

To:	Legal Services Board	Agenda item:	4
Date of Meeting:	26 October 2017	Item:	Paper (17) 67

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

Summary:

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

1. The imminent publication of the advertisement for the post of the Chair of the LSB
2. We had our first formal Business Assurance Meeting with the MoJ. These meetings have replaced the quarterly performance meetings.
3. On 2 October 2017, we published our assessments of the action plans produced by regulators in response to the final report of the CMA's legal services market study.

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 20, 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

Ministry of Justice (MoJ) matters

Appointments matters

1. We were delighted to learn on Friday 29 September 2017, that Terry Babbs' second term of office has been extended to 31 March 2019. As regards the competition for the LSB Chair, at the time of drafting, the MoJ Public Appointments Team have informed us that they have received final sign-off from Ministers to commence a public competition. They are agreeing shortlisting and interview dates and will then advertise the post.

Sponsor relations

Other sponsorship matters

2. Board Members will wish to note that the Lord Keen of Elie QC is now a member of the Privy Council and is therefore now the Right Honourable Lord Keen of Elie QC.
3. On 9 October, the Corporate Director and I attended our first formal Business Assurance Meeting with the MoJ. These will now be held twice yearly and replace our prior quarterly performance reporting meetings, reflecting the change in assurance relationship with the Department. We discussed matters related to budget and finance, Ministerial relations and a variety of policy issues.
4. We were disappointed to have our business case for the appointment of consultants to assist with Board evaluation declined by the Ministry. As colleagues will be aware, it is a best practice in corporate governance to include an independent element in Board evaluation every three years and this would have been the first time the Board had sought such input. MoJ declined the case because they were aware of another MoJ arm's length body (ALB) which had secured external input at a much lower cost than we had proposed. On exploring this with the other ALB, it became clear that the service they had procured was a 'light-touch' follow-up contribution to Board evaluation, not a comparable exercise to the one we proposed. We are resubmitting the business case.

Governance

Office for Legal Complaints

Performance

5. The Interim Chair and I attended part of the OLC's Board meeting on 11 October and I will circulate the OLC Chair's voluntary assurance letter on performance once received.
6. As Members will be aware from the letter I circulated, further to the Board's discussion in September, the Interim Chair wrote to the OLC Chair to take forward the proposal for developing a shared vision of what good looks like. A follow-up meeting is scheduled for 20 October and I will provide an oral update.

Budget

7. Under the terms of the LSB-OLC-MoJ tripartite operating protocol, we are committed to sending draft budget acceptance criteria to the OLC by the end of October. As allowed for in the tripartite protocol, these draft criteria may be subject to change following the LSB's November Board meeting. On 29 September, the Chair of the OLC wrote to us requesting early sight of the draft criteria if possible, to facilitate the OLC's work on its budget.
8. To assist, in consultation with the LSB Board lead on OLC matters, we provided draft criteria on 9 October. These were largely similar to those used in previous years with the addition of a request that the OLC budget submission include (i) an estimate of the impact of the 2018/19 'modernising LeO' initiatives and (ii) an approximate split of expenditure between complaint handling activities and analysis/feeding back to the sector activities.

Appointments

9. The process has commenced to identify two new members for the OLC, one lay and one non-lay. Gatenby Sanderson have been appointed to assist with this process. The panels will be chaired by Marina Gibbs and will also comprise Jemima Coleman and Wanda Goldwag, OLC Chair, along with an independent member.

Memorandum of Understanding

10. The OLC Board approved the revised MoU on 11 October. The Interim Chair and I are due to sign it on 20 October 2017 at our scheduled meeting with the OLC Chair, CEO, and Chief Legal Ombudsman.

Upcoming meetings

11. Marina Gibbs and the Strategy Director will visit LeO for an orientation visit on Monday 30 October.

Staffing and organisation matters

12. Since the last Board meeting we have welcomed two new colleagues to the LSB: Ian Wilson as our Business Planning Manager (maternity cover) and Holly Perry as Corporate Governance Manager. We received two resignations: Julie Myers, Corporate Director and Dawn Reid, Head of Regulatory Performance and Operations. I will update Members on recruitment at the meeting.

