

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
Thursday, 21 May 2015

Meeting time:
09.00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Agenda

1 Introductions, apologies and substitutions (09.00)

2 Papers to note (09.00 – 09.05) (Pages 1 – 3)

Additional information provided by the Federation of Small Businesses (Pages 4 – 33)

PTN 1 – Additional information provided by the Federation of Small Businesses

Additional information provided by The Law Society (Pages 34 – 114)

PTN 2 – Additional information provided by The Law Society

3 Auditor General for Wales Annual Plan 2015–16 (09.05 – 09.40) (Pages 115 – 162)

Huw Vaughan Thomas, Auditor General for Wales
Isobel Garner, Chair, Wales Audit Office Board

Kevin Thomas, Director of Corporate Services, Wales Audit Office
Gillian Body, Head of Performance Audit Practice and Assistant Auditor General,
Wales Audit Office

Paper 1 – Auditor General for Wales Annual Plan 2015–16
Research briefing

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Items 5, 6, 7, 8, 9 and 10

5 Auditor General for Wales Annual Plan 2015–16: Consideration of evidence (09.40 – 09.50)

6 Collection and management of devolved taxes in Wales: Consideration of draft report (09.50 – 10.10)

Paper 2 – Draft report

7 Renting Homes (Wales) Bill: Consideration of the Committee's response (10.10 – 10.25) (Pages 163 – 166)

Paper 3 – Draft letter

8 Environment (Wales) Bill: Initial consideration (10.25 – 10.40) (Pages 167 – 176)

Research briefing

9 Historic Environment (Wales) Bill: Initial consideration (10.40 – 10.55) (Pages 177 – 183)

Research briefing

10 Welsh Tax Forecasts (10.55 – 11.10) (Pages 184 – 186)

Research briefing

Finance Committee

Meeting Venue: **Committee Room 2 – Senedd**

Meeting date: **Wednesday, 13 May 2015**

Meeting time: **09.00 – 12.05**

Cynulliad
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Assembly for
Wales



This meeting can be viewed on [Senedd TV](http://senedd.tv) at:

<http://senedd.tv/en/3029>

Concise Minutes:

MeetingTitle

Assembly Members:

Jocelyn Davies AM (Chair)
Peter Black AM
Christine Chapman AM
Mike Hedges AM
Alun Ffred Jones AM
Ann Jones AM
Julie Morgan AM
Nick Ramsay AM

Witnesses:

Mark Drakeford AM, The Minister for Health and Social Services
David Pritchard, Welsh Government
Alison Machon, Welsh Government
Professor Dylan Jones–Evans, University of the West of England
Robert Lloyd Griffiths, Institute of Directors
Rob Hunter, Welsh Government
Doug Stoneham, HMRC
Dr Marie–Claire Uhart, HMRC

Committee Staff:

Bethan Davies (Clerk)
Leanne Hatcher (Second Clerk)

Tanwen Summers (Deputy Clerk)
Richard Bettley (Researcher)
Helen Jones (Researcher)
Joanest Varney-Jackson (Legal Adviser)

TRANSCRIPT

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the meeting.

1.2 No apologies were received.

2 Papers to note

2.1 The papers were noted.

3 Regulation and Inspection of Social Care (Wales) Bill: Evidence session 1

3.1 The Committee took evidence from the Minister for Health and Social Services.

4 Finance Wales: Follow up evidence session

4.1 The Committee took evidence from Professor Dylan Jones-Evans, Robert Lloyd Griffiths and Rob Hunter, Welsh Government.

5 Collection and management of devolved taxes in Wales: Evidence session 6

5.1 The Committee took evidence from Doug Stoneham and Dr Marie-Claire Uhart, HMRC.

5.2 Members noted the additional information provided by Revenue Scotland and the Welsh Local Government Association.

6 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

6.1 The Motion was agreed.

7 Regulation and Inspection of Social Care (Wales) Bill: Consideration of evidence

7.1 The Committee considered the evidenced received and agreed to write to the Chair of the Health and Social Care Committee.

8 Finance Wales: Consideration of evidence

8.1 The Committee considered the evidenced received and agreed to return to the matter at a future meeting.

9 Collection and management of devolved taxes in Wales: Consideration of evidence

9.1 The Committee considered the evidenced received.

10 Consideration of powers: Public Services Ombudsman for Wales: Options paper

10.1 The Committee agreed to write to both the Minister for Public Services and the Chair of the Communities, Equality and Local Government Committee.



Federation of Small Businesses
Ffederasiwn y Busnesau Bach
The UK's Leading Business Organisation
Mudiad Busnes Blaenllaw y DU



Better Regulation for Wales

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Acknowledgements

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This report can be downloaded from the FSB Wales website at <http://www.fsb.org.uk/wales/publications>

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The Federation of Small Businesses

The FSB Wales is non-profit making and non-party political.

The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

Foreword

Whatever business you are in, you will be regulated by someone. Whether it is the local authority, Natural Resources Wales or the Health and Safety Executive, regulators come in a variety of forms.

Regulation has an essential purpose. It fulfils the important role of setting out clear standards that can be enforced. Such standards are needed for a variety of reasons, they ensure that our food is safe and that dangers in the workplace are minimised.

Well-drafted regulation can make it easier for businesses to adhere to the standards that are expected of them. It can also remove potential barriers to economic growth.

But where regulation and the attendant guidance is poorly drafted, it can mean that those who run businesses may have to spend more time than necessary completing paperwork.

In the absence of clarity in regulations many public servants, whose role it is to enforce

regulation, face a difficult task in balancing competing concerns and this can often lead to ineffective results for all involved.

Poor regulation can also mean that enforcement varies significantly, not only between different authorities, but also between individual inspectors.

In this paper we call for the Welsh Government to adopt a better regulation approach. We need to ensure that regulation is handled in a sensible and proportionate manner that makes it clear what businesses need to do to comply and makes it as easy as possible for them to do so.

At FSB Wales we believe that a better regulation approach for Wales can benefit both those who are regulated and the regulators themselves. It is time that Wales properly embraces better regulation principles so that we have a system of regulation that our modern nation requires.

Janet Jones
Chair, FSB Wales Policy Unit

At FSB Wales we believe that a better regulation approach for Wales can benefit both those who are regulated and the regulators themselves.

Executive Summary

Greater devolution to Wales has increased the scope and breadth of powers available to Welsh Government and the National Assembly to regulate in Wales. This has not been accompanied by the development of a *Better Regulation* agenda as it applies in Wales, despite notable developments elsewhere in OECD countries.

Businesses in Wales now have three main sources of regulation to comply with: the National Assembly for Wales, the UK Parliament and the EU Commission. The Welsh Government should seek to improve the process of creating regulation to ensure new legislation accurately measures the impact on public bodies and businesses.

A number of EU countries have developed *Better Regulation* policies to ensure regulation achieves important policy aims whilst ensuring the burden on businesses is proportionate. In particular, Sweden and the Netherlands have developed innovative policies in this area, seeking to accurately measure

the cost to business of regulation and setting stringent targets for reductions in regulatory costs. Both also place a strong emphasis on dealing with EU regulation.

The Welsh Government should make a clear statement of intent on regulatory policy, creating a *Better Regulation* agenda for Wales. The first step in delivering this would be to assign a Welsh Government department the responsibility for regulatory reform. This could reside with the First Minister's Delivery Unit or a reformed Welsh Treasury. Ultimately, this should seek to deliver;

"a noticeable, positive change in the day-to-day operations of businesses".

The Welsh Government should establish a Regulatory Reform Group for Wales, building on the Dutch and Scottish examples. This would serve as a focal point for private sector and SME engagement with the agenda within central government and should encourage best practice in the creation and delivery of regulation. It should also

Businesses in Wales now have three main sources of regulation to comply with: the National Assembly for Wales, the UK Parliament and the EU Commission.

be supported by a dedicated team within the Welsh civil service.

This could cost between £500,000 and £1,000,000 to implement annually but would be an investment in a more competitive private sector, drawing on existing invest-to-save principles.

The proposed Regulatory Reform Group for Wales would work with the Welsh Government's lead department on *Better Regulation* to inform future Regulatory Impact Assessments. Crucially, this process would be embedded across government departments at an early stage in the policy-making process.

Following the example of the Netherlands, the National Assembly for Wales should adopt a Practicability and Enforcement Assessment process. This would ensure any regulation that is created would have a reasonable chance of achieving its stated aims.

Currently, the Welsh Government commissions the *Better Regulation* Delivery Office (BRDO) to deliver schemes such as the Primary Authority Scheme in Wales. While this is welcome, there is considerable room for improvement in policies aimed at dealing with the delivery of regulation by local authorities and public bodies in Wales.

The Regulatory Reform Group for Wales would take a lead in commissioning work to improve delivery of regulation across Wales. This would build on the current programme led by the BRDO and would seek to ensure practical enforcement is taking place in line with proportionate and risk-based approaches to regulation.

Finally, the Welsh Government should place the Regulators' Code or an equivalent on a statutory basis. The Welsh Government should also monitor developments in Scotland with the Scottish Government's Regulatory Reform (Scotland) Act 2014 and introduce a Regulatory Reform (Wales) Bill to deliver on the objectives set out above for Wales.

Following the example of the Netherlands, the National Assembly for Wales should adopt a Practicability and Enforcement Assessment process.

1. Introduction

The regulatory reform agenda in the UK has developed significantly during the last few decades, seeking to reduce the impact of regulatory burdens on business whilst protecting people and the environment from harm.

There have been significant milestones in the *Better Regulation* agenda from parties of all colours, including the publication of the Hampton Principles of regulation, the foundation of the Regulatory Policy Committee in 2009 under Labour and the current coalition government's One In Two Out policy and Statement of New Regulation publications¹.

However, the pace of change at Parliament and Whitehall has been diluted in Wales as the embryonic National Assembly for Wales (and of course the Welsh Government) has gained greater autonomy. The culmination of this was the 2011 referendum on primary legislative powers, empowering the National Assembly for Wales to develop primary and secondary legislation on a wide range of issue affecting businesses in Wales.

This means that the need for a distinctly Welsh *Better Regulation* agenda has never been greater. The National Assembly can now legislate on a large number of business issues whilst the Welsh Government has a direct role in the delivery of regulation. The impact of this takes effect at many levels.

The gaping void in this area has left businesses and regulators unsure of their joint objectives, leading to a number of unanswered questions, such as: which Minister has the lead for this in Welsh Government? What is the direction of travel in terms of regulatory burden and how will this be achieved?

The way the National Assembly for Wales creates legislation also needs to be reviewed, focusing on Regulatory Impact Assessments. Most recent National Assembly guidance on this issue relates to the Measures system which is now significantly out of date². At a time of growing legislative capacity, this is not acceptable and a system more befitting of a national parliament is necessary.

The National Assembly can now legislate on a large number of business issues whilst the Welsh Government has a direct role in the delivery of regulation.

Delivery of regulation is perhaps the most important aspect of regulatory policy. How does guidance for enforcement officers impact on businesses? Many businesses complain about heavy handed enforcement. This is not necessary when other nations provide risk-based, proportionate approaches to regulation that have generated significant good practice.

