

To:	Legal Services Board	
Date of Meeting:	14 July 2016	Item: Paper (16) 48

Title:	Chief Executive's update – July 2016	
Strategic theme	All	
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Status:	Official	

Summary:

The paper updates Board Members on key developments across the organisation since the May 2016 meeting. The Board's attention is drawn, in particular to the following three developments:

Meeting with Lord Faulks

Prior to the laying of our annual report and accounts we met with the Minister, Lord Faulks. He was extremely interested in the LSB's work across a range of areas and listened intently to the points we made.

Publication of the market evaluation report

The latest of our periodic evaluations of changes in the legal services market since the Legal Services Act was passed, was published on 4 July. There has already been some national media interest in this work.

Regulatory standards

The next stage of our work in assessing and reporting on the performance of the regulators is underway, with regulators submitting plans to address the actions identified in the assessments. The plans are in the process of being published. The regulators have so far engaged well with this process.

Recommendation(s):

The Board is invited to note this report.

Risks and mitigations

Financial: N/A.

Legal: N/A.

Reputational: N/A.

Resource: N/A.

Consultation	Yes	No	Who / why?
Board Members:		✓	Routine report
Consumer Panel:		✓	Routine report
Others:	N/A.		

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Para 2, second sentence	Section 36(2)(b)(i): information likely to inhibit the free and frank provision of advice	

LEGAL SERVICES BOARD

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CHIEF EXECUTIVE'S UPDATE – JULY 2016

Sponsor relations

Meeting with the Minister of State for Civil Justice

1. On 30 June Mike and I had the LSB's annual meeting with Lord Faulks QC. This meeting is held to allow us to present the annual report and accounts to the Minister and to allow him to ask questions. It was an excellent meeting which covered a wide range of subjects and allowed us to make a number of key points about the range of work we do at the LSB. The tone was upbeat and Mike and I both came out feeling it had been a very positive meeting. The issues covered at the meeting included legislative reform, standards, cost of regulation and the OLC.
2. I also met the Minister the previous week to discuss QASA. [REDACTED]
[REDACTED]

Board appointments and other sponsorship matters

3. Interviews to appoint two new lay members took place on 8 and 9 June. A panel, which included the Chairman, interviewed a total of seven candidates. A number of appointable candidates were identified, and officials at the MoJ Public Appointments Team have informed us that Ministers have made a decision and that a submission on this basis went to the Prime Minister's Office on 29 June. The timetable for this exercise indicates that appointments will be made during July, but it is not clear, given the current climate, whether this deadline will be met.
4. Members of the MoJ Tailored Review Team spent a day with LSB colleagues on 9 June to learn more about the work of the organisation. The team has also recently requested slots with a small number of Board members and the Corporate Director will be in touch to arrange these. As yet, we have not received Terms of Reference for the Review.
5. Our Annual Report and Accounts was certified by the Comptroller and Auditor General and our accounts were again unqualified. We expect the Report to be laid on 7 July.
6. The NAO published their latest report '**Departments' oversight of ALBs**'. [Full Report \(pdf - 823KB\)](#). The report covers MoJ ALBs but does not specifically mention the LSB. It does however, reference the OLC and the issue of irregular

spending within an organisation classified by the MoJ as low risk. The emergency spending controls imposed by the MoJ were also noted and attracted NAO comment.

Governance

Office for Legal Complaints

7. We received the May S120 report from OLC in early June in line with the required timetable. This is attached at Annex A.
8. A tripartite meeting with OLC and MoJ colleagues regarding the three-way operating protocol took place in June and OLC colleagues have now agreed to take forward the next draft of the document based on an initial draft provided by LSB. Members will be aware that MoJ agreed to delegate Accounting Officer status back to the OLC Chief Executive in June, in light of the progress made in developing the OLC's financial and operating control framework.

Regulation

Regulatory standards

Action plans

9. In our assessment of regulators' performance, which we published in May, we recognised the progress that all but one of the regulators had made since our first assessment of their performance in 2012. We noted however, that there was still more to be done.
10. Since publication of our assessment of performance we have been working with the regulators to develop action plans which focus on the areas that we identified as having scope for improvement. We are pleased with how well the regulators have engaged in this process. Of particular note is that the regulators are developing a joint approach to address the actions that we proposed all regulators consider. We also received an extensive and very detailed plan of action from CLSB.
11. The regulators' action plans were published on our website on 30 June (with the exception of action plans for the Faculty Office and CLSB, which we have agreed will be published later in July).
12. As part of development of the action plans, we have built in dates for review of progress against actions. We intend to publish an update on how the regulators have progressed against their action plans by mid-2017.

Review of regulatory performance framework

13. As set out in the Business Plan 2016/17, we have just begun to review the regulatory standards framework and process to assess the extent:

- to which they provide sufficient assurance about how the regulators are performing
- to which they enable us to operate in a risk-based, proportionate and targeted manner.

14. In carrying out this review, we will seek views from a range of stakeholders at various stages of the project. Stakeholders such as the regulators, representative bodies and consumer representative bodies will be invited to contribute. We will also seek to learn from our own experiences of using the framework and process, and from good practice used in other regulatory sectors. We will provide updates on the progress of this project to the Board throughout 2016/17.