Regulatory developments

Horizon scanning

13. Attached at **Annex A**, Members will find a report on market consolidation, further to the discussion at the September Board meeting. A broader discussion on data in relation to market outcomes will be on the agenda for the November Board meeting.

14. The first version of the horizon scanning report was well received by the Board so the second edition is provided in the same format. This can be found at **Annex B**. The research data in the report is unchanged since last time; we should be in a position to provide fresh data derived from the prices and small business research projects next time.

Research

15. The main developments since the last meeting are:

- We have received a first draft of the small business legal needs research report from BMG. This should be finalised shortly and we will develop plans to maximise the impact of this important work ahead of a planned public launch in the New Year.
- The first draft of the report on the prices research has been completed. We are planning to publish this in November. There will be an opportunity to present the findings at a roundtable being organised by the CMA in December to support the regulators' market transparency consultations.

Statutory decisions

16. Since my last report the following statutory decisions have been issued:

- SRA: Removal of the six years run-off cover required under the SRA's existing Professional Indemnity Insurance (PII) Rules by introducing a new rule which states that run-off cover requirements will not apply where the insured firm becomes regulated by another approved regulator that has signed a bilateral protocol with the SRA.
- CILEx Regulation: Alterations to its Continuing Professional Development rules

Approved by exemption direction

- CILEx Regulation: Technical changes to its PII Minimum wording to make consistent with the Insurance Act 2015 and Qualifying Insurers agreements
- CILEx Regulation: Compensation Fund contributions for 2017/18
- CLC: Compensation Fund arrangements for 2017/18
- BSB: Notification of misconduct

17. CILEx and CILEx Regulation PCF Fee for 2017/18. Unchanged from 2016/17 fee except for Associate Prosecutors where there was an increase of 15%. The fee is paid by The Crown Prosecution Service (CPS) and the amount is agreed between CILEx Regulation and the CPS.

18. We are currently considering an application from CILEx Regulation to make changes to its Investigation, Discipline and Appeals Rules, and two Practising Certificate Fee applications, from the Costs Lawyer Standards Board and Intellectual Property Regulation Board (IPReg). We are also continuing to assess the CILEx Regulation application to become a Licensing Authority for ABS. The LSB has until 28 August 2018 to make a decision and make a recommendation to the Lord Chancellor.

19. The Solicitors Disciplinary Tribunal budget has been received and is being assessed. This is a specific Board agenda item.

20. The Board will be aware that a decision was made by The Lord Chancellor on the ICAEW Designation application on 20 September not to designate ICAEW as an approved regulator and licensing authority for all reserved legal activities. [REDACTED]

[REDACTED] However, with regards to our oversight role of ICAEW's regulation of probate, it is business as usual.

CMA transparency update

21. On 2 October 2017, we published our assessments of the action plans produced by regulators in response to the final report of the CMA's legal services market study. Our assessment was that all the action plans provide a sufficient starting point from which transparency reforms can be delivered.

22. ICAEW has advised us that it currently re-scoping its action plan in light of the Lord Chancellor's decision on its application to become an approved regulator and licensing authority for additional reserved activities. We believe the ICAEW should continue with the actions it was planning to take in response to the CMA's recommendations to it and with the aim of delivering the important benefits to consumers which increased transparency will deliver. We will discuss this issue with them so we can conclude our assessment of their action plan.

23. As planned, the main regulators published consultations on proposals to improve market transparency at the end of September. A separate note has been circulated to the Board which summarises these consultations.

Regulatory performance assessment consultation

24. Our consultation on a revised approach to regulatory performance closed on 25 September. In the consultation, we proposed that the regulators are assessed against five standards which cover their core regulatory functions and their ability to govern and lead effectively. A variety of evidence sources would be used in these assessments, including a performance management dataset, stakeholder feedback and publicly available information from the regulators. The proposed framework builds on our previous 'regulatory standards' work and benefits from the learning we have gained from reviewing other processes and speaking with stakeholders and interested parties. It also takes account of the regulatory objectives, the better regulatory principles and best regulatory practice, and is in line with government policy as set out in the Regulators' Code and the Cabinet Office's Regulatory Futures review.