The *Better Regulation* Task Force claimed that the regulatory burden on UK Business was £100bn in 2005³. Data on how large this burden is in Wales is unavailable but making an assumption based on Wales' GVA or population share would lead to an estimate of between £3.5bn and £4.8bn. Most recent figures for Wales compiled for 2012 show a total Workplace GVA of £47.3bn⁴. Therefore, not taking into account inflation since 2005, the costs of regulation could be anything between 7 – 10% of Welsh GVA annually. While this is a relatively conservative estimate using the limited data available, further examination is needed on the state of play in Wales.

That is not to say this regulatory burden is unnecessary, many of the rules relate to social or economic regulation that achieves important policy objectives. However, it does highlight the margins within which a smart approach to the regulatory burden in Wales could drive competitiveness whilst achieving serious policy aims. In examining the case for a *Better Regulation* agenda for Wales, this document draws on case studies from across Europe and other OECD countries.

***Most recent
figures
for Wales
compiled
for 2012
show a total
Workplace
GVA of
£47.3bn***



2. Diagnosing The Problem

Wales can create a competitive regulatory environment without having to re-invent the wheel. Examples of good practice exist across Europe and beyond that could be adapted and adopted in Wales. We have a largely blank sheet of paper to work with so bold action could lead to significant results for Welsh businesses and regulators.

In recognising the importance of regulatory burdens to micro-businesses, the Welsh Government's Micro-Business Task and Finish Group, which reported in January 2012, said the following in relation to Welsh regulation:

*"Although this is arguably an area in which the Welsh Government has fewer direct policy or legislative levers, it is perhaps worth exploring some of the approaches that other governments have pursued, not least in the context of the new legislative powers the Welsh Government now has following the recent referendum."*⁵

The Task and Finish Group rightly identified the need to examine other countries' approach to regulatory reform. This document takes this further by describing the policy, process and delivery aspects of several European countries' *Better Regulation* policies. The inspiration for this analysis comes from the OECD's examination of regulatory reform in the EU15 project⁶.

Regulatory reform should not be about policy formulation. Rather, it should seek to ask whether regulation is the best means of achieving a policy's aims. If regulation is the answer, it should seek to quantify the impact and ensure that any regulation developed has a limited and proportionate impact on businesses whilst achieving the policy's aims.

This approach was perhaps best encapsulated in the Hampton Principles, set out by Sir Philip Hampton in his review entitled:

*'Reducing administrative burdens: effective inspection and enforcement'*⁷.

Regulatory policy in Wales

What is regulatory policy?
The OECD describes the *Better Regulation* agenda as:

*"... (A)n explicit, dynamic, and consistent 'whole-of-government' policy to pursue high-quality regulation. A key part of the OECD's 2005 Guiding Principles for Regulatory Quality and Performance is that countries adopt broad programmes of regulatory reform that establish principles of "good regulation", as well as a framework for implementation. Experience across the OECD suggests that an effective regulatory policy should be adopted at the highest political levels, contain explicit and measurable regulatory quality standards, and provide for continued regulatory management capacity".*⁸

To date, there has been very little development of a *Better Regulation* policy from Welsh Government meaning that as the capacity to increase regulation has grown in Wales, the *Better Regulation* agenda has not progressed.

During the third Assembly the then Minister for Finance and Public Service Delivery, Andrew Davies, set out a policy for inspection, audit and regulation for Wales, the closest example of a coherent policy statement.⁹

This had four key components. Firstly, there was a contract with the *Better Regulation Delivery Office* (BRDO-formerly the *Local Better Regulation Office*) via the Department for Business, Innovation and Skills for the delivery of support and guidance for the primary authority scheme¹⁰. This is still in operation and is supported by £200,000 from the Welsh Government's Communities and Local Government Department according to most recent information¹¹. This is discussed further in the delivery section of this report.

Secondly, there was a statement of expectation that the Hampton Principles would be applied with regard to the statutory requirements of Welsh Assembly Government policies¹². The wording of the statement allowed for an expectation only, however, meaning that in practice regulatory bodies are not compelled to heed best practice, something to which all regulators in Wales should aspire.

The third element of the statement sought to create reporting mechanisms of 'external review bodies', that is bodies involved in inspection, auditing and regulation, to assess the impact of proportional approaches to regulation to be implemented with the 2009 – 10 year as the first annual report¹³. The first and only annual report labelled progress at implementation as 'ongoing' and 'in-progress' without any firm timeframe for delivery¹⁴.

There have been no subsequent reports in this area.

Finally, the statement called for the Regulators' Compliance Code to be made applicable to all regulatory functions in Wales through Welsh Ministers' statutory powers by March 2010¹⁵. The Regulators' Compliance Code is a code designed by the UK Government to crystallise the Hampton Principles for non-economic regulators¹⁶. A recent BRDO publication supported by Welsh Government and BIS suggests, however, that this has not yet taken place¹⁷. Furthermore, the UK Government has since updated the Regulators' Compliance Code in 2013. Therefore, the current Code applies only to non-devolved functions operating in Wales and has not been formally implemented by the Welsh Government.

Sir Philip Hampton set out core principles for better regulation in his influential 2005 report entitled *'Reducing administrative burdens: effective inspection and enforcement'*. The Hampton Principles are as follows:

- Regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on the areas that need them most
- Regulators should be accountable for the efficiency and effectiveness of their activities, while remaining independent in the decisions they take
- No inspection should take place without a reason
- Businesses should not have to give unnecessary information, nor give the same piece of information twice
- The few businesses that persistently break regulations should be identified quickly and face proportionate and meaningful sanctions
- Regulators should provide authoritative, accessible advice easily and cheaply
- Regulators should be of the right size and scope, and no new regulator should be created where an existing one can do the work
- Regulators should recognize that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection.

This therefore does not suggest a positive environment currently exists in Wales.

While the 2009 statement is clearly welcome it is limited in its reach and provides little resource to effect change. It was also quite clearly made in a context of limited legislative power for the National Assembly with an expectation that the frameworks would be designed at Westminster. For instance, the report states:

*"We work with the Better Regulation Executive in the UK Government and with the Local Better Regulation Office to promote a consistent approach across the UK"*¹⁸.

While this may have been appropriate for the pre-2011 competencies of the National Assembly, it is not fit for purpose in today's Wales. Indeed, there are quite clearly three drivers of business regulation in Wales today: namely the National Assembly, the UK Parliament and the European Union.

It is only at the devolved level, however, that we find an absence of *Better Regulation* policies and this is operating in a context where the Welsh Government admits that *"new regulations over time and differing patterns of organising how they are enforced has resulted in a complex system"*¹⁹.

Looking forward, the Welsh Government's current Programme for Government has little to say on regulation and made no commitment to *Better Regulation* principles. Where reference to regulation was made, it was around increasing the regulatory burden, for instance

*"Use building regulations to move towards zero carbon building"*²⁰. Whilst this might be to deliver positive policy outcomes, there was little recognition of the burdens this might place upon the companies concerned, leading to an absence of robust cost-benefit analysis.

For micro firms in particular regulation can be a barrier to growth with the Micro-Business Task and Finish Group suggesting that the Welsh Government should *"(Simplify) regulations within Welsh Government powers (across all departments) to make it easier for micro-businesses to sustain and grow their businesses"*²¹. In response, the Welsh Government stated only that it would continue its work with the BRDO without providing any new initiatives or resources to the *Better Regulation* agenda²².

Therefore, now is the time to examine the Welsh approach and carve out an agenda that drives competitiveness. The recent BRDO mapping document has reiterated this sense of urgency, stating:

"Following the creation of Natural Resources Wales, and as Welsh law making powers bed in, now is a good time to take stock of the regulatory system to understand its scale and complexity".²³

Regulatory Impact Assessments

In Wales, any new legislation is accompanied by a Regulatory Impact Assessment (RIA) as set out under Section 76 of the Government of Wales Act 2006 which dictates that Welsh Ministers must make a code for their application.²⁴ However, the interpretation of this duty is merely procedural. It is for

the Welsh Government to decide on regulatory policy in Wales. The most recent guidance in this process for Welsh legislation was set out on 20th October 2009 and focused exclusively on the National Assembly's then limited Measure making capacity as well as subordinate legislation.

While secondary legislation is still very important in devolved areas, the Measure making and LCO process is now defunct. However, the system set out under this code continues. This is despite an obligation to periodically review the appropriateness of the code, which is now almost five years out of date.

The process set out in the code states that the Welsh Ministers should draw up RIAs to accompany any Welsh legislation. This means the RIAs are completed in-house with the relevant government department taking the lead on assessing the impact of new regulation with the help and guidance of the Strategic Planning Finance and Performance Department.²⁵

The recent review of the Welsh Government's Business Scheme highlighted the weaknesses in the current system. The review included consultation with Wales' Social Partners, organisations representing the private sector and the trades unions. It concluded that:

"Social partner organisations generally believed that the Impact Assessments prepared by the Welsh Government to assess the effect of new policy and legislation on business were either poor or non-existent. A particular concern for social partners is that the Welsh Government does not always assess or recognise the cumulative effect of policy changes and legislation".²⁶

Case Study

“My business provides propane and butane gas products to domestic and commercial customers across Wales. We currently operate across a number of sites in mid and north Wales. Our products are heavily regulated by European legislation and as a result by UK authorities such as the Health and Safety Executive. As such, our contact with Welsh Government regulation is limited.

Our most recent involvement with Welsh regulation relates to the recent passage of the Welsh Language Measure. At the outset, as a company dealing with gas, we were included in the proposed measure. This was because one of the targets of the legislation was the ‘big six’ energy companies that supply to domestic consumers. We were fortunate enough to provide evidence to an Assembly Committee examining this issue and set out our case for why, as an SME working in a very different market to large utility companies, we should be excluded from the legislation. This was accepted by the Welsh Government in the final Measure.

Our only disappointment with this process was that it was only by chance that we found out about the legislation and were able to become involved in its passage. This suggests that the Welsh Government and National Assembly engagement with business is ad hoc and this could be improved in the future.”

The review went on to call for an improved process for assessing the impact of regulation on Wales’ firms.

Best practice elsewhere in the UK and more widely suggests a degree of independence in this process is beneficial in ascertaining the true cost of regulation. This is not present in Wales at the moment. However, the Welsh Government has recently recognised change is needed with a joint BIS and Welsh Government mapping document stating that:

“the Welsh Government plans in the longer term to develop a methodology for assessing the cumulative impact of its programme of legislation on key stakeholders and sectors. In particular, this will assess the cumulative regulatory burden and impacts on sectors affected by the current legislative programme”.²⁷

Whilst this statement is undoubtedly welcome, it lacks the urgency needed to ensure Wales’ regulatory burden is carefully assessed and serves not to over-burden business.