Justice Select Committee hearing on legal regulation

15. On 28 June representatives from the Law Society, Bar Council, Solicitors Regulation authority and Bar Standards Board appeared before the Justice Committee for a session on legal services regulation. The LSB's work was referenced during the course of the hearing. The parties were in general positive about the work of the LSB. We do however have concerns about some of the comments made. The Chairman will write to the Chair of the Committee to set out the LSB's position on a number of the issues covered.

Research

16. The individual legal needs survey research report was published in May. It was mentioned on multiple occasions during the Justice Select Committee hearing on legal regulation.

17. The Market Evaluation report, which looks at change in the legal services market since the Legal Services Act was passed in 2007, was published on 1 July.

18. The research output for 2015/16 is now fully complete and colleagues are scoping the research element of projects in the 2016/17 Business Plan. The team is also discussing how we can adapt the research function to ensure that we continue to provide colleagues and stakeholders with useful market intelligence and support evidence-based policymaking within our new resource constraints.

Statutory decisions

19. The revised PCF rules were published on 1 June 2016. We have received the PCF application from the Master of the Faculties and will be applying the revised rules for the first time to this application.

20. We approved one rule change application from the Council for Licensed Conveyancers for changes to its Professional Indemnity Insurance Code and the Professional Indemnity Insurance Operating Framework, to move away from a master policy arrangement to a participating insurers' arrangement.

21. We also granted one exemption direction from the full rule change process from the SRA in respect of technical changes to its insurance regulations to harmonise these with the Insurance Act 2015, which comes into force on 12 August 2016.

Better regulation policy

22. The Department for Business Innovation and Skills published the first annual report of the Business Impact Target on 27 June 2016. The Board will recall that the LSB was originally proposed to be within scope of the target, but the Government consulted in March 2016 on a proposal to exclude legal services regulators at this time from the scope of the BIT, the Growth Duty and the Small Business Appeals Champions. We still await the outcome of that consultation. We also await details of the commencement of a duty in the Enterprise Act 2016 to report annually on the effect of the Regulator's Code.

Communication and external engagement

23. The table below lists mine and the Chairman's external engagements since the last Board meeting until point of drafting:

24. On 8 June, I was interviewed by **Neil Rose** of **Legal Futures**. The interview was subsequently written up in two articles ([here](#) and [here](#)).

25. On 13 June Caroline Wallace attended and spoke at an Organisation for Economic Co-operation and Development (OECD) event on Competition and Regulation. She spoke to those present about [regulation and innovation in legal services in England and Wales](#).

26. A number of significant reports were published in this period including the [unregulated sector final report](#) (28 June), the **market evaluation survey** (4 July) and its response to the Consumer Panel's [Open Data recommendations](#) (25 May).

27. An article was drafted for the Law Society's Legal Compliance Bulletin on the in-house lawyers' statement we issued earlier in the year.

28. On 22 June, I travelled to Cardiff to meet representatives of the Welsh Government. I had a constructive meeting with Andrew Felton, the Head of Justice Policy for the Welsh Government and five other representatives of the Government's legal services and the office of the Counsel General. It was agreed that the LSB should formally meet with the Welsh Government every six or so months, and that the next meeting (in November/December) should include the newly appointed Counsel General for Wales (Mick Antoniw AM) and the Cabinet Secretary who has responsibility for Justice as part of his portfolio (Carl Sargeant AM).

29. As of 1 July, the LSB has 1,345 followers on Twitter which continues to prove to be a useful tool for communicating to external audiences. For example, as the Chair of the Bar Council was criticising the LSB's 2013 Cab Rank Rule research at the Justice Select Committee, Twitter enabled us to post a [link](#) to the research

in real time so that any interested parties could judge the issue for themselves. We also shared other research and positions referenced in the committee meeting such as the [joint research](#) in to public access with the Bar Standards Board, the 2015 joint research into [unbundling](#) with the Consumer Panel and last month's [response](#) to the McKenzie Friends consultation.

Stakeholder	LSB	Date
BSB CEO meeting monthly	CEO	3 June
Meeting with Honourable Bernard Teague AO	CEO	3 June
4-Way meeting with Mike Pitt and Neil Buckley (LSB) and David Currie, Alex Chisholm and Andrea Coscelli (CMA)	CEO, Chair	7 June
Quarterly 4-Way meeting with The Law Society	CEO, Chair	7 June
Introductory meeting with new Chair of IPREG, Caroline Corby	CEO, Chair	7 June
LSB/Bar Council quarterly meeting	CEO	8 June
Phone interview with Neil Rose	CEO	8 June
Follow up meeting with LSB/CMA	CEO	10 June
CEO meeting with CIPA	CEO	10 June
CLC CEOs Triannual meeting	CEO	13 June
Meeting with Lord Faulks on QASA	CEO	13 June
OLC CEOs meeting	CEO	21 June
Meeting with Welsh Government Officials	CEO	22 June
Annual meeting with the City UK	CEO, Chair	27 June
Intro meeting with Lord Hodgson	CEO, Chair	27 June
Intro meeting with Lord Mackay of Clashfern	CEO, Chair	28 June
Annual Report meeting with Lord Faulks	CEO, Chair	29 June
Quarterly 4-way BSB meeting	CEO, Chair	29 June
Annual meeting with OISC	CEO	1 July
Annual ACL meeting	CEO, Chair	4 July
Quarterly UKRN Meeting	CEO	5 July

5 July 2016