25. We received seventeen responses to the consultation. A number of the regulators considered that, due to the extent of our pre-engagement with them, there was no need for them to respond in detail to the consultation as they had already sufficiently commented on the proposals. We are currently analysing all of the responses. At its November meeting, the Board will be asked to consider a consultation response document and to make a decision on the revised approach to regulatory performance.

Communications and external engagement

26. We continue to extend our external stakeholder engagement. The Interim chair and I met with the Chair and Executive Director of the Council of the Inns of Court. It was a very informative meeting where we discussed the recent proposals by the Bar Standards Board in relation to the role of the Inns of Court.

27. I spoke at the Symphony Legal annual conference on the topic of the future of regulation.

28. The main external press engagement during this period focused on the Lord Chancellor's ICAEW decision and the reaction to it. This was followed by the publication of our assessment of the regulators CMA action plans. An article will be published in Modern Law magazine in the coming days focusing on these assessments.

29. On 23 October I am due to meet a delegation from the Legislative Affairs Office of the People's Government of Fujian Province. This is separate to our earlier meeting with Vice-Minister (of Justice responsible for regulating the legal services

sector) Xiong.

30. The next Board to Board is due to take place with the SRA on Tuesday 17 October. A note of that meeting will be circulated separately.

31. The table below lists all of my and the Interim Chair's meetings held or due to be held since the last Board meeting:

Stakeholder/Purpose of meeting	LSB representatives	Date of meeting
4-way Competition Markets Authority	NB, HP	26 September 2017
4-way Solicitors Regulation Authority	NB, HP, Jemima Coleman (LSB Board member)	26 September 2017
Meeting with CQC to discuss regulatory performance	NB	02 October 2017
Meeting with Dr Anna van der Gaag, The Law Society Business Oversight Board	NB	04 October 2017
Meeting with Paul Tennant, Law Society	NB	04 October 2017
4-way Council for Licensed Conveyancers	NB	06 October 2017
Meeting with Robert Taylor, General Counsel of 360 Law Group	NB	06 October 2017
MOJ Q2 Business Assurance Meeting	NB, JM	09 October 2017
LSB/Association of Costs Lawyers CEOs meeting	NB	10 October 2017
LSB/Chartered Institute of Trade Mark Attorneys CEOs meeting	NB	10 October 2017
Council of the Inns of Court	NB, HP	10 October 2017
OLC Board	NB, HP	11 October 2017
LSB/BSB CEOs meeting	NB	13 October 2017
LSB/Bar Council 4-way meeting	NB	16 October 2017
LSB/Solicitors Regulation Authority CEOs meeting	NB	17 October 2017
LSB/Solicitors Regulation Authority /Law Society	NB	17 October 2017
LSB/SRA Board to Board meeting	NB, HP, Marina Gibbs, Catharine Seddon, Jemima Coleman, Michael Smyth, Jeremy Mayhew, David Eveleigh (LSB Board members)	17 October 2017
Biannual meeting with Arden Partners	NB, CW	18 October 2017

6-way LSB/Office for Legal Complaints	NB, HP, Marina Gibbs (LSB Board member)	20 October 2017
LSB/Intellectual Property Regulation Board CEOs meeting	NB	20 October 2017
Regulators CEO Meeting	NB	23 October 2017
Meeting with the Delegation of the Legislative Affairs Office, Fujian Province, China	NB	23 October 2017
LSB/Legal Aid Agency CEOs meeting	NB	24 October 2017

END

Annex A – Report on changes in the number of suppliers

Changes in the number of suppliers

Summary

1. Overall the legal sector has grown in terms of the number of enterprises, total turnover, and total Gross Value Added.
2. The growth in the number of authorised persons has outstripped wider population growth, growing by 17% since 2009/10. The largest percentage growth has come from licensed conveyancers.
3. Looking at SRA regulated firms, there is some evidence of consolidation between 2013 and 2015, but over the ten year period the number of firms is broadly stable.
4. Looking at different market segments shows evidence of consolidation in 12 of the 16 market segments for SRA regulated firms.