Delivering regulation

Wales has a number of regulators that deliver regulation set out by Welsh Government. These include local authorities as well as public bodies such as Natural Resources Wales and the Food Standards Agency²⁸. A common concern amongst FSB Wales members is that, in practice, delivery of the regulatory agenda is heavy handed and inconsistent. For example, a recent survey of FSB Wales members highlighted that 57 per cent of members believed regulation would increase as a result of Welsh Government policy. Significantly, only 1 per cent believed there would be a decrease²⁹.

While there is a multitude of organisations involved in delivering the regulatory agenda, there is little in the way of best practice in how to ensure that regulation is applied proportionately. For instance, the Hampton principles encourage a risk-based approach that is largely absent in Welsh enforcement as discussed previously.

Interestingly, some of the work done by Westminster extends to local authority functions that are not devolved, so the agenda is not entirely unfamiliar to Wales. However, there is little by way of Welsh Government support for best practice in delivering regulation in Wales, with the exception of a project with the BRDO from the Department for Business, Innovation and Skills. This is funded by a £200,000 grant to the BRDO which BIS describes as:

“Welsh Government has supported a bespoke regulatory delivery-focused programme of work in Wales since October 2009 through an annual grant allocation of £200,000. This is used primarily to fund the co-ordination of the work programme by a dedicated BRDO officer working in Wales and its delivery by a range of BRDO staff”.³⁰

The involvement of the BRDO in aiding the delivery of schemes such as the primary authority scheme in Wales is undoubtedly welcome.

However, the very limited funding made available for improving delivery suggests this issue is undeveloped in Wales. As a result, businesses cannot be confident that they are being regulated proportionately and effectively by regulators in Wales. Furthermore, when compared to other UK nations, a larger number of members in Wales report an increase in the cost of regulation over the last year (see Figure 1)³¹.

Notably, in a recent UK wide survey, 61 per cent of respondents stated that the cost of complying with regulation was more than £1,000 per year, with a further 10 per cent claiming it cost £10,000 per year or more. This would suggest that the quality and equitability of regulatory enforcement can have a significant impact on the economic well-being of many of Wales' micro, small and medium-sized enterprises. Information from the FSB UK report, Regulatory Reform: Where Next? outlined in Figure 2 below highlights the aspects of regulatory compliance that were deemed challenging³².

This would suggest that the time involved in compliance and the regular changes in regulations are difficult for small firms to manage. Moreover, 47 per cent suggested completing paperwork and filling in forms were significant challenges. When considering the sheer range of areas where regulation impacts upon FSB Wales members, there is clearly a need for the agenda to be pursued at a devolved level.

Figure 1 Q12. Has the overall cost of complying with regulation increased, decreased or remained the same over the past 12 months ? (Base: 1943; Wales; 97)

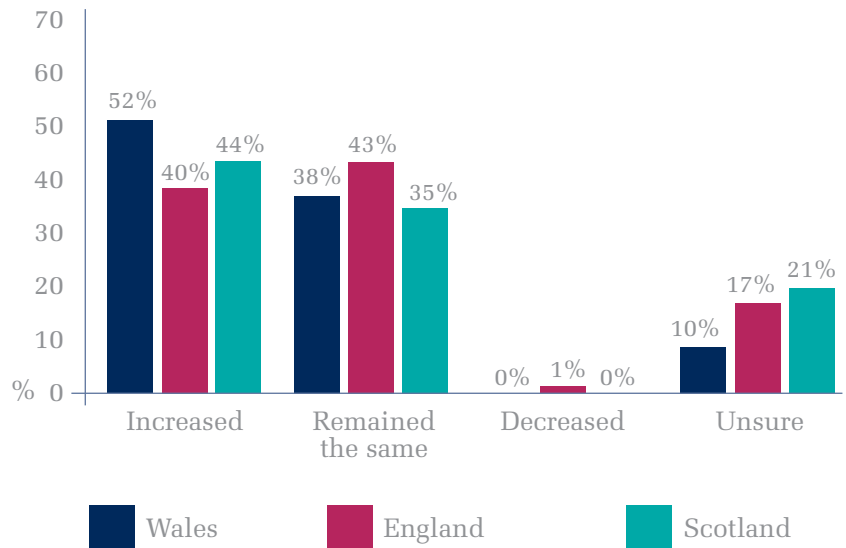
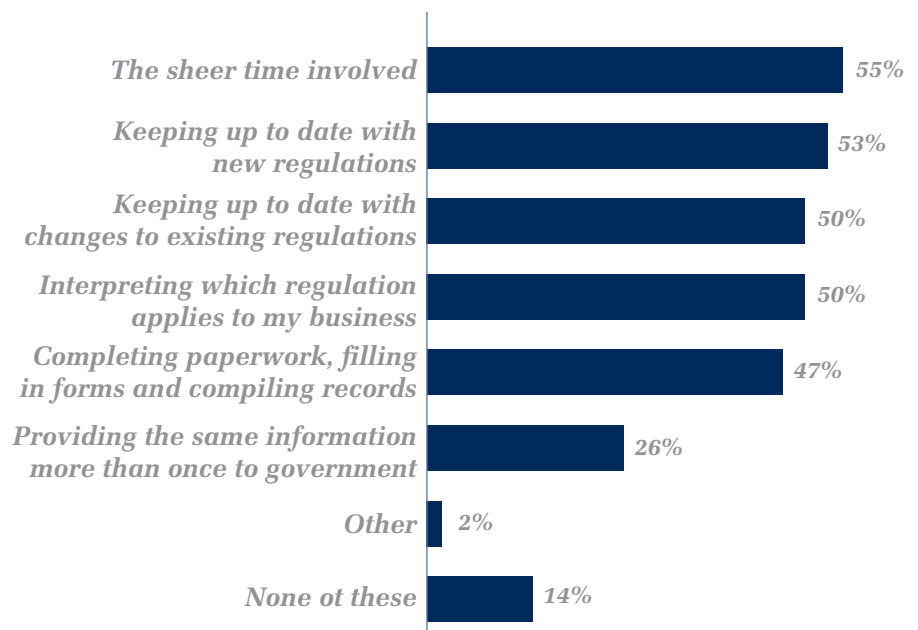


Figure 2: Challenges of regulatory compliance'



Question: Which of the following aspects of regulatory compliance do you find most challenging to deal with, if any ? (Base: 1,669.)



Case Study

“I run an estate and lettings agency and also operate on behalf of a building society. The business has been operating for around 28 years and employs around 8 members of staff in the local area. We recently came across regulation around the planning system in Wales, specifically relating to advertisements on our premises. Noticing that many other businesses locally had similar advertisements on their buildings, we installed a sign describing our services on the side of the premises.

The local authority was quick to respond to our sign and issued us with an enforcement notice asking us to remove the sign or apply for planning permission with a fee of £360. Unfortunately, the correspondence related to a different property and appeared to describe the situation of another business. When queried, another letter was issued again with incorrect details. After significant correspondence the local authority finally issued a response with correct and relevant information and we were able to acquiesce accordingly. The fee for planning permission was corrected to £90, which was significantly different to the original quotation of £360; however we were strongly discouraged from applying for permission in correspondence from the local authority department. Our experience of this process was time consuming and it was difficult to ascertain the necessary information from the local authority.”

The Welsh Government recently provided additional funding to the National Audit Office for a survey of business perceptions of regulation³³. This suggested that 40 per cent of businesses in Wales thought that dealing with local authorities was a burden compared to a UK figure of 30 per cent. This is a concern as many regulatory functions are exercised by local authorities. Wales also has a greater level of employment with small firms compared to the rest of the UK, firms that are unlikely to have resources available for dealing with regulatory burdens³⁴. Furthermore, it states that 35 per cent of businesses in Wales report inconsistency between local authorities with only 19 per cent believing the approaches to regulation from government were joined up. Clearly there is a lot of work to be done on the delivery of regulation for businesses in Wales.

When considering the sheer range of areas where regulation impacts upon FSB Wales members, there is clearly a need for the agenda to be pursued at a devolved level.

3. Approaches to Regulation Elsewhere

In order to understand the best approach to regulatory reform in Wales it is beneficial to examine best practice from elsewhere in Europe and beyond. This section will begin by analysing approaches taken by other governments in the OECD and will draw conclusions on the lessons learned for Wales.

Sweden

The *Better Regulation* agenda in Sweden is now well established after a period of consolidation since 2006. One of the weaknesses noted pre-2006 by the OECD was the patchy existence of regulatory policies that were not integrated in a formal whole of government policy.³⁵ This was rectified with the announcement of the *Better Regulation Programme* in autumn 2006, accompanied by the *Action Plan for Better Regulation*.³⁶

The policy rests on five main priorities, reported annually to the Riksdag and is supported by a simple guiding principle which is

“to achieve a noticeable, positive change in the day-to-day operations of businesses”.³⁷ The first is the accurate measurement of administrative costs to businesses of regulation. This established a baseline of costs from regulation to businesses and set a monitored target reduction of 25%. Secondly, the Swedish Government also strengthened its impact assessment process and set strong guidance on proportionality.

The third reform was to create the *Better Regulation Council* a body that examines the form and content of proposals for new and amended regulations that could have a significant impact on the conditions under which businesses operate. This was done in tandem with high levels of consultation with the business sector, which was the fourth element of the policy.

Finally, an action plan for better regulation was drawn up, reporting annually on the work done to simplify regulation. This increased transparency and set measurable targets, objectives and outcomes. The Swedish example provides an

interesting context for Wales and highlights how *Better Regulation* policies can be rooted in day-to-day business activities.

Aside from domestic regulation, Sweden also has specific measures in place to deal with the transposition of EU Directives. These account for around 50 per cent of the administrative burden on businesses³⁸.

This source of regulation is described by the OECD as “a prominent aspect of Swedish preoccupations over *Better Regulation*” with significant emphasis placed on influencing regulation at all stages, from the EU Commission level through to transposition and implementation³⁹. Importantly, transposition normally takes place via the relevant department, but with oversight from the Prime Minister’s Office EU Co-ordination Secretariat that provides guidance on issues such as the avoidance of gold plating⁴⁰.

Case Study

“As a company providing recycling services we are actively regulated by Natural Resources Wales (and previously the Environment Agency) and various local authorities. We currently provide services to local authorities, as well as commercial operators. Our experience of regulation in Wales is therefore broad and varied. Following changes to cost recovery procedures for local authorities, we have seen a significant rise in the number of compliance visits from officers. This has led to a situation where we were inspected very infrequently, to a situation where we are inspected four times a year at a cost to the business of £280 per visit. While our business is compliant, this has added to the cost of the regulatory process. Given the nature of our business, we have to deal with local authorities outside of our area and this sometimes leads to additional complexity and time requirements.

In terms of regulation by NRW, we are charged around £20,000 in terms of subsistence fees and compliance visits. We submit data reports on a monthly, quarterly and annual basis on the environmental state of the sites we operate. This results in costs in presenting the data in a format acceptable to NRW and roughly 1.5 days of staff time per submission. We have recently discovered that larger businesses that are similarly regulated have moved towards a less onerous system whereby the data is collated but submitted only on an annual basis, with an assumption that if the trends become of concern the full reporting system could be reintroduced. An audit and inspection process that takes such a risk based approach could be of benefit to our business.”

