators and international dimensions of legal practice, particularly in commercial markets.

LSB response to feedback

83. We note that stakeholders value our planned research activities and the insights they will help generate. Equally, we recognise the importance of collaboration with our stakeholders in research and that is why we have for example partnered with TLS on the Individual Legal Needs Survey (ILNS). Moreover, for the prices research report, which is due to be published shortly, we engaged with some of the frontline legal regulators to inform our survey design.

84. The LSB has consistently engaged with existing research available in the sector and has commissioned additional reports where it has identified gaps in available research. For example, we commissioned a literature review examining how the rule of law and professional ethical duties might be breached in legal practice as there was no compilation of evidence exploring poor ethical conduct in legal practice before.

85. We appreciate that there are differing views on what research to prioritise and the most appropriate tools for collecting evidence, however we consider that our research programme has appropriately identified priority areas for 2025/26.

86. There will be opportunities for stakeholders to shape these research activities and we are grateful to respondents who have already made suggestions. The Regulators' Research Forum also provides regulators with the opportunity to share any feedback on research specifications.

87. We have prioritised EDI as a key policy area in 2025/26 which has been informed by the evidence and research produced in 2023 and 2024, including the research on lived experience from 2023, as well as the broader sectoral evidence base. As we continue to develop our approach for consultation, we may seek, where necessary, to commission or undertake further research.

88. The Public Panel is a cost-effective survey research tool that allows the LSB, the LSCP and regulators to better gauge collective public views, experience, and opinion of legal services. Through the Public Panel, we can access up to 10,000 members of the public to obtain insight that can helpfully inform policy development across a wide range of issues. There is no cost to the LSB of making the Public Panel available for stakeholders to use and the Bar Council, LSCP, LeO and other stakeholders have previously presented evidence or been involved in previous Public Panel projects. The

Public Panel has been commissioned so that there is minimal ongoing maintenance cost. Experience of using the Public Panel on eight projects demonstrates that this has been an effective tool for ensuring that consumer and public interests are represented in the regulatory policy development process. This includes the recent work which informed the statement of policy on first tier complaints.

89. We will continue to work collaboratively and efficiently, to ensure that we are not duplicating work and that we maximise the impact of our intended research activities.

Do you agree with our proposed budget for 2025/26? Are there any other factors regarding the proposed budget for 2025/26 that you believe we should consider? (Question 6 and 7)

Overview of comments

89. Of those that commented on our proposed budget increase, there were strong views on the proposed budget and the justification for it.

90. The Bar Council argued that the cumulative effect of increases would impact particularly hard barristers whose annual earnings placed them in the lower income bands. It also expressed concerns about increasing the headcount and asked whether it was possible to free up existing resource to focus on assessing applications to alter regulatory arrangements and supporting the Legal Services Consumer Panel. It did not support the proposed £200,000 contingency budget, notwithstanding the intention to return unused funds via a levy rebate which would incur a cost. It also took the view that the £73,000 allocated to training was generous and asked the LSB to consider delivering in-house training to reduce costs.

91. CILEX suggested that the office move should have been pre-planned and budgeted for across a longer period and sought assurance that the 2026/27 budget would confirm a reduction in the overall budget on office costs. It also noted the increase in staff in recent years and asked for an explanation for why there had been such an expansion in the LSB's workforce. It asked for confirmation on any existing reserves/deficit that the LSB operates with and whether these are factored into the budget.

92. CLC said it was disappointed that we had not applied the 'polluter pays' model in relation to the legal costs arising from regulatory action against the SRA. It also suggested investigating the way LSB procures legal advice and moving its office from a central London location for cost savings.

93. CLSB noted this was the third consecutive year of substantial increases and considered the £200,000 contingency fund was inconsistent with Practising Fee Rules that the LSB applies to the regulators it oversees. It suggested that the LSB should instead use reserves for contingencies and replenish them the following year.

94. CRL asked for confirmation that the one-off costs this year would not be included next year. It specifically questioned the office move provision and the £200k non-pay contingency, suggesting that LSB should find internal efficiency savings. It considered that the LSB making large increases to the levy after regulators have set their PCF was not good practice and asked the LSB to consider what steps it might take to provide earlier warning to regulators of proposed increases.

95. IPReg opposed the proposed 14% budget increase, highlighting that this would mean a 41% cumulative increase over four years. It considered this increase could not be justified, particularly without evidence of increased risk across all sectors. It requested the LSB to limit any increase to CPI (2.5%) and raised specific concerns about the transparency of various costs, including the high office move costs and the £200k non-pay contingency budget. It requested greater transparency on costs, including on the office move, LSCP budget, non-pay contingency budget, how the LSB has "critically assessed" its proposed activities for 2025/26 and "identified several opportunities for efficiency savings which have reduced the level of our proposed budget", how the levy rebate is calculated and applied, the LSB measures value for money and can provide evidence to stakeholders that this is being proactively measured, managed and increased. IPReg wanted to consult its regulated community in future years on the LSB's proposals and asked that the LSB provide a longer timeline for its own consultation to enable this to take place. It considered that this would increase transparency about the LSB's activities and provide direct feedback about the impact that the LSB had on costs in the regulated IP sector.