Overall legal sector (regulated and unregulated)

The latest data from the Office for National Statistics covering the whole of the UK (and not just England and Wales) up to 2015 shows that between 2008 and 2015 the number of enterprises in the sector rose by 10%, from 29k to 32k. Over the same period turnover rose by 27% and Gross Value Added (GVA)^j by 34%. Average turnover per firm rose to £993k.

	2008	2009	2010	2011	2012	2013	2014	2015
No. of enterprises (k)	29.1	28.9	29.4	30.0	30.2	30.8	31.1	31.9
Turnover (£bn – cash)	25.0	24.8	25.5	27.2	27.9	30.4	30.8	31.7
Approx. GVA (£bn)	18.5	18.3	19.2	20.6	20.6	22.8	23.8	24.8
Average Tnvr per enterprise (k)	£858	£856	£866	£906	£923	£987	£991	£993

Numbers of authorised personsⁱⁱ

The number of authorised persons who provide services to their employer or the public has grown by 17%. In 2016/17 there were 351 people in England and Wales per authorised person, down from 387 in 2009/10 – a 10% fall. The largest growth came from licensed conveyancers (38%) and solicitors (32%).

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
No. of APs (k)	143	145	149	157	156	158	162	166
People per AP	387	383	376	361	365	364	358	351

SRA regulated firms

SRA regulated firms account for around 60% of all legal services regulated under the LSA 2007. There are a number of different ways of counting the number of SRA regulated firms. SRA published figures show there were 10,425 regulated entities in April 2017. This represents a small rise of 3% in the total number of SRA regulated entities comparing 2007 to 2017, but a 4% fall from a high point of 10,870 in 2013.

LSB analysis of SRA firm turnover data covering the 2010/11 to 2014/15 period shows that over this period, turnover rose by 6% in real terms, while the number of regulated entities fell by 9%. In 2010/11 the average firm's turnover was £2m. By 2014/15 this had risen to £2.4m – a 16% increase in real terms. This is a consequence of market consolidation and continuing overall growth. Looking at the distributions of firm turnover each year, our

analysis suggests the smallest firms being affected most by consolidation. There has been a 3% drop in firms with less than £150k turnover, and a 2% increase in firms reporting turnover of more than £1m over the five year period. The largest firms grew market share over 2012/13-2014/15.

All Market segments	2010/11	2011/12	2012/13	2013/14	2014/15
Total solicitors entities real turnover (£bn 2014)	£20.19	£20.98	£20.72	£21.05	£21.56
Total solicitors entities reporting turnover	9,958	10,163	9,777	9,433	9,075
Largest 100 firms market share: %age (£):	50.8%	50.3%	50.6%	51.8%	52.6%
Entry: % of entities		11%	6%	7%	4%
Exit: % of entities	9%	10%	10%	8%	

Market segmentsⁱⁱⁱ

LSB analysis of SRA firm turnover data covering 2010/11 to 2014/15 provided an understanding of how growth and consolidation have occurred in different ways in the different market segments. These changes across the segments can be classified into 4 groups as follows:

1. **Growth:** The size of the market has increased in terms of turnover, the number of SRA firms, and average firm turnover has increased: Immigration and nationality.
2. **Growth and consolidation:** The size of the market has increased in terms of turnover, the number of SRA firms has fallen, and average turnover per firm has risen: Consumer problems, Residential conveyancing, Commercial conveyancing, Corporate structuring and finance, Injury, Intellectual property rights, Other, Wills trusts and probate.
3. **Consolidation:** The size of the market has decreased in terms of turnover, as has the number of SRA firms, but average turnover has grown for the firms who remain: Crime, Employment, Family, Property, construction and planning.
4. **Shrinkage:** The size of the market has decreased, as has the number of SRA firms and the overall average turnover: Civil liberties, Welfare and benefits

So for example, some firms providing legal services in Crime have withdrawn, while others have remained and increased their scale. In Welfare and Benefits solicitors firms have withdrawn from this segment leaving services to be provided by non-solicitor organisations. For conveyancing, CLC estimated that CLC licensed practices conducted around 10% of all conveyancing transactions in 2015. Further there is some evidence of barristers switching from the Crime segment to the Corporate structuring and finance segment, between 2011 and 2013. The number of CILEx fellows in the Corporate structuring and finance, Employment, Injury, Other market segments grew between 2012 and 2015.