Scotland

The Scottish Government recently passed the Regulatory Reform (Scotland) Act 2014 at Holyrood, marking the next step in the *Better Regulation* policy agenda which has existed under the three previous Scottish Governments⁴¹. As a devolved nation in a UK and European context, the Scottish agenda resonates well with the situation in Wales.

FSB Scotland has previously engaged with this issue, highlighting central government's role in Edinburgh in providing the guidance and support needed for local authorities and other public bodies to deliver *Better Regulation* whilst ensuring the impact of new regulation is proportionate⁴².

The Scottish Government's *Better Regulation* agenda seeks to:

*“...support the Economic Purpose (to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth) and all the related elements of the National Performance Framework”.*⁴³

The policy aims to eliminate “obsolete and inefficient” regulation by championing the five principles of better regulation – Proportionate, Consistent, Accountable, Transparent and Targeted. There is also a commitment to measure the impact of regulation by using ex ante impact assessments called Business and Regulatory Impact Assessments (BRIA).⁴⁴ Since their introduction in 2010, BRIAs have been subject to annual reporting mechanisms to highlight regulatory impact.

While BRIAs have undoubtedly been a step forward for regulatory impact assessments in Scotland, there are still concerns around how embedded they are in the regulatory process. For instance, the Regulatory Review Group recently raised concerns that the development of BRIAs is frequently seen as an additional task rather than integral part of policy development and this inhibits BRIAs being implemented early on in the policy-making process⁴⁵. However, anecdotal evidence suggests businesses involved in the BRIA process have found it informing and beneficial, leading to better regulatory outcomes.

The final pillar of the Scottish Government's regulatory policy is to work with regulators on delivery at a local level by liaising with its Regulatory Review Group (RRG). Like many other European regulatory policies, the RRG has

an independent membership that enables external stakeholders to challenge regulatory policy.

The next step in the Scottish Government's policy is the implementation of its Regulatory Reform (Scotland) Act 2014 which will provide a duty on regulators to promote sustainable economic and business growth as well as set out a code of practice for regulatory functions. The debate around the Scottish Act and its success or failure will undoubtedly inform the debate around regulatory policy and the potential for legislation in Wales.

Westminster

Westminster provides an obvious comparison for regulatory reform as an arena where legislation impacting on Wales has and continues to be created. Significant activity on the regulatory agenda (including the *Better Regulation* Task Force

estimating that in 2005 that businesses in the UK were subject to an annual regulatory burden of £100bn) culminated in the creation of the Regulatory Policy Committee (RPC) in 2009⁴⁶.

This Committee is designed to analyse government departments' RIAs to ensure the true impact of regulation is being assessed in the decision making process (see Figure 3).

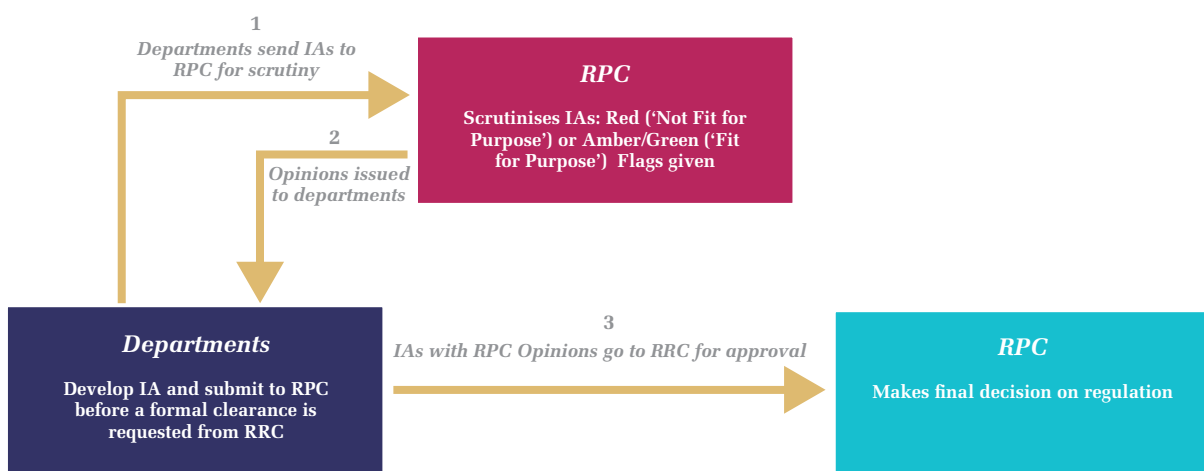
The Regulatory Policy Committee plays a pivotal role in scrutinising the evidence base for proposed regulations. It is an independent advisory Non-Departmental Public Body – sponsored by the Department for Business, Innovation and Skills. The chair is also independent with extensive business experience.

If the RPC rates an impact assessment (IA) as 'red' (not fit for purpose) then it should be sent back

to the department or regulator for changes; however, this system can be overridden by Government. This has happened on nine occasions since the system was set up, in which cases the RPC publishes its opinion on the proposed regulation⁴⁷.

The recent introduction of the Small and Micro Business Assessment to IAs at the Westminster level should also improve this process further. This aspect of the IA forces policy developers to consider the particular impact that an IA will have on a small or micro-business. They will also have to think about how they can mitigate any undue burdens that a small or micro-business may face. In some circumstances this may be an exemption of some description, although we recognise that this may not always be appropriate, but can be other measures such as delayed implementation or different reporting measures.

Figure 3: Summary of the RPC role in the clearance of regulatory proposals



Source: RPC 2011

Following independent scrutiny, the IA is then passed on to the Reducing Regulation Committee, a cabinet sub-committee that ensures the regulation meets the government's wider regulatory agenda.

The UK Government focuses on improving delivery of regulation via two bodies, the *Better Regulation Executive* (BRE) and the *Better Regulation Delivery Office*. The *Better Regulation Executive's* role is to "*(take) forward the Government's better regulation agenda*"⁴⁸. This body resides in BIS, and has responsibility for helping to implement deregulatory policies and provide expert advice and support to departments and regulators on simplification and burden reduction and to improve the quality of new regulation. In addition to these functions, it also produces the Statement of New Regulation and guidance on how to implement policies such as Sunset Clauses and One In Two Out – the system whereby no new regulations can be brought in without a regulation of a similar or greater impact being removed.

The *Better Regulation Delivery Office* (BRDO) sits alongside the BRE in the Department for Business, Innovation and Skills. It looks at how regulation is delivered on the ground as well as helping to administer the Primary Authority Scheme. The Primary Authority Scheme allows local authorities to provide a lead relationship with businesses to avoid duplication of regulatory burdens.

There is an expectation that regulators follow the Hampton principles that arose from the review by Sir Phillip Hampton in 2005. This sought to ensure enforcement and compliance was based on risk and

minimised the impact on businesses whilst still achieving regulatory objectives⁴⁹. This was crystallised in the Regulators' Compliance Code that provides solid principles to regulators on following the Hampton principles.

Netherlands

The Netherlands is often viewed as a leader on the better regulation agenda with strong procedures in place to ensure a consistent approach. The OECD comments that: "*achievements so far have been significant in the programme to reduce burdens on the business community, and considerable by international standards*"⁵⁰. The systems for dealing with regulatory burdens continue to develop, in particular regarding the stock of regulation.

The Regulatory Reform Group (RRG) is a recent development which grew out of a merger of a number of other institutions. The RRG produces biannual reports for Parliament. It provides training and guidance on better regulation issues across government. In addition, there is a Steering Group for *Better Regulation* for the four main government departments.

Alongside these internal groups is an independent watchdog, the Advisory Board on Administrative Burdens (ACTAL). This body has had a key scrutiny and advisory role as well as being a driving force for regulatory reform. ACTAL has now become a statutory body.

This independent oversight of progress on this agenda is a crucial addition to the advice it provides to Cabinet.

The regulatory reform agenda appears to be becoming embedded in the thinking of the Dutch Government and is producing results. However, concerns have been raised that the institutional framework remains fragmented, and therefore weak.

This is an important lesson for Wales: too many institutions involved in the agenda may in fact weaken the structure. Focusing on fewer institutions works better and allows for external stakeholders to engage more usefully.

In relation to enforcement and delivery, the Netherlands has been recognised by the OECD as "*(engaging) in pioneering work to ensure that compliance and enforcement are considered at the start of the rule-making process*"⁵¹. As part of a well defined and clear agenda, local and national players are involved in sharing best practice with municipalities being used to test pioneering practice.

The Ministry for Justice is the lead department with its Inspection Council working closely with the Regulatory Reform Group. There are three aspects to this policy in the Netherlands. The Directives on Legislation are designed to ensure that it is possible to adequately enforce regulations before they are adopted.⁵² This forces rule makers to consider how regulation will be enforced and set out principles for improving enforceability, including minimising scope for different interpretations, minimising exceptions, directing rules at "situations which are visible or which can be objectively established" and ensuring practicability for both enforcers and the regulated⁵³.

This is then reinforced in the impact assessment process via a 'Practicability and Enforcement Assessment'. This facilitates identification of the effects of proposed legislation for implementing and enforcement authorities.⁵⁴ The Netherlands has focused on a considerable risk based approach to enforcement. This is done by carrying out risk analysis based on estimations and measurement of non-compliance as well as the credible effects of non-compliance. This is then agreed with lead ministries to ensure it reflects wider priorities.

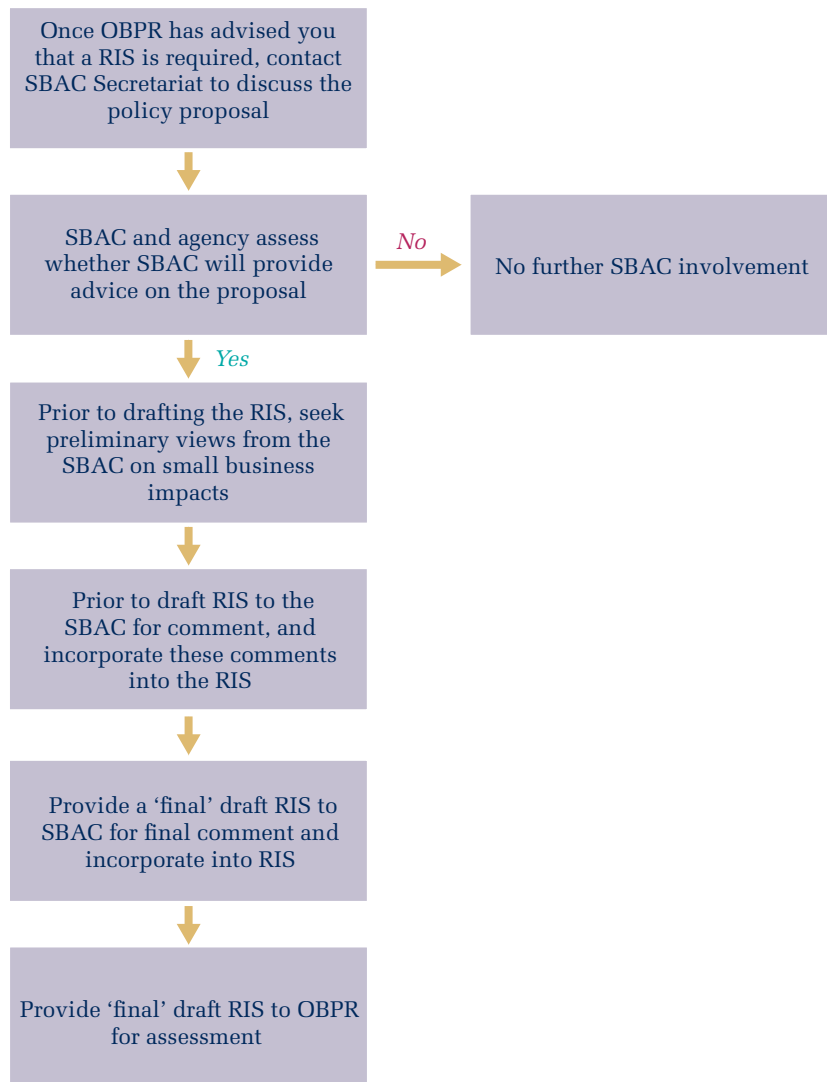
Australia

The Australian system benefits from a high level of transparency. In the Australian model, there are three central actors. The deregulation group sits within the Department of Finance and Deregulation and comprises the Deregulation Policy Division and the Office of Best Practice Regulation (OBPR).