96. TLS said that given the significant increase last year, the finalising of the expanded investigations required last year, and the slimmed down profile of expected policy work this coming year, it was difficult to see the justification for another significant increase in resources and budget. It considered that given the current economic pressures on the legal profession (including costs from the Axiom Ince collapse), and the LSB's more focused workplan, such a significant budget increase could not be justified and should be reconsidered.

LSB response to feedback

97. The proposed budget that went out to consultation reflected the resources needed to, in discharging our functions, meet the regulatory objectives and reshape legal services to better meet society's needs. However, we have listened to the consultation feedback and reviewed our budget in the light of it, and in the light of changes to the internal and external environment.

98. As a result, **we have reduced our 2025/26 revenue budget by £155k** so that the **overall increase is now £602k (11%) on the previous year's budget**. **The revenue budget for 2025/26 is now £5.873m.** The main savings are outlined below.

99. The budget which went out to consultation included an increase to headcount of 2.9 FTE to take the total LSB headcount to 44.9 FTE for 2025/26. We note the submissions expressing concern about this increase. Therefore, the resourcing required on the Consumer Panel and the LSB Statutory Decisions team will be recruited mid-year to limit the impact on next financial year. This will reduce the additional FTE by 1.0 to 43.9 FTE (Appendix 1) and will make a saving of £55k (1%) in the final 2025/26 Budget.

100. The LSB is required to move office in 2025 owing to its lease coming to an end and will be meeting the requirements of government to move out of central London and onto existing government estate. There will inevitably be capital and revenue costs incurred from this move which will increase our budget in 2025/26.

101. We have reviewed the one-off office move revenue budget consulted upon in light of the feedback from the consultation and the delays in the project that have occurred since we went out to consultation. From this review, **we have been able to make**

savings in overlap costs of £43k as our new lease will not start as early as we had forecasted.

102. The office move capital budget of £500k for 2025/26 was based on the capital costs incurred from our office move to the Rookery in 2019, uplifted for inflation. However, these 2019 capital cost included an extensive fit out of a shell office. With the opportunity to move onto Government estate, we now expect these fit out costs within the capital budget to be materially less than the £256k originally budgeted for. **This means we have reduced the office move capital budget for 2025/26 from £500k consulted upon, to £274k**.

103. The reduction in the office move capital budget together with the delay in the office move project, means any capital costs will be incurred later in 2025/26. This means **we are able to reduce the office move depreciation charge in 2025/26 from £75k in the budget consulted upon to £30k, a saving of £45k.**

104. We had included a non-pay contingency budget of £200k in the proposed budget that went out to consultation, which as noted was criticised in a number of responses. As further information has become available on the key risks we have reduced this contingency, predominantly moving these sums into the external legal costs budget. **The non-pay contingency budget is now reduced to £20k.**

105. We had included a proposed high-level budget of £125k for external legal costs. However, **the external legal budget has now increased to £304k** in order to budget for external legal support, for potential proceedings in connection with delegation under the Internal Governance Rules and Legal Services Act, the current independent review of the SRA's regulatory actions in the lead up to the collapse of SSB Group Limited, and on the enforcement process arising from the Axiom Ince report into the SRA's regulatory actions. External legal support will be procured and managed to assure quality, efficiency and value for money. We will keep under review our ways of working to ensure that we only engage external legal support where it is necessary and proportionate to do so.

106. During our online stakeholder engagement event in January as part of the consultation, we were asked whether organisations under investigation should in future bear the associated costs, akin to a "polluter pays" model. While we do not currently have such an approach, we have not ruled it out for the future. It would require careful consideration to balance the benefits and resource costs. Solicitors are the largest cohort of legal professionals, and the costs for our work on the SRA are already largely paid for by solicitors.

107. LSB reserves are made up of Grant in Aid provided by the Ministry of Justice when LSB was set up which means our reserves are taxpayer funds, not levy funds. Each year, LSB will make a prior year adjustment to our levy demand so that any surplus or deficit against the levy receipts from the prior year is returned to the Approved Regulators. This means LSB does not hold levy funds in our reserves and would need MoJ approval, which has not so far been possible to secure, to utilise the taxpayer funds in our reserves for our activities.

108. In light of the consultation feedback, we have undertaken analysis of our current work programmes and milestones, proposed business cases, and historic resourcing and project closedown reports to ensure our project planning is as accurate as possible. We concluded that all the activities in the draft business plan 2025/26 will benefit both the public and the profession and are necessary to deliver our statutory functions and meet the regulatory objectives.