A note on sources

Most of the information in this briefing is taken from the series of LSB reports evaluating changes in the legal services market since 2007. The latest report - *Evaluation: Changes in the legal services market 2006/07 - 2014/15* - can be found here on our research web pages - <https://research.legalservicesboard.org.uk> .The next report is due for publication in 2019.

ⁱ This is the difference between the value of goods and services produced by a company and the cost of raw materials and other inputs which are used up in production of those goods and services.

ⁱⁱ Excluding non-practising solicitors who remain on the solicitors roll.

ⁱⁱⁱ For a summary see <https://research.legalservicesboard.org.uk/news/market-segmentation/>

Annex B to Paper (17) 67

Horizon scanning report

(Covers the period 12/9/17-13/10/17)

The top five

The Lord Chancellor rejected the LSB's recommendation that chartered accountants should be able to handle litigation, advocacy and legal instruments in taxation work.

LSB action: We issued a press statement in response to the Lord Chancellor's decision. While we are in dialogue with ICAEW about the implications of this decision we are operating on a business as usual basis reflecting that ICAEW remains an approved regulator for probate activities, with the associated duties and obligations.

The main regulators have published consultations on proposals to improve market transparency following the CMA's legal services market study.

LSB action: We have published our assessment of the sufficiency of the regulators' action plans. Our focus now turns to monitoring progress by the regulators against those action plans. In due course we will consider rule change applications which result from the consultation exercises now underway. ICAEW is re-scoping its action plan following the Lord Chancellor's designation decision. We believe the ICAEW should continue with the actions it was planning to take in response to the CMA's recommendations to it. We will discuss this issue with them so we can conclude our assessment of their action plan.

The BSB has launched a consultation on the next phase of its Future Bar Training initiative. The proposals foresee a reduction in the role of the Inns of Court so that they are no longer involved in a wide range of activities, including registering and vetting students, supervising student conduct, approving pupil supervisors, and providing advocacy and practice management courses. Under the proposals, compulsory dinners at Inns before an individual may be called to the Bar may also disappear. The consultation also considers an end to the required period of 12 months for pupillages and increasing the minimum financial support chambers have to provide to pupils.

The SRA has consulted on the second phase of changes to its rules including a proposal to make it easier for solicitors to provide reserved legal services on a freelance basis to the public. Such solicitors would not be required to register as a sole practitioner or be employed by an authorised firm. However, they would not be able to hold client money or employ people, but would need appropriate indemnity insurance. The Law Society said the regulator risked exchanging public trust in solicitors 'for a new Wild West'.

The judiciary has issued an update on McKenzie Friends following their consultation earlier in the year. The Judicial Executive Board has decided to establish a further judicial working group to review the original proposals in the consultation paper in the light of the large number of responses received. That group will report to the Board in the first instance.

LSB action: We responded to the JEB's consultation on its original proposals and stand ready to assist with the judiciary's further deliberations on these matters.

Political developments affecting the justice sector

Ministers have launched a 'Legal Services are GREAT' campaign to promote the UK's legal services sector at home and abroad. The campaign will target stronger links with emerging and established markets across the world and cement the UK's reputation as the world's pre-eminent legal centre. The Ministry of Justice said the campaign will "highlight the strengths of English law and embed and extend the reach of our legal services to ensure the UK remains the number one place to litigate, resolve disputes and do business".

The **second phase of a pre-Brexit campaign to bolster the reputation of England and Wales as a legal centre has been launched.** Key figures from global business are backing a video campaign by the Law Society promoting the jurisdiction as 'the go-to legal destination' for an international deal.

The Welsh Assembly Government has announced the establishment of a **Commission on Justice in Wales.** The Commission, to be chaired by the outgoing Lord Chief Justice of England and Wales, Lord Thomas of Cwmgiedd, will review the justice system and policing in Wales and consider how the system can achieve better outcomes for Wales. The Commission will identify options to develop a separate legal jurisdiction for Wales.