Perhaps the most obvious lesson for Wales from Australia comes from another actor, the Small Business Advisory Committee (SBAC). The SBAC assists departments or agencies to understand the impact that regulations in development may have on small businesses.

The deregulation group within the Department of Finance performs a number of functions. Most important are its duties to support departments in implementing deregulation policies as well as reporting publicly on their progress – a similar role to those of the *Better Regulation* Executive and Regulatory Policy Committee in Westminster combined.

Figure 4: Role of the Small Business Advisory Committee in Australia⁵⁵



(RIS refers to Regulatory Impact Assessment. SBAC refers to the Small Business Advisory Committee and PBPR refers to the Office of Best Practice Regulation.)

Meanwhile the OBPR offers regular training for policymakers on IAs as well as on how to comply with deregulatory requirements. It publishes views on each individual impact assessment online soon after the proposal is made public. The OBPR also produces an annual report on Government's overall compliance with deregulatory measures, including the performance of departments and government agencies across a range of deregulatory measures.

This public assessment provides a powerful incentive for departments and agencies to prioritise this policy objective.

SBAC has a key role in the government's deregulatory agenda and sits within the Australian equivalent of the Welsh Government's Economy, Science and Transport department (ETS). The SBAC is composed of independent individuals who have extensive knowledge of business.

However, the SBAC's role is not formal, and it only provides advice to, "improve the quality of regulation and minimise compliance costs for small business by being involved throughout the development of the Regulation Impact Statement process"⁵⁶.

It may recommend that an IA needs to pay further attention to factors that have not been fully considered or on which more information is needed. This advocacy body has the potential to ensure that the interests of small businesses are constantly considered in the development of regulation, something that is currently inadequate in the RIA process in Wales.

Belgium

Given the diverse nature of responsibilities in the Belgian state, the *Better Regulation* agenda is articulated at numerous levels of government. At the Federal level, the main approach is the *Kafka* plan building on a commitment to reduce red tape.⁵⁷ The *Kafka* test was applied to impact assessments in 2001, which sought to measure the impact of regulations at an early stage. This has since been augmented with a sustainability test, measuring the economic, social and environmental impact.

One of the perceived weaknesses of the Belgian regulatory agenda is the lack of coordination between programmes⁵⁸. That said, the strength of the *Kafka* brand has enabled the issue to be raised up the political agenda.

This has been reinforced by the Administrative Simplification Agency (ASA) which works across federal, regional and local levels to promote

best practice.⁵⁹ Belgium provides an interesting case study for Wales. Its decentralised state proves challenging for regulators that work in differing political contexts.

The federal nature of the Belgian state also provides an example for Wales of how transposition of EU Directives can be carried out within a decentralised framework. Negotiations on the nature of Directives takes place at an EU Commission level with the Belgian Federal Public Service for Foreign Affairs (FPS) playing the role of coordinator for the various Belgian governments involved in the subject matter.

Importantly, this includes coordination at both a political and administrative level. A pilot authority is then appointed by the FPS for Foreign Affairs to monitor transposition by the responsible department or federated state.

Lessons for Wales

The examples set out in our country analysis provide a snapshot of regulatory policies in other developed nations. Perhaps the first lesson for Wales is that a clear statement of direction in terms of regulatory policy is usually a prerequisite to policy success. Wales needs similar well-articulated and bold action from Welsh Government.

The Swedish example sets out very clear principles for the regulatory policy agenda as well as a vision for what that policy should achieve "a noticeable, positive change in the day-to-day operations of businesses". This principle, coupled with clearly measured and transparent targets, has helped

drive their agenda and provides an articulated policy to which business and regulators can subscribe.

Scotland has shown that within the context of a devolved legislature it is possible to make the regulatory agenda apply across government. Their ambitious proposals to ensure regulators are contributing to sustainable economic and business growth should embolden *Better Regulation* principles. There are clearly parallels in the way regulation is delivered in Scotland and Wales with local authorities being a key agent for change. Any Welsh response should learn from this experience, ensuring that central government in Cardiff Bay has the resources to meaningfully improve delivery of regulations across Wales.

Case Study

“Natural Resources Wales has caused a four year delay in the renewal of outline consent for industrial units due to regulatory activity (Outline Planning Consent only remains valid for three years and requires regular renewal). This is as a result of requirements to produce a strategic Flood Consequences Assessment (FCA). Originally, the local authority produced its Strategic Flood Consequences Assessment but this included a number of errors that prevented the FCA being accepted. Despite these obvious errors in the data Natural Resources Wales refused to accept our own FCA and any subsequent corrections. Eventually in December 2013 I finally was able to escalate the issue and the Senior Officer agreed that there were grounds for his officers to meet with us at our offices and agree slight amendments to the FCA document to enable them to approve and remove their objections to the planning applications. These changes amounted to minor amendments to the wording of three sentences. This took a disproportionate amount of time out of other business activity and caused unnecessary delays.”

A common theme running through many examples is the need to deal with EU Directives in a manner that reflects *Better Regulation* principles. As a nation in the EU, Wales is also affected by EU regulation and therefore the Welsh Government should seek to influence the process of EU Directives and regulations at the earliest opportunity.

This includes lobbying the European Commission before a proposal emerges, working with MEPs and in particular ensuring that Wales's voice is heard when UK Ministers and civil servants negotiate and vote in the Council. In this respect, Assembly Members and Welsh MPs could also take a greater interest in what is being proposed at EU level and use the existing powers of parliamentary scrutiny, as granted under the Lisbon Treaty, to challenge proposals at an earlier stage.

The process of creating new regulation is crucial in ensuring that objectives are met without undue burdens on business in Wales. As part of its EU 15 – *Better Regulation in Europe* project, the OECD is clear on the benefits of a grounded

Regulatory Impact Assessment process, stating:

“Ex ante impact assessment of new regulations is one of the most important regulatory tools available to governments. Its aim is to assist policy makers in adopting the most efficient and effective regulatory options (including the ‘no regulation’ option), using evidence-based techniques to justify the best option and identify the trade-offs involved when pursuing different policy objectives. The costs of regulations should not exceed their benefits, and alternatives should also be examined.”⁶⁰

The OECD also has a clear rationale for reasons such an approach is often resisted, that reflects to some extent experience in Wales:

“However, the deployment of impact assessment is often resisted or poorly applied, for a variety of reasons, ranging from a political concern that it may substitute for policy making...to the demands that it makes on already hard pressed officials... experience around the OECD shows that a strong and

A common theme running through many examples is the need to deal with EU Directives in a manner that reflects Better Regulation principles.

coherent focal point with adequate resourcing helps to ensure that impact assessment finds an appropriate and timely place in the policy and rule-making process, and helps to raise the quality of assessments.”⁶¹

The examples used reinforce the OECD’s perspective. The lesson from the Westminster system is that independent scrutiny can help provide a solid assumption of the costs and benefits of increasing regulation. The Netherlands example serves to reinforce that the *Better Regulation* agenda needs to be taken seriously across all departments of government.

It also highlights the need for a well-resourced and respected standard bearer to make this happen. The Australian model highlights how training policy makers to be aware of regulatory burdens, as well as significant and early involvement of SMEs, can make a real difference to outcomes.

There is clearly a role for best practice in delivery of regulations by regulators in Wales such as local authorities. The examples used highlight why this is important in two regards. Firstly, anticipating the resource implication for enforcement officers ensures that any regulation that is created can realistically expect to be adequately enforced.

Secondly, by ensuring that novel methods of enforcement are tested and adopted where appropriate, including risk based approaches that minimise the impact on low risk businesses. This is particularly pertinent in the context of emerging Welsh legislation. For instance, concerns have already been raised recently about the practicalities of enforcing the Food Hygiene Rating (Wales) Act 2013.⁶²

The Netherlands example serves to reinforce that the Better Regulation agenda needs to be taken seriously across all departments of government.



4. *Designing a Better Regulation Policy for Wales*

The evidence supports the need for Wales to have its own Better Regulation policies to reflect the growing legislative autonomy following the milestone referendum in 2011. Now, more than ever before, businesses in Wales look to Cardiff Bay to provide an economic environment that is fit for purpose and a competitive Wales eager for growth. Learning from the lessons of other nations: what would such a policy for Wales include?

A clear statement of intent

The first step towards creating a Better Regulation policy for Wales would be to give a clear statement of intent. Lessons from the Swedish and Dutch examples show that having a government department with responsibility for ensuring the agenda is pursued across all departments is worthwhile.

This could be done by the First Minister taking ownership of the approach in Wales by making a statement to the National Assembly for Wales. Alternatively, the Minister for Finance could take the lead as

part of the remit for the growing concept of a Welsh Treasury.

The statement would build on the work done by the 2009 Inspection, Audit and Regulation in Wales statement by placing a Welsh Better Regulation agenda into the current context⁶³. Such a statement would set out the ambition for the agenda with a clear and concise definition seeking to replicate Sweden's ambition to "achieve a noticeable, positive change in the day-to-day operations of businesses".

The statement should also produce an estimate of the cost of regulation in Wales to Welsh businesses. This would then lead to setting out a target for the limitation, or removal of unnecessary burdens on Welsh businesses⁶⁴.

Again, the Swedish ambition for a 25% reduction, measured and reported annually, would serve as a good example. There are numerous other European states with similar targets (such as the Netherlands and Denmark)⁶⁵.

Evidence from studies conducted by the OECD suggests that a reduction of 25% in EU25 countries could contribute to around 1.5% growth in long run GDP by 2025.⁶⁶ In discussing this, decision makers should be mindful that in contrast to nation states such as Sweden and Denmark, the Welsh Government has capacity to act only in the devolved areas.