109. We will, however, remain flexible to any need to reprioritise during the year, including rephasing projects where necessary. We will also continue to consider how we can work even more efficiently and effectively, including in collaboration with others and avoiding duplication.

110. We have a risk management and governance framework through the Audit and Risk Assurance Committee (ARAC), annual internal and external audits which hold the LSB to account and gives assurance that the LSB is effective and efficient. We will monitor our progress through our monthly programme board meetings, monthly accounts, publication of a quarterly performance report and activity schedule, and our National Audit Office (NAO) audited annual report and accounts. Further, we have determined efficiency savings as part of the business plan, in line with the guidance of the NAO, which recognises that Value for Money (VFM) is not solely limited to the amount of money spent but is also derived through efficiency and effectiveness of processes. Further details on how the LSB has achieved VFM can be found in our Annual Report and within the VFM section of LSB's monthly Finance Board Paper.

111. We remain mindful of the ongoing economic pressures on certain parts of the legal sector, however, the legal sector as a whole continues to see positive growth and continued increases in the volume of legal professionals that are approved to practice. Regulation plays an important role in enabling the sector's growth and ensuring that it continues to operate in the public and consumers' interests.

Do you have any comments regarding equality issues which, in your view, may arise from our proposed business plan for 2025/26? Are there any wider equality issues and interventions that you wish to make us aware of? (Questions 8 and 9)

Overview of comments

112. Those with comments noted the importance of the LSB continuing to consider EDI impacts across workstreams as the work progressed.

113. The Bar Council raised the following points:

- whether an equality impact assessment (EIA) had been carried out against the proposed budget as any increase would have an impact on the cost of regulation borne by authorised persons which may negatively impact diversity. They noted that the publicly funded Family Bar was under financial pressure and disproportionately represented by women, which meant that women would be disproportionately affected by increased regulatory costs. They considered other groups may also be impacted such as those in the early years of practice, returning from a career break or parental leave or those in other publicly funded areas of law.

- There needed to be a recognition of the breadth of work already underway on EDI by stakeholders with respect to access, retention, progression and culture and it was important for regulators to focus on regulation and policing minimum standards rather than promoting best practice.

114. CRL considered that the significant above inflation increases to the PCF resulting from increases to the LSB and OLC levies may have equality and diversity impacts, which they considered had not been fully explored within the consultation.

115. Hook Tangaza expressed concern about the EDI impact of recent changes to the solicitor qualification and suggested a more comprehensive look across the board at entry points into the different legal professions and the possibilities for transferring between different branches. It also suggested a need to deal with gender balance at all career stages, as there were different challenges at either end of the professional lifespan.

116. LSCP noted that the most urgent equality concerns were for individuals and communities with low incomes and in areas with very low supply of legal services.

LSB response to feedback

117. We are grateful to respondents for sharing their concerns and suggestions on wider equality considerations which we will take account of in our work. We look forward to working with stakeholders in advancing equality, encouraging diversity, and promoting an inclusive culture in the legal profession across the legal sector.

118. Our rules and guidance on applications for approval of practising fees expect regulators to conduct an Equality Impact Assessment to identify any potential impacts of raising their PCF. We know that there remain ongoing challenges on advancing equality, diversity and inclusion in the sector and our work and oversight activities seek to use effective regulation as a tool to address these challenges. While regulation helps to set standards and requirements in this area, beyond this, we are keen to work in partnership with other stakeholders across the sector to achieve our shared ambitions and to promote best practice.

119. We recognise the challenges in the sector on equality and diversity including entry and retention and our policy work allied with our oversight activities seek to use effective regulation as a tool to address these challenges. In addition, we recognise the challenges faced by those with low incomes and in areas with reduced legal services. Our work on access to justice will consider how regulatory levers can be used to address unmet legal need as well as how regulatory expertise can help support policy initiatives best led by other stakeholders.

Annex A – Consultation responses and roundtable attendees

Stakeholders who submitted a written response to the consultation

Bar Council

Bar Standards Board

Council for Licensed Conveyancers

Chartered Institute of Legal Executives

Cost Lawyers Standards Board

CILEx Regulation

Intellectual Property Regulation Board

Law Society

Legal Services Consumer Panel

Solicitors Regulation Authority

Hook Tangaza

Richard Moorhead

Organisations represented at our stakeholder discussion event in January 2025

3CS Corporate Solicitors

Bar Council

Bar Standards Board

CILEX

CILEX Regulation

Cost Lawyers Standards Board

Council for Licensed Conveyancers

Greene & Greene

Hook Tanganza

ICAEW

Lee Bolton Monier-Williams

Legal Ombudsman

Nottingham Law School (NTU)

PEXA UK

Solicitors Regulation Authority

The Access Group

The Law Society

Thirdway