The Ministry of Justice has issued a **call for evidence on fraudulent holiday sickness claims.** ABTA has claimed there has been a 500% increase in holiday sickness claims in the period 2013-16 (from 5,000 to 35,000) and that it cost the industry over £240m in 2016.

In his speech to the Conservative Party Conference, **the Lord Chancellor said that the government will 'soon' launch its post-legislative review of LASPO.** Alongside this, the department will be reviewing its policy on court and tribunal fees in light of the Supreme Court's ruling that the employment tribunal scheme was unlawful. The Lord Chancellor also pledged to press ahead with the programme of modernisation and digitisation of the courts.

The government rejected amendments laid by peers to the Financial Guidance and Claims Bill which would ban **cold-calling by claims management companies,** and also bring medical reporting organisations and credit hire companies within the regulatory scope of the Financial Conduct Authority. Solicitors are already prohibited from cold-calling.

The **final report of the Bach Commission, set up by Jeremy Corbyn in 2015 to advise the Labour Party on legal aid policy,** has recommended the creation of a statutory right to justice. Under the proposals a new body called the Justice Commission would be set up to monitor and enforce the statutory right. Other recommendations include commissioning an independent review of the state of the legal aid profession and its continued viability, and action to deliver better public legal education in schools.

HMCTS has delayed the start of the flexible operating hours pilot until next February. Responding to concerns among the legal profession, HMCTS emphasised 'the need for us to proceed on a clear evidence base... It's for that reason that, today, we have agreed to delay the start of these pilots until we are satisfied that we have a robust, independent evaluation system in place; and until we have taken more time to engage and discuss the pilots, picking up on comments made on how they could be improved.'

HMCTS and the City of London Corporation has announced plans for multi-purpose high technology court complex to replace all of the City of London's courts. The aim,

part of the City's programme to preserve its position as an international dispute resolution centre, is to set up a high technology centre specialising in fraud, economic and cyber-crime.

Regulatory and wider policy developments

Sir Ian Burnett has taken over as Lord Chief Justice. In a YouTube video he posted afterwards, he suggested that the judiciary “should be better at explaining our role and the vital importance of our independence and impartiality.”

Enid Rowlands has been reappointed as chair of the SRA for one more year; she will now continue in post until December 2018.

Stephen Jones, a solicitor, has succeeded Tony Rollins as President of the Chartered Institute of Patent Attorneys.

The SRA is consulting on **a revised enforcement policy and about how and when it might take disciplinary action.** This will take greater account when considering action of intent, harm caused, patterns of behaviour, vulnerability of the client, seniority of the solicitor, and any remedial action taken. The SRA also propose a **transitional arrangement for the introduction of the Solicitors Qualifying Examination (SQE)**, which is set to be introduced in autumn 2020. Further, it is proposed that **solicitors will be able to set up their own law firms as soon as they qualify** – rather than have to wait three years as now.

The Law Society’s response to the SRA’s consultation on its three-year strategy highlighted a number of concerns about the current regulatory climate. The Society asked for more analysis of the snowballing effects of “constant change” on the profession caused by the SRA’s reform programme. It criticised what it called the “false pursuit” of innovation which allows client protections to be discarded or diluted. It called on the SRA to use the next three years to build the profession’s trust in the organisation.

LSB has approved a rule change by the SRA which will make it easier for law firms to switch regulators. In a move which is likely to see more firms leave the SRA than join it, the requirement that firms must obtain six years of indemnity insurance run-off cover before switching to another regulator will be removed. Under the new rule, run-off cover would not be needed where the firm’s new regulator had signed a bilateral protocol with the SRA. The new regulator would be solely responsible for making sure there is adequate insurance available for future claims, including claims for work carried out or started before the switch.

The SDT published its 214-page ruling in the Leigh Day case. The SRA is considering whether to appeal.

A freedom of information request by the Law Gazette has revealed that **HM Treasury is missing out on millions of pounds in uncollected fines levied against solicitors guilty of serious misconduct.** The amount owed in unpaid fines from the SDT was £2.6 million at the end of the 2016/17 financial year. The SDT itself has no statutory role to play in fine enforcement, with that responsibility handled solely by the HM Treasury.