The statement would also set out the measures to be taken to achieve such a target and would be updated at least annually to allow Assembly Members to scrutinise progress. Included in this would be a recognition that much of the delivery would need to take place at a local level with local authorities and other public bodies playing a pivotal role.

It would also ensure other departments and regulators are fully signed up to the Better Regulation agenda by placing the Regulators' Compliance Code or an equivalent on a statutory basis. The next step in this process would be to create an expert stakeholder group to lead on the *Better Regulation* agenda.

This group could be called the Regulatory Reform Group for Wales (RRGW) mirroring terminology used in Scotland and the Netherlands and should be supported by a dedicated team of civil servants from the parent department. This should be a natural evolution of the Wales Regulators' Forum that currently exists to include wider representation among the private sector.

Currently, the Welsh Government spends around £200,000 directly on the Better Regulation agenda via the BRDO funding one member of staff. To improve on this situation, the Welsh Government could consider allocating between £500,000 and £1,000,000 to the Better Regulation agenda in Wales, setting up a small team of civil servants within the host department to lead on the issue. This would be roughly commensurate to a Barnett share of activity that the UK Government currently undertakes on regulation.⁶⁷

This would enable the Welsh Government to employ at least six full time staff within the civil service to resource the Regulatory Reform Group for Wales dealing with regulatory reform across government⁶⁸. It would also provide support for *Better Regulation* ambassadors within each department who would liaise closely with the RRGW.

The need to deal with this issue has been recognised by Wales' social partners during the recent review of the Welsh Government's Business Scheme. The review highlighted concerns with the regulatory agenda and called for:

"A specialised capacity could usefully be established within the Welsh Government to review all proposed policy changes and

*legislation in the light of their economic impact on business. This would add additional rigour to the policy development process and assist in providing a rationale for legislation when it is scrutinised within the National Assembly for Wales."*⁶⁹

The creation of the RRGW would provide a focal point for the regulatory reform agenda in Wales. To be successful, there would need to be annual reporting mechanisms to the National Assembly and scrutiny from the National Assembly for Wales's Enterprise and Business committee. It would also allow for independent challenge from the business community that would undoubtedly improve the transparency of the process.

Improving new regulation

In the context of increasing legislative powers, the process for new legislation should be updated. This means improving how Regulatory Impact Assessments are created. The need for such an improvement was highlighted in the review of the Welsh Government's Business Scheme which carried the following recommendation:

*"Recommendation 8: The Welsh Government should ensure that capacity exists and is tasked with assessing whether or not Regulatory Impact Assessments (RIAs) / Economic Impact Assessments (EIAs) have properly accounted for the effect on business of proposed legislation and of proposed policy changes that do not require legislation."*⁷⁰

This could be done in a number of ways. For instance, the RRGW could work with a dedicated Better Regulation team within

Welsh Government to assess Regulatory Impact Assessments to ensure they truly reflect the perceived costs and benefits. The RRGW would also coordinate the approach to regulation across Welsh Government departments.

This would provide independent engagement on the creation of regulation that has proved effective in the Australian and Westminster RIA processes. It could also seek to draw on the Australian Small Business Advisory Committee (SBAC) model that ensures there is early engagement with small business issues in formulating any new regulation.

The Regulatory Policy Committee's traffic light system at Westminster provides a user-friendly way of measuring such impact and ensuring legislators are fully aware of the costs and benefits of regulation. This should be adopted as part of the reporting process for any new legislation proposed by the Welsh Government and National Assembly for Wales by the RRGW working with the Welsh Government's *Better Regulation team*.

The department responsible for regulatory policy would also draw on the RRGW's expertise and independent analysis to ensure solid guidance was provided to other government departments on how to draw up impact assessments that are fit for purpose. This would serve to embed the agenda across government.

Regulators that promote sustainable economic growth

As well as providing independent scrutiny and reporting progress on regulatory reform, the RRGW

would lead in the commissioning of projects to promote best practice in delivery. While Welsh Government sets the direction and framework for many regulatory policies, it is important to recognise that much of the delivery is done by local authorities and other public bodies.

Experience from FSB Scotland has shown that local authorities have significant discretion in how policies are delivered and generally look to central government in Edinburgh for guidance on delivery. To be effective, there needs to be ownership of the policy area at central government that is well resourced to encourage uptake of best practice⁷¹. The proposed Regulatory Reform Group for Wales should seek to play this role.

This should start by building on the existing £200,000 grant provided to the BRDO as well as where possible drawing on existing organisations across the UK such as the RPC and BRE. This would enable local authorities and other regulators to take novel approaches to regulation that minimise burdens on businesses (the primary authority scheme being a good example).

The use of 'Practicability and Enforcement Assessments' as part of the impact assessment process as seen in the Netherlands could ensure that resource implications of new regulation would not prevent there being a reasonable chance of the regulation being enforced properly. This is particularly relevant given the experience of the Food Hygiene Rating (Wales) Act 2013. In this instance, the likelihood of businesses being able to get re-rated for their food hygiene score within the statutory three month time period designated by the regulation has been questioned and some estimates from Trade

Union representatives suggest that a six month period is more likely, a significant time-lag on the statutory obligations of local authorities^{72 73}. This raises significant questions around the effectiveness of the current RIA process with regards to delivery and highlights that quite often unforeseen issues can arise in the current system.

The RRGW should also assist the Welsh Government in periodically examining how well regulators comply with the Hampton principles (or a replacement Regulators' Compliance Code) and encourage risk-based approaches to enforcement that target those most likely not to comply whilst acting on good faith for those at least risk.

Finally, the Welsh Government should consider a Regulatory Reform (Wales) Bill along the Scottish model, taking advice from the RRGW on how this should be of benefit to Wales' businesses and regulators. This would provide a suitable mechanism for the adoption of the Regulators' Compliance Code or a Wales only equivalent on a statutory basis as well as providing the architecture for the reforms outlined in this document.

Better Regulation for Wales

Many of the recommendations above could be implemented without significant resource allocation. There is little doubt that as Wales' businesses look to Cardiff Bay for the conditions for growth the Welsh Government will need to ensure its policies are minimising the impact on business. At the same time the Welsh Government rightly needs to protect citizens and the environment from harm. There is no reason why the two are not compatible.

A smart, *Better Regulation* policy for Wales could make this possible. It would ensure Wales' firms are competitive whilst targeting regulation and enforcement at areas of high risk. It would allow decision makers to formulate policy safe in the knowledge that the regulatory impact would be balanced with the desired results. It would ensure best practice is adopted across Wales in the day-to-day inspections of businesses. This should be the Welsh Government's ambition in promoting sustainable economic development in Wales.

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Published September 2014.



Ms J Davies AM, Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

13 May 2015

Dear Chair,

Follow-up to evidence session 29 April 2015

I write following the evidence session where I undertook to provide further information regarding two points which arose during the course of the examination.

The first was a number or percentage of conveyances which are undertaken by individuals. In 2014 YouGov published a report on conveyancing which included a breakdown of the professionals used and estimated that 2% did not use "any external legal adviser". The table of figures is set out below for ease of reference and I attach the full report for information.

Figure 3 Key professionals used for legal advice by the buyers %

Law firm/solicitor with a physical office	76%
Licensed conveyancer/conveyancing company with a physical office	18%
An online conveyancing service (whether from a law firm or a conveyancing company)	11%
Another legal advice provider	2%
Other	0%
I did not use any external legal advisor	2%
Don't know/can't remember	2%

Base: 999 UK adults who purchased a residential property in the last two years

The second matter which I agreed to follow up was a report of the Legal Ombudsman. This was a short report published in May 2014 called Complaints in focus: Stamp Duty.

As this is a regulatory matter the Law Society's deputy vice-president, Jonathan Smithers responded. At the time, he said:

"We do have, as a profession, consumer redress available, that's why we have an Ombudsman... I think the numbers we're talking about are very small, and I wouldn't necessarily extrapolate, from that, that there is a problem... the increase in the number of complaints is exactly in line with the increase in the number of transactions.

"The complaints rate is somewhere around 0.07 per cent, so it's a very low number. Clearly anyone who has had a difficulty is one difficulty too much, and we want to work with the Ombudsman to make that better and look at the causes of these things."

HM Revenue and Customs have not raised the matter with the Law Society. Any complaints which arose where solicitors were acting for the individuals are a matter for the Solicitors Regulation Authority.

Please let me know if you require any further information.

Kind regards,

Yours sincerely,

E Kay Powell, LLM Solicitor / Cyfreithiwr
Wales Policy Adviser / Ymgynghorydd Polisi Cymru



Conveyancing



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Introduction & Scope

Conveyancing is the legal term for transfer of ownership of a property; this can prove to be the most stressful and time-consuming part of buying and selling a home. The process usually involves two solicitors or conveyancers – the seller's solicitor/conveyancer and buyer's solicitor/conveyancer – although a few buyers/sellers undertake the process themselves. Most sellers turn to an estate agent to sell the property, while purchasers use them to find a place to buy. Again, however, some buyers/sellers go for the DIY option.

Possibly more than any other area of legal practice, conveyancing practices and solicitors suffered through the economic downturn as the number of residential property transactions in the UK dipped dramatically. Sellers took properties off the market, or properties remained unsold while potential buyers postponed or abandoned house purchasing decisions, and lenders restricted the availability of funds for mortgages. The low point for the market was 2009 when residential property transactions fell by around 5% following a relatively weak year for transactions in 2008. The market is now improving and house purchase transactions are on the increase again.

This report considers residential conveyancing in the UK. It examines the experience of consumers either buying or selling a property, exploring their opinions on the process and their use (or otherwise) of legal representation and estate agents when going through conveyancing. It considers the market from the point of view of both the buyer and the seller, looking at trends, suppliers, and also supporting information on the current state of the UK conveyancing market and future development and issues.

Report coverage

For this report, YouGov Reports commissioned two surveys among the YouGov panel.

The first was conducted amongst 999 UK adults aged 18+ who had purchased a residential property in the last two years. The second surveyed 1,057 adults aged 18+ that had sold a residential property in the last five years.

For the purpose of this research, YouGov's Profile Data Library was utilised to find a random sample of adults who have bought or sold a residential property within the last two years. YouGov's Profile Data Library contains information about our 400,000+ panel members on a wide range of topics and is updated and populated with new information continuously. Those included in the samples for this project were drawn from approximately 5,000 panel members who we identified as having sold a residential property in the past two years and from approximately 4,000 panel members who we identified as having bought a property in the last two years.

