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**Legal Services Board Performance assessment update – September to December 2023**

- 1 The Board considered the first update to our assurance mapping work against the LSB's regulatory performance assessment framework sourcebook of standards and characteristics at its meeting in September. It was agreed in September for the subsequent detailed updates against the performance framework to be made available for Board members to view on Directors Desk. The latest update on Directors Desk covers updates from September to December 2023.
- 2 Previously we have published the detailed assurance mapping table (now on Directors Desk) on our website as part of the Board paper pack. To date, this has included the original assurance mapping table that the Board considered in June 2023 and the update in September 2023. This was to demonstrate to the LSB that the Board was undertaking the assurance work that was suggested in the letter from the LSB Chair in February 2023. The Board is asked to consider if we should continue to publish this level of detail.
- 3 Overall, we would still assess ourselves as having achieved all three of the LSB's standards and developments / progress made is recorded in the update on Directors Desk. Many of these are also covered in the progress update against the business plan. Highlights include the publication of a number of documents including: our new corporate strategy, key pieces of research, thematic reviews, our annual AML report, the evaluation of our Transparency Rules and the Risk Outlook report on Artificial Intelligence.
- 4 As the Board is aware, we are planning to review our arrangements for identifying, managing and mitigating risks in the marketplace to clients and client funds and our client protection and Compensation Fund arrangements to ensure they remain fit for purpose for the future. This follows on from the Axiom Ince intervention and the changing legal landscape. The LSB has also announced plans for an independent review of our approach to Axiom Ince in the lead up to the intervention.

*LSB standard: Effective approach to regulation*

- 5 The Board agreed that as part of each performance update, it would have a general discussion on one of the three LSB standards and how the organisation was meeting it, taking each standard in turn over the course of the year. The Board considered the 'well-led' standard in September. The next standard is:

**Effective approach to regulation - Regulators act on behalf of the public to apply their knowledge to identify opportunities and address risks to meeting the regulatory objectives.**

- 6 There are seven characteristics that sit underneath this standard in the LSB's Sourcebook. An extract from the Sourcebook that sets out the characteristics and some examples of the evidence the LSB would expect to see is set out below.

**CLASSIFICATION – PUBLIC**

- 7 This standard focuses on our understanding of the legal market and consumers and our ability to proactively identify and address risks. Meaningful engagement with stakeholders and how it influences our decisions, and our use of the regulatory levers available to us and our evaluation of their impact, particularly on consumers, are also covered. The standard also looks at how we use and make data available and how we encourage innovation whilst managing the risks around it. Our commitment to equality, diversity and inclusion in the profession and to increasing access to legal services for the public are also assessed as part of this standard.
- 8 For our annual performance assessment submission in July 2023, we assessed ourselves as green against the effective approach to regulation standard as a whole, and also green against each of the characteristics. An overview of some of the high-level work and commitments against this standard is set out below, with more detail in the update available on Directors Desk.
- 9 We have invested in a research programme, which alongside our approach to horizon scanning and our engagement and policy work, provides us with an understanding of the market and the needs of consumers. Our programme of thematic work is focused on what we have identified as key risks. We have our detailed risk management framework in place and risk registers which are overseen by the Board and the Audit and Risk Committee. We have developed a new strategic risk register in light of our new corporate strategy. As noted above, we are embarking on a programme of work following the Axiom Ince intervention and the changing legal landscape, part of which will involve reviewing and potentially evolving our arrangements for identifying, managing and mitigating risks in the marketplace, which will sit partly under this LSB standard.
- 10 We collaborate and engage with stakeholders to learn from and inform our approach, on top of standard consultations for our policy work and strategy. This is supported by our communications work, which we are currently reviewing to understand where further improvements could be made to our approach.
- 11 Data and developing our approach to how we use it is central to priority two in our corporate strategy. The development of a data strategy is in progress and is a commitment in our corporate strategy, although timescales for delivery may be impacted as a result of the work programme following the Axiom Ince intervention. We publish and share data from our research where relevant and use data to understand how we are performing, which is reported to the Board. And we are continually considering how we can improve how we use and report on our data, for example, we review the performance data we report on in our balanced scorecard annually. We will have more data from our stakeholder perceptions survey that we are carrying out this year, as well as data from customers who are using our services, to help us to further understand how we are performing and the impact we are making.
- 12 We have an appropriate range of formal and informal regulatory levers available to us to make the appropriate regulatory interventions. To name a few, this includes making rules, publishing warning notices, guidance and toolkits, and engagement with the profession. We have evaluation programmes in place to understand the impact of our

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key policy changes, including the SQE, Standards and Regulations and Transparency Rules, and act on any learning from the outcomes from those reports.

- 13 Our commitment to encouraging innovation and managing any associated risk is set out as a separate priority objective in our corporate strategy with a supporting programme of work, as it was in our previous three-year strategy. The risk associated with technology developing quickly is also captured in our Strategic Risk Register.
- 14 Our commitment to EDI in the profession and improving access to legal services for the public is embedded across all of our work and again, it is an important part of our corporate strategy and plans. Our work not impacting positively on EDI is also a risk our Strategic Risk Register. We have made a commitment to set out our policy position on access to justice over the next three years. We also continue to work in partnership with other organisations on developing technological solutions to improve access to legal services through the Regulators Pioneer Fund, as well as continuing our work with other regulators on the Legal Choices website.

