

To:	Legal Services Board	
Date of Meeting:	10 October 2012	Item: Paper (12) 66

Title:	Market impacts of the Legal Services Act – 2012 Baseline Report	
Workstream(s):	Securing independent regulation, Improving access to justice, Developing a changing workforce for a changing market	
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Status:	Unclassified	

Summary:
Following on from the version published in April 2012, this market evaluation report sets out the changes in the legal services market between 2006/07 and 2011/12, highlights knowledge gaps, and our future plans for monitoring the market.

Recommendation:
The Board is invited to review the market evaluation report, approve its publication and comment on the future development of the work.

Risks and mitigations	
Financial:	N/A
Legal:	N/A
Reputational:	Knowledge gaps mean we are forced to draw conclusions based on incomplete evidence. This has been mitigated via having an interim report stage and amending the final report based on feedback received, by the narrative in the overview section, drawing on a wide range of indicators.
Resource:	N/A

Consultation	Yes	No	Who / why?
Board Members:		X	
Consumer Panel:		X	
Others:	Range of feedback received from research managers at SRA, TLS and BSB, and other commentators including Professor Richard Moorehead, Oxera, and Legal Week Intelligence Unit.		

Freedom of Information Act 2000 (Foi)		
Para ref	Fol exemption and summary	Expires
Annex A	Section 22 exemption until the publication of the interim report.	N/A

LEGAL SERVICES BOARD

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Market impacts of the Legal Services Act - Final Report

Background / context

1. Following approval at the Board meeting on 28 March, in April 2012 we published an interim report seeking to baseline the legal services market evaluating impacts of the Legal Services Act 2007 (LSA) on the legal services market. This uses the Evaluation Framework approved by the Board in March 2011. The Board committed to follow the interim report with a final report in October 2012 to account for the first year of the ABS regime and the findings of a range of ongoing research. We plan to refresh and update this evaluation report each October, tracking changes over the 2012 to 2015 period. This means the findings will be available at the beginning of the annual research and business planning process.
2. In this final 2012 evaluation report, attached at **Annex A**, we assess each outcome with a series of indicators for which data is available. While it is relatively easy to develop a wish list of indicators we would ideally want to assess, the challenge remains the lack of underlying data and evidence in this sector. The Regulatory Information Review – shared with the Board in November 2011 – highlights these knowledge gaps. This narrative is explicitly stated in the overview section of the report. The list of indicators in the report is based on our assessment of where we can get data, and where we will have research findings available in future.
3. Nevertheless, this work remains by some distance the most ambitious attempt of which we are aware to paint a comprehensive picture of the legal services market, notably in its response to consumer need. While its production has pre-empted a significant amount of staff time – virtually half of our internal research resource – its production has been significantly cheaper than the similar publication produced routinely by the economic regulators.
4. We have updated the interim report in line with feedback received from a wide range of commentators, using new research and other sources of data to add new indicators across the range of outcomes. Major changes made include:
 - Updating time series data where figures for the 2011/12 period have been published – sections 3 and 4.

- Added recently published Legal Ombudsman complaints data to our analysis of trends in complaints in the legal services sector – section 4, subsection A.2.
 - Applying the findings of the Legal Services Consumer Panel (LSCP) 2012 tracker survey to track levels of consumer satisfaction, and public perceptions of legal services over the 2011-2012 period – section 4, subsections A.2, A.3, A.4, B.5, B.6, B.8, and D.13
 - Applying the findings of the Legal Services Board 2012 Legal Services Benchmarking consumer survey to benchmark individual consumers response to legal problems, reasons for not using legal services, methods of service delivery used, levels of satisfaction with different providers, responses to dissatisfaction, and prices paid – sections 3 and 4, subsections A.2, B.5, B.6, B.8, and D.13.
 - Applying the early findings of the joint Law Society, Ministry of Justice and Legal Services Board 2012 Survey of Solicitors Firms to understand changes in turnover over the past three years, benchmark client acquisition sources, and use of online advertising – section 4, subsections B.5, and D.12.
 - Revising the list of indicators to reflect feedback received about their validity as appropriate proxy measures of change, including replacing the volume of road traffic accidents demand indicator with cases registered with the Compensation Recovery Unit at the Department for Work and Pensions – section 3.
 - Building on the Board’s comments in March 2012, we put forward a set of proposed indicators for measuring access to justice, from a discussion paper presented to the Legal Services Research Centre International Conference in September – section 4, subsection B.5.
 - Provide a detailed baseline of changes in entry level qualifications and continuing professional development over the past 5 years- in advance of the Legal Education and Training Review report – section 4, subsection A.4.
5. The interim report generated debate among some commentators about how to interpret trends, but usually with little consensus. We received largely positive feedback from the Law Society and Professor Richard Moorhead, both for the usefulness of drawing this information together and the value of the overall market perspective. Both have used the analysis in the interim report for their own work – Professor Moorhead in the forthcoming Survey of Solicitors Firms,

and the Law Society for their market analysis strategy sessions. While we have shared and discussed elements of the report with all of the approved regulators, only the SRA have provided formal detailed feedback. Most of this feedback challenged specific areas of our interpretation of indicators – for example complaints – or listed further research the LSB should undertake before seeking to evaluate the market impacts.

6. The revised report reflects this range of feedback, seeking to strike a reasonable balance between the points made. Our view remains that without an attempt to baseline the legal services market, future debates on the market impacts changes would be based on opinions based on limited evidence.

7. One way of generating further evidence without further major LSB investment would be to see stakeholders being prepared to place more of their raw data in the public domain, in line with the Government's "Open Data" initiative. We have encouraged both Citizens Advice and the Legal Services Commission to do this, receiving rather cautious responses from both. The failure of the Legal Ombudsman to release its data in a more usable format has also recently been the subject of (perhaps surprising) criticism in the trade press. We propose to maintain and broaden the pressure for this to happen through the Chairman's foreword to the document, which we will follow up with a workshop on the subject and possibly further activity.

Conclusion / 'next steps'

8. Following approval, we will publish this report. It is intended that this report be updated annually from October 2013 onwards, allowing the findings to inform the annual research and business planning process. It is likely that this will be done within the current methodology for at least the next two years, as the remaining gaps are filled. The scope to do anything radically different will, in large part, depend on how far other bodies bring new or radically different material to the table. While we will continue to encourage them to do this, the likelihood of short-term change is not great and, in any event, we will want to retain a broadly consistent approach in order to have the most robust data available to underpin the next Triennial Review in 2015.

Recommendation

9. The Board is invited to review the report, providing feedback as necessary, approve its publication in October and comment on the future development of the work.