Over 30 questions were asked in total, with most asked of both buyers and sellers. These included:

- When property was purchased or sold
- Type of legal/conveyancing adviser used
- Sources used to look for property to buy (buyer)
- Sources used to advertise property for sale (seller)
- Purchase price/asking price and actual price of property sold
- Awareness of Stamp Duty and percentage to be paid (buyer)

- Length of time involved in conveyancing process, from start to finish
- Expectations of time involved in conveyancing process
- Buyer concerns at start of process about problems (buyer)
- Actual issues and problems arising in conveyancing process (buyer)
- Surveys undertaken by buyers (buyer)
- Energy Performance Certificates (EPCs) obtained (buyer)
- Methods used to choose a solicitor/conveyancer
- Extent and take-up of recommendations from estate agents, mortgage lenders
- Satisfaction with services offered by solicitor/law firm or other provider
- Final cost of conveyancing, expectations of costs
- Payment method for conveyancing services, i.e. fixed fees, hourly rates
- Understanding of other costs, as well as legal costs, associated with conveyancing
- Likelihood of using the same conveyancer again
- Use of estate agents, and satisfaction with services offered
- Fees charged by estate agents
- Percentage of purchase price charged (sellers)
- Experience of sealed bids
- Criteria for selecting a conveyancing service
- Likely use of new suppliers of conveyancing services
- Likely use of selected consumer brands for conveyancing services
- Awareness of consumer brands currently offering conveyancing services.

A full list of questions that were asked in the YouGov Reports survey is provided in the Appendix. Cross-tabulated results to these questions are available for subscribers to this report – please contact us on 020 7012 6063 if you would like detailed tables.

Methodology

Market size information is based on a combination of primary and secondary research. Primary research takes the form of in-depth interviews with key players in the market. By speaking to a number of providers and industry bodies, YouGov Reports has arrived at an independent assessment of market value and trends.

Please note that legal jurisdictions are different in Scotland and Northern Ireland, compared to England and Wales but the YouGov survey was a UK-wide survey and market size and trends data in the report is given for the UK as a whole.

Abbreviations

ABS	Alternative Business Structures
CILEx	Chartered Institute of Legal Executives
CLC	Council of Licensed Conveyancers
CMC	Council of Mortgage Lenders
DIY	Do-it-Yourself
EPCs	Energy Performance Certificates
LSB	Legal Services Board
PII	Professional Indemnity Insurance
SEO	Search Engine Optimisation
SRA	Solicitors Regulation Authority

Report Summary

Most look online for residential properties

The 'traditional' ways of looking for properties such as visiting local estate agents and browsing, or looking through the property pages and supplements of local newspapers, appear to have been overtaken by internet searches. National online property sites and websites were used by a majority of the buyers (UK adults aged 18+ who had purchased a residential property in the last two years) when looking for a property to buy.

Key facts

- National online property sites like Zoopla, Rightmove, and Primelocation are the most likely route to properties for the purchasers, used by 69%.
- Over half – 52% - use websites operated by local estate agents.
- In third place are visits to local estate agents (45%).
- 23% said they read the property pages of local newspapers and magazines.

Law firms and solicitors still the dominant source for conveyancing advice

Despite the arrival of online conveyancing services, more licensed conveyancers, and the growing presence of volume conveyancers, traditional law firms and solicitors are still by far the most widely used source of conveyancing advice.

Key facts

- 76% of the buyers say they used traditional law firms with physical offices for their conveyancing advice.
- Licensed conveyancers/conveyancing companies were used by 18%.
- Online conveyancing services were used by 11%.

Majority of respondents buying for less than £250,000

The largest group – 45% - purchased their latest main residential property for £125,001 - £250,000 or less and almost one in five bought a property costing £125,000 or less. In most cases buyers say they paid below the asking price.

There is evidence of confusion over Stamp Duty – while 69% state that they know what level of Stamp Duty they paid on their latest property purchase, the other 31% do not know.

Key facts

- 64% of the buyers purchased were bought at £250,000 or less.
- 62% bought below the asking price of the property.
- 26% say they purchased at the exact asking price.

Expectations of completion times are off the mark

The time taken from the first offer being made on a property and the completion date is often longer than the time expected by a purchaser – many purchasers underestimate the actual time the process will take from start to finish.

Key facts

- 45% said that the process took 3-4 months, making this the most common response.
- 25% stated 1-2 months, 7% quicker than that.
- 45% said that they expected the process to take less time than it did.
- Of these adults who purchased a residential property in the last two years and found the process to take an unexpected amount of time, 53% expected it to take 1-2 months.

Purchasers worry most about surveys revealing structural problems

The only issue of concern to a majority of the purchasers when they start the property buying process is that a survey could reveal a serious structural problem. Other issues were less of a worry.

For most purchasers, the worries and concerns at the start of the process fail to materialise.

Key facts

- 54% of purchasers at the start of the process are 'very concerned' or 'concerned' about a survey revealing a serious structural problem at the property.
- 43% have concerns about three issues: the seller deciding not to sell; gazumping; and local authority, land, and environmental searches revealing a serious problem.
- 40% are concerned about being in a chain with resultant delays in the purchasing process.
- 29% obtained a fully independent structural survey.
- 29% chose an intermediate or "house/flat buyers report" which provides details of any issues in areas of the property that can be easily accessed and seen.
- 67% of purchasers had no major problems or issues during the various conveyancing stages.
- The most likely problem arising for residential property purchasers was the delay caused by being in a chain: 17% faced this issue.

Various routes used to conveyancing advice

There are various ways that potential purchasers try to find the right conveyancing advice for them and no one specific route dominates. The largest group takes recommendations from estate agents but many use an advisor that they have used before.

Key facts

- 25% use recommendations from estate agents, and 23% use these as the main source.
- 22% use a solicitor or conveyancer that they have used before, and 21% use this as the main source.
- 16% take recommendations from friends, relatives, and colleagues, with 13% using as the main source.
- 14% go back to a legal services provider that they have used before for another matter, and 11% use as the main source.

Buyer satisfaction with services is good; fixed fees dominate payment models

Satisfaction levels with the services offered by suppliers of conveyancing advice are good with 70% or more rating services as either 'good' or 'excellent'.

Amongst the buyers, the majority of fee arrangements were fixed (i.e. not charged on an hourly basis).

Over a third say they paid less than £1,000 for their conveyancing; 35% say they don't know/can't remember.

Key facts

- 71% rate overall quality of service as either 'good' or 'excellent'.
- 70% rate explanation of conveyancing process at start as 'good' or 'excellent'.
- The highest rating – 76% rating services as either 'good' or 'excellent' – was for the explanation of 'other' costs (excluding the advisor costs) at the start of the process.
- The lowest ratings were for 'regular communications from the advisor' with 65% rating as 'good' or 'excellent'.
- 71% of purchasers were charged on a fixed-fee basis with the final fee being the same as the original fee quoted.
- Another 11% charged on a fixed fee basis were charged more than originally quoted, and 5% were charged less than the original quotation.

Wanted: a speedy service at low cost from experienced professionals

The three most important factors for those looking for conveyancing advice are a service provided by experienced and qualified professionals, the speed of delivery and price.

Key facts

- 79% rated experience and qualifications of the advisor as 'very important' or 'important'.
- Speed of delivery was mentioned by 78% as 'very important' or 'important'.
- Price is a key factor for 75%.

Buyers satisfied with estate agents; sealed bids are rare

A majority of the buyers were 'very satisfied' or 'satisfied' with the services offered and delivered by their estate agent.

The overwhelming majority of the purchasers have not been asked to take part in a sealed bid process (where all bids are submitted in sealed envelopes and all opened at the same time on a certain date).

Most would be willing to use the same conveyancing advisor again.

Key facts

- 7% were asked to take part in this type of purchase process when buying their last property but another 12% have been involved in sealed bids in the past.
- 55% would use the same conveyancer again.

Clear majority of the sellers use local estate agents

Amongst those adults who have sold a residential property in the last two years, local estate agents with local offices are used by a majority to sell the property. National online property sites are used directly by just over one in five of the sellers.

Key facts

- 69% of the sellers use local estate agents and their offices to help with the sale.
- National online property sites are used by 21%.
- National chains of estate agents are used by 19%.

Law firms and solicitors turned to for seller conveyancing advice

As with the buyers, and despite the arrival of online conveyancing services along with more licensed conveyancers, traditional law firms and solicitors remain the most used source of conveyancing advice for the sellers.

Key facts

- 75% of the sellers report having used traditional law firms with physical offices for their conveyancing advice.
- Some way behind in second place are licensed conveyancers/conveyancing companies, used by 18%.
- Online conveyancing services are used by 11%.

Most respondents sold for £250,000 or less

The majority of residential properties sold by respondents went for £250,000 or less, with 25% of the sellers saying they were sold for the exact asking price.

Key facts

- 64% of the sellers say the residential property sold went for £250,000 or less.
- 25% were sold for the exact asking price, 61% were sold for below the asking price.
- 14% of sellers say they sold above the asking price.

For many, the time to sell takes longer than anticipated

Sellers, as with buyers, often underestimate the time it will take to actually sell the property from the time the first offer is accepted to the completion date.

Key facts

- Approximately half say that the final completion time was in line with their expectations.
- 40% say they thought it would take less time than it did.
- Of the sellers whose expectations were not met, 51% say they were expecting the process to take 1-2 months.

Sellers also take various routes to conveyancing advice

Just like purchasers, recommendations on conveyancing advice can come from various sources for the sellers and no one specific option dominates.

Key facts

- 28% use recommendations from estate agents, and 27% use these as the main source.
- 26% use a solicitor or conveyancer that they have used before, and 25% use as the main source.
- 15% go back to a legal services provider that they have used before for another matter, and 12% use as the main source.

- Recommendations from friends, relatives, colleagues are used by 13%, and 11% use as the main source.

Satisfaction with services is good but weakest for client communications

Amongst the sellers, the satisfaction levels with services offered by those supplying conveyancing advice are good with 70% usually rating services as either 'good' or 'excellent'.

Key facts

- 78% of the sellers rate the explanation of all the legal costs at the start as either 'good' or 'excellent'.
- Also rated highly is the explanation of other costs involved with 77% rating as either 'good' or 'excellent'.
- The lowest ratings are for 'regular communications from the advisor' (65% rating as 'good' or 'excellent').

Four in 10 pay less than £1,000, with fixed fees the norm

Based on the sellers that could supply a value, around £1,300 is the average fee charged for selling a property. However, 40% paid less than £1,000.

Key facts

- 43% paid less than £1,000 for their conveyancing advice and associated fees.
- 15% paid up to £500.
- 83% were charged the fees that they were expecting.
- 72% of the sellers were charged on a fixed-fee basis with the final fee being the same as the original fee quoted.
- Another 13% charged on a fixed fee basis were charged more than originally quoted, and 4% were charged less.

A speedy service is the most important factor for sellers

The three most important factors for those looking for conveyancing advice are the same factors identified by buyers. Here speed of service tops the list.

Key facts

- 82% rated speed of delivery as 'very important' or 'important', making it the most likely factor to be selected.
- In second place was 'experience and qualifications' of the advisor selected by 80% as 'very important' or 'important'.

- Price of the service was next (78%).
- Two factors were classed as 'important' or 'very important' by less than half – well-known brand (40%) and online access to the services (41%).

Most sellers satisfied with estate agents; half would re-use conveyancing service

Satisfaction levels with estate agents are relatively high, with the explanation of the fees at the start and helpfulness and friendliness of staff both appreciated by sellers.