The CMA has published the final report of its market study on digital comparison tools. The report made a number of recommendations to government and sector regulators about how best to regulate DCTs and how to promote their use and facilitate better services for consumers. The report notes previous CMA work on the Legal Services Market Study. As part of this the CMA identifies the role that government and regulators can have in making more data available and notes that in conveyancing for example the publication of some government held datasets could provide useful metrics to help compare on non-price factors.

The AML Legal Supervisors have agreed **draft Legal Sector Anti-Money Laundering Guidance** taking account of the changes introduced by Money Laundering Regulations 2017 which came into force on 26 June 2017. The draft guidance is subject to approval by HM Treasury which is expected later this year.

The **SRA has issued a warning notice outlining concerns about tax work**. It comes in the context of greater scrutiny by HMRC of what it terms 'abusive tax avoidance schemes'. The SRA is concerned that solicitors are facilitating tax avoidance schemes aggressively in ways that go beyond the intentions of Parliament. The General Anti-Abuse Rule (GAAR) 2013 legislation and other measures signal a tougher stance by government in this area.

Responding to the Lammy Review, CILEX said the government should abolish the restriction which means legal executives may apply for judicial roles only up to the level of district judge. **CILEX argued that legal executives should be allowed to apply for all levels of judicial post**, claiming this would rapidly increase diversity on the bench. Separately, the **Solicitor General has urged chartered legal executives to apply for judicial appointment** in a bid to help make the bench more diverse.

A report from the body that oversees Queen's Counsel appointments has recommended a raft of changes to encourage women to apply and bring the numbers of female silks nearer to the proportion eligible in the profession. Women tend to break from the profession early in their careers, including to have children, and appear more reluctant to apply for a number of reasons, the report found. While the ratio of women to men at both pupillage and tenancy was 51% to 49%, men made up 87% of self-employed QCs.

The BSB is to consult on removing the rule that allows one person to veto their chambers reporting anonymised data on the sexual orientation, religion and belief of all members. It said the move was supported by LGBT+ members of the Bar.

The Law Society has settled the case that saw the Competition Appeal Tribunal (CAT) rule that that it abused a dominant position. The details of the agreement on damages and costs are confidential. The CAT upheld Socrates' claim that the Society had abused its dominant position by requiring over 3,000 law firms to buy its own fraud training in order to maintain their Conveyancing Quality Scheme accreditation.

Market developments

PwC announced it is to launch a contract lawyering service, entering a fast-growing market so far dominated by firms like Axiom and Lawyers On Demand. The service, called Flexible Legal Resources, will initially focus on the financial services sector but PwC's pool of contract lawyers will eventually cover clients from all sectors providing support work for corporate, commercial and data protection.

Leading insurance company LV= has ended its legal services offering, less than two years after starting it. In January 2016, it launched a joint venture with Lyons Davidson to offer fixed-fee advice for wills, powers of attorney, probate, conveyancing, personal injury and employment law. LV= explained that the sustainability of its legal services offering required scale and significant investment and it had decided to focus on its core business.

Riverview Law has become the first law firm to **offer its trainee solicitors a six-month seat in technology services**, having obtained approval from the SRA.

An internet conveyancing platform last week completed what it claimed was the first property to be digitally exchanged online and moved instantly to a live **blockchain**. The property went from initial marketing to a verified online exchange in just seven days.

Market intelligence and research

Government statistics obtained by the Labour Party through a parliamentary written question show that the **number of legal aid providers across England and Wales has reduced by 20% over five years, from 2,991 to 2,393**. There was a 29% fall in Wales.

Research by defendant law firm BLM in conjunction with the Institute of Directors on **professional negligence claims** has identified a surge in claims against solicitors over their advice to home buyers on **ground rent clauses**, with 400 issued in less than a year. It also identified the discount rate, undersettling and conveyancing fraud as the other big negligence risks facing the solicitors' profession due to the wider economic environment.

A study by academics at UCL and the University of Westminster has found that many LGBT+ barristers believe the Inns of Court are not doing enough to combat homophobia at the Bar. The study suggested that "homophobia is stronger at the Bar than in the general population" and found that just over half of barristers had experienced "some form of discrimination" because of their sexuality, while almost half had been on the receiving end of "homophobic banter".