**Extract from LSB regulatory performance assessment framework – Source book**

**Standard 2: Effective approach to regulation - Regulators act on behalf of the public to apply their knowledge to identify opportunities and address risks to meeting the regulatory objectives.**

<b>Characteristics</b>	<b>LSB examples of evidence</b>
<p>Has a comprehensive understanding of the market it regulates, including the consumers of services, and proactively identifies risks to the regulatory objectives; has a clear programme of activity to address those risks.</p>	<ul style="list-style-type: none"> <li>• Investment in research and research plan</li> <li>• Published programmes of activity</li> <li>• Strategic and business plans</li> <li>• Risk management policy which explains approach to identifying current and future policy developments and their impact including risks</li> <li>• Risk outlook and explanation as to how this has informed regulatory activity</li> <li>• Sectoral risk assessments to identify where further information needed</li> <li>• Description of evidence used to inform regulatory activity</li> <li>• Feedback on regulatory processes from those under review</li> <li>• Outcomes of regulator’s collaborative work to understand consumers’ needs</li> <li>• Learning from and using other bodies’ experience and evidence to inform regulatory activity</li> </ul>

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	<ul style="list-style-type: none"> <li>• Regulatory community engagement survey</li> <li>• Feedback surveys and outcomes</li> <li>• Full consultation responses and decision documents</li> <li>• Use of new and different channels to engage with stakeholders and publicise consultations</li> <li>• Publication of annual reports, accounts and reporting of data</li> <li>• Examples of engagement with stakeholders</li> <li>• Strategy/Vision</li> <li>• Business Plan</li> <li>• Processes to ensure use of plain English</li> <li>• Strategy for engaging consumers, including vulnerable consumers</li> <li>• Examples of how stakeholders, including consumers, have informed decisions</li> </ul>
<p>Engages proactively and meaningfully with a diverse range of interested stakeholders, including the public, consumers and regulated community to inform decisions.</p>	<ul style="list-style-type: none"> <li>• Strategy for engaging consumers, including vulnerable consumers</li> <li>• Strategy for engaging regulated community</li> <li>• Research into public concerns</li> <li>• Research into levels of public confidence in the regulator</li> <li>• Regulator engagement with stakeholders</li> <li>• Consideration and evaluation of Board engagement with the regulated community and others</li> <li>• Horizon scanning</li> <li>• Feedback from stakeholders</li> </ul>
<p>Understands the range of formal (eg rules) and informal (eg influence) regulatory levers at its disposal and how to best make use of them; implements appropriate regulatory interventions and evaluates their impact, changing the approach where necessary to improve outcomes.</p>	<ul style="list-style-type: none"> <li>• Documented use of both formal and informal levers and evaluation of their respective impacts</li> <li>• Issues and risks addressed (eg complaints on particular topics)</li> <li>• Examples where stakeholders have influenced thinking</li> <li>• Systematic approach to reviewing regulatory interventions including periodic reviews</li> <li>• Responses to issues raised in between periodic reviews</li> </ul>

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<p>Understands the needs of consumers and the public interest and assesses the impact of its work in meeting their interests.</p>	<ul style="list-style-type: none"> <li>• Research into public concerns</li> <li>• Research into levels of public confidence in the regulator</li> <li>• Assessment of impact of regulator’s work in addressing concerns raised by and issues facing the public</li> </ul>
<p>Obtains and makes effective use of data, including by making it available to others, to inform how it meets the regulatory objectives.</p>	<ul style="list-style-type: none"> <li>• Data underpinning research results is published</li> <li>• Tracker and stakeholder perception surveys</li> <li>• Examples of data collected from the regulatory community</li> <li>• Performance against KPIs</li> </ul>
<p>Actively encourages innovation and innovators in the interests of improving access to services; identifies and mitigates risks appropriately without allowing them to become obstacles.</p>	<ul style="list-style-type: none"> <li>• Regulator has own innovation policy</li> <li>• Regulator demonstrates in-house innovation and technology capability or shows it has access to such capability</li> <li>• Horizon scanning</li> <li>• Engagement with stakeholders, including innovators, about benefits and risks of innovation</li> <li>• Changes to regulatory activities as a result of engagement</li> <li>• Use of waivers and exemptions to facilitate innovation</li> </ul>
<p>Committed to improving the diversity of, and reducing inequalities in, the profession at all levels and implements actions to reduce barriers to equality and inclusion.</p>	<ul style="list-style-type: none"> <li>• Regulator has own professional diversity and inclusion policy that takes account of current best practice</li> <li>• Regulator focuses on the protected characteristics in the Equality Act 2010 and socioeconomic diversity</li> <li>• Regulator takes action to address the barriers to equality, diversity and inclusion that it has uncovered</li> <li>• Diversity data collection, awareness and understanding of diversity initiatives and work being undertaken by others</li> <li>• Use of diversity data and analysis to evaluate effectiveness of actions and inform policy development</li> <li>• Collaboration with others to share data, insights from own initiatives and examples of good practice.</li> <li>• Regulator leads changes by setting aspirational goals for the profession</li> </ul>

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	<p>and recommending examples of effective initiatives to achieve them</p> <ul style="list-style-type: none"><li>• Regulator promotes the value of training for legal professionals on equality, diversity and inclusion</li><li>• Regulator highlights the importance of inclusive recruitment and working practices in the profession</li><li>• Regulator has effective processes in place to deal with professional misconduct, such as bullying and harassment</li><li>• Use of equality impact assessments</li></ul>
<p>Committed to improving, and reducing inequalities in, access to services for the public and consumers in all their diversity.</p>	<ul style="list-style-type: none"><li>• Regulator has own diversity and access to justice policies</li><li>• Regulator’s policies take account of current best practice</li><li>• Actions taken by regulator to address diversity issues it has uncovered</li><li>• Diversity data collection, awareness and understanding of diversity initiatives and work being undertaken by others</li><li>• Use of equality impact assessments</li><li>• Use of diversity data and analysis</li></ul>