Analysis of Law Society data by BPP University Law School suggests it will **take another 20 years until women reach gender parity with men in senior partner positions**, even though they already account for over half of law graduates. If current trends continue, the data projections suggest that law firms will be more ethnically diverse. The percentage of practising solicitors who are White European will fall from the current 84% to 72%, while the proportion of Asian solicitors will double to 16%. The percentage of African/Afro-Caribbean solicitors will rise from 2.5% to 4%, and double to 3% for Chinese solicitors.

Law Society analysis of practising certificate data shows that **women still cluster in practice areas traditionally viewed as female-friendly**. Women dominate children law more than any other sector, making up 73% of all solicitors, and also dominate the areas of mediation family (69%), education (65%), mental health and family (both 62%).

The annual legal market briefing from IRN Research said the **personal injury continues to grow modestly in value terms and is worth almost £4bn a year**. The sector has been boosted by a rise in the value of clinical negligence claims and the rising average value of claims related to motoring accidents, employer liability and public liability. However, the researchers say the market will suffer in 2019 as government reforms begin to take effect.

A survey of 800 corporate clients by Nisus Consulting, has found that the **big commercial law firms are not delivering value for money and often fail to stick to budgets**. In all, clients said their solicitors only met or exceeded their expectations on value for money in 49% of cases. However, there was considerable variation in scores across providers.

Which? has identified the most significant themes that will shape consumers' lives over the next 15 years. Its review identified the following six strategic themes that it will analyse and examine through its policy work over the next few years: the digital revolution; lifetime savings; greater individual responsibility; housing; travel and transport; consumer landscape and Brexit.

Market intelligence and research
NO NEW DATA SINCE LAST BOARD MEETING

Indicator of success	Source	2011	2012	2013	2014	2015	2016	2017
<i>Promoting the public interest through ensuring independent, effective and proportionate regulation</i>								
LSB expenditure	LSB	£4,734k	£4,578k	£4,264k	£4,266k	£3,921k	£3,587k	£3,525k
LSB levy per authorised person	LSB	£34.38	£31.65	£27.97	£25.36	£24.71	£21.55	£18.83
Public trust lawyers to tell the truth	LSCP	47%	43%	42%	43%	47%	42%	45%
Public confident consumer rights protected	LSCP	51%	49%	46%	46%	50%	46%	48%
<i>Making it easier for all consumers to access the services they need and get redress</i>								
No action when have legal issue: Individuals	LSB		15%	14%	13%	14%		
Levels of shopping around: Individuals	LSCP	19%	22%	22%	24%	25%	25%	27%
Use of comparison/feedback sites: Individuals	LSCP	1%	1%	1%	1%	2%	2%	2%
Ease of shopping around: Individuals	LSCP	51%	57%	55%	54%	57%	57%	47%
Satisfaction with value for money: Individuals	LSCP	57%	58%	57%	63%	61%	61%	61%
Providers publish prices on websites	LSB						18%	
Consumers who do nothing when dissatisfied	LSCP		42%	44%	44%	42%	35%	49%
Public confidence in complaining about lawyers	LSCP	51%	49%	44%	45%	48%	43%	44%
No action when have legal issue: SMEs	LSB			8%		9%		
Levels of shopping around: SMEs	LSB							
Ease of finding provider: SMEs	LSB					25%		
Lawyers perceived as cost-effective: SMEs	LSB			12%		13%		
SMEs who do nothing when dissatisfied	LSB							
<i>Increasing innovation, growth and the diversity of services and providers</i>								
UK wide legal services turnover (uninflated)	ONS	£25.7bn	£26.4bn	£27.2bn	£29.3bn	£30.5bn	£32.3bn	£31.8bn
Net exports of UK legal services	ONS	£3.0bn	£3.1bn	£3.3bn	£3.9bn	£4.3bn		
Non-UK litigants using Commercial Court	Portland		70%	71%	77%	63%	66%	72%
Number of active ABS	ARs	1	68	236	373	618	837	
Level of service innovation (over 3yrs)	LSB					28%		
Regulation seen as barrier to innovation	LSB					24%		
Firms state reduced prices in last 12 months	LSB						4%	