The majority of sellers using an estate agent are charged a fee somewhere between 1% and 1.5% of the selling price.

Key facts

- In both instances, 79% are 'satisfied' or 'very satisfied' with the explanation of the fees at the start and helpfulness and friendliness of staff.
- 52% of the sellers would use the same conveyancer again.
- 55% say they were charged estate agent fees of between 1% and 1.5% of the selling price.
- 60% were charged fees of less than 2%.
- Only 2% say they were charged the noticeably higher fee of 3%.

Some interest in conveyancing services from new providers

Liberalisation of the conveyancing sector, as part of wider changes to the legal services market, has enabled non-traditional providers of legal and conveyancing advice to enter the market. So far, there is little interest from consumers in these new providers and a clear majority of both buyers and sellers would still turn to law firms and solicitors for advice.

When specific consumer brands are mentioned as possible sources of conveyancing advice and services, interest is strongest for John Lewis, a well-established, trusted brand which enjoys a good reputation for quality and service. There is also some interest in services from banks and Which?.

Key facts

- 62% of purchasers and 68% of sellers say they would be 'likely' or 'very likely' to continue to use law firms and solicitors for conveyancing advice.
- Banks and building societies are seen as an option by 23% of buyers and 22% of sellers.
- Accountants might be used for conveyancing advice by 14% of buyers and 16% of sellers.
- John Lewis as a source of conveyancing advice would be of interest to 23% of buyers and 20% of sellers.

Legal services for conveyancing valued at £1.3 billion; some consolidation in this fragmented market

In October 2013, research from the Legal Services Board (LSB) estimated that legal services related to residential property constituted a market valued at £1.3 billion, representing 5% of the overall legal services market (*Changes in Competition in Different Legal Markets, October 2013*).

Like many legal services segments, the conveyancing market is still highly fragmented but large volume providers of conveyancing services have been increasing their share of the market in recent years.

The Law Society's latest forecasts for the legal service market were published at the end of August 2014 and state that improvements in the housing market, along with an improved performance in the UK business sector, are expected to be the significant drivers of growth in legal services market real turnover in 2014 and 2015.

Key facts

- Between 2010 and 2013, the share of the conveyancing sector taken by the top 10 firms in England and Wales increased from 5.1% to 8.6% (measured by transactions at the Land Registry).
- In 2014, real legal services turnover is expected to grow by 3.8% with 1.5% due to improved housing market activity.
- In 2015, the growth is forecast at 4.9% overall with 1.0% due to improved housing market activity.

Background

Conveyancing is the legal term for transfer of ownership of a property; this can prove to be the most stressful and time-consuming part of buying and selling a residential home. It usually involves two solicitors or conveyancers – the seller's solicitor/conveyancer and buyer's solicitor/conveyancer – although a few buyers/sellers undertake the process themselves. Most sellers turn to an estate agent to sell the property, while purchasers use them to find a place to buy. Again, however, some buyers/sellers go for the DIY option.

The time taken to complete the conveyancing process is usually due to the number of searches needed, the documents that need to be found and checked, and documents/contracts that have to be drawn up, checked, and signed. For example, the seller's solicitor obtains the deeds to the property, and then prepares the contract. The buyer's solicitor makes a local authority search. This will provide details of who owns or is responsible for the relevant roads or sewers and whether there are any road-widening proposals near the property. Separate Land Registry, environmental, and flood-related searches are also on the list. These searches can take weeks, and even months in some cases. In addition, the buyer of the report may decide to undertake an independent structural survey of the property to be purchased, alongside a survey and evaluation that will be carried out by the mortgage lender.

There are major differences between conveyancing in Scotland and England and Wales. In particular, the seller can set a closing date for offers on a property in Scotland. Interested parties make sealed bids which are opened on that date. If the seller accepts your bid you are essentially legally bound to buy the property. In practice, buyers in Scotland are committed at an earlier date than in England and Wales.

In Scotland however 'missives' are usually concluded at a much earlier stage – at which point there is a binding contract so that neither party can walk away from the deal. And in Scotland, these 'missives' are not signed personally by seller and purchaser but by their respective solicitors.

In England and Wales, probably the two most important elements of the conveyancing process are the exchange of contracts, usually between the buyer and seller's solicitors, and completion. When exchange takes place the buyer usually puts down a 10% deposit. This is the first point at which the seller and buyer are legally committed to the deal. If the buyer pulls out, for whatever reason, they lose their deposit. Conversely, the seller cannot accept a higher offer and if they pull out the buyer can claim compensation.

After exchange, a date will be fixed for completion and this usually takes place within a few weeks. The balance of funds for the purchase is paid and at completion, the transfer of ownership takes place.

The whole process is often rendered even more complex because an individual may be a link in a chain of buyers and sellers. One deal cannot proceed unless all the other transactions in the chain work as well.

Most sellers turn to an estate agent to sell the property; purchasers use these estate agents to find properties, check them out, and make offers.

Purchasing – Searching, Money and Time

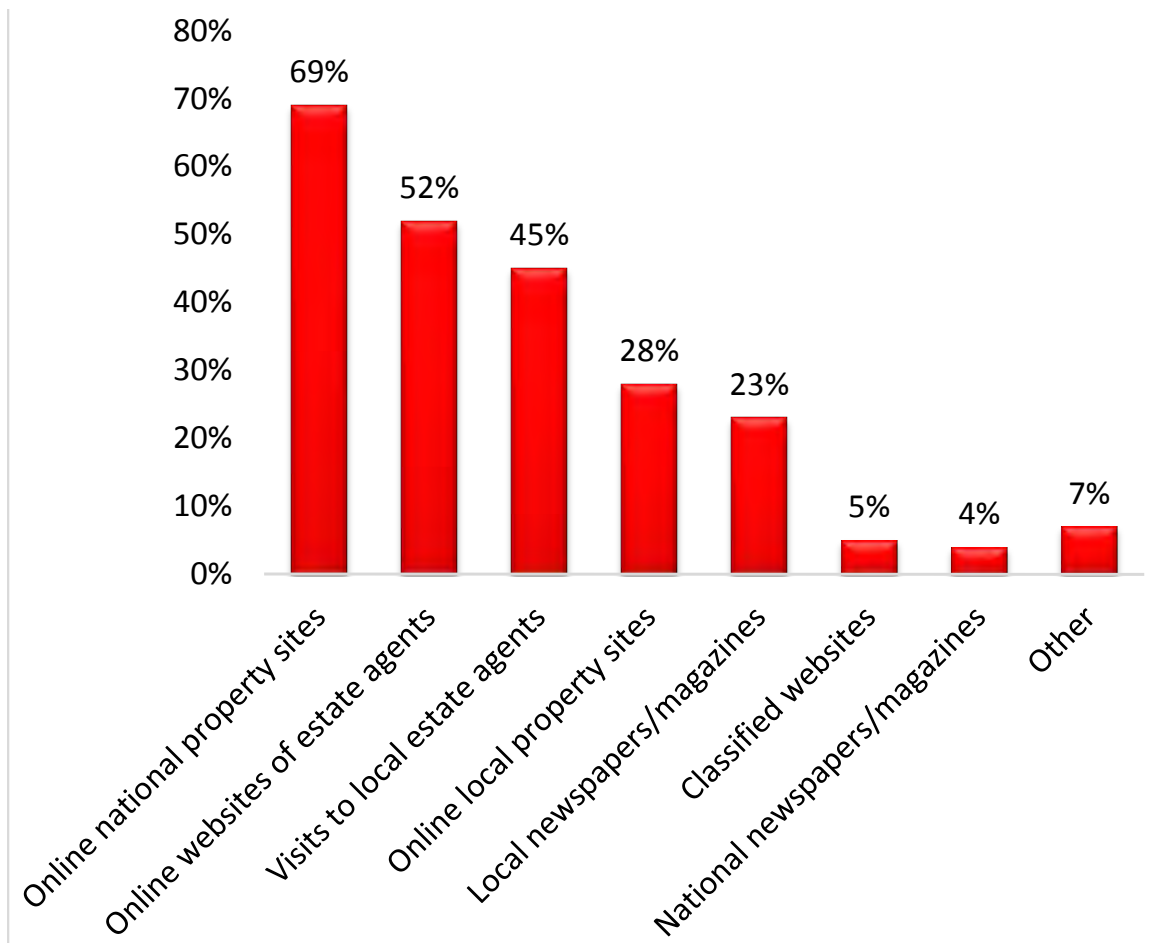
National online property sites used to look for a new home

“What sources did you use to look for a property to buy? Please choose all that apply.”

It seems that the concept of a walk along the high street to visit all the estate agents in it is becoming less likely for potential buyers. National online property websites, such as Rightmove, Zoopla, and PrimeLocation, are the most popular method to find suitable residential properties amongst buying respondents, with 69% choosing these sites. A majority also looked at the websites of local estate agents.

Less than half (45%) say they actually visited a local estate to browse properties and less than a quarter turned to local newspapers and magazines.

Figure 1 Sources the buyers used to look for residential properties



Base: 999 UK adults who purchased a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

There are differences by age in the way purchasers look for potential properties to buy and, overall, it seems that older adults are more likely to use multiple options when thinking about a buying a property.

Figure 2 Sources the buyers used to look for residential property, by age

Base: 999 UK adults who purchased a residential property in the last two years

	All	18-24*	25-34	35-44	45-54	55+
Online national property sites	69%	56%	66%	69%	68%	72%
Online websites of estate agents	52%	25%	48%	48%	55%	56%
Visits to local estate agents	45%	25%	33%	40%	45%	56%
Online local property sites	28%	31%	23%	29%	29%	29%
Local newspapers/magazines	23%	25%	17%	20%	22%	30%
Classified websites	5%	0%	7%	7%	4%	4%
National newspapers/magazines	4%	0%	7%	3%	4%	2%
Other	7%	0%	5%	5%	11%	7%

* low sub-sample

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Law firms and solicitors at the heart of the house buying process

Despite competition from other sources (such as online conveyancing services and licensed conveyancers) traditional law firms with a physical office are still used by over three-quarters of individuals for legal advice when buying a property.

Licensed conveyancers and conveyancing companies are used by 18% and online conveyancing services by just over 1 in 10. Only 2% were able to complete the house buying process without using an external legal advisor.

“Which, if any, of the following professionals did you use to cover the legal aspects of the house buying process?”

Figure 3 Key professionals used for legal advice by the buyers

	%
Law firm/solicitor with a physical office	76%
Licensed conveyancer/conveyancing company with a physical office	18%
An online conveyancing service (whether from a law firm or a conveyancing company)	11%
Another legal advice provider	2%
Other	0%
I did not use any external legal advisor	2%
Don't know/can't remember	2%

Base: 999 UK adults who purchased a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Majority of respondents buying for less than £250,000

The largest group – 45% - purchased their latest main residential property for £125,001 - £250,000 and almost one in five bought a property costing £125,000 or less.

“What did you pay for your main residential property?”

Figure 4 Price buyers paid for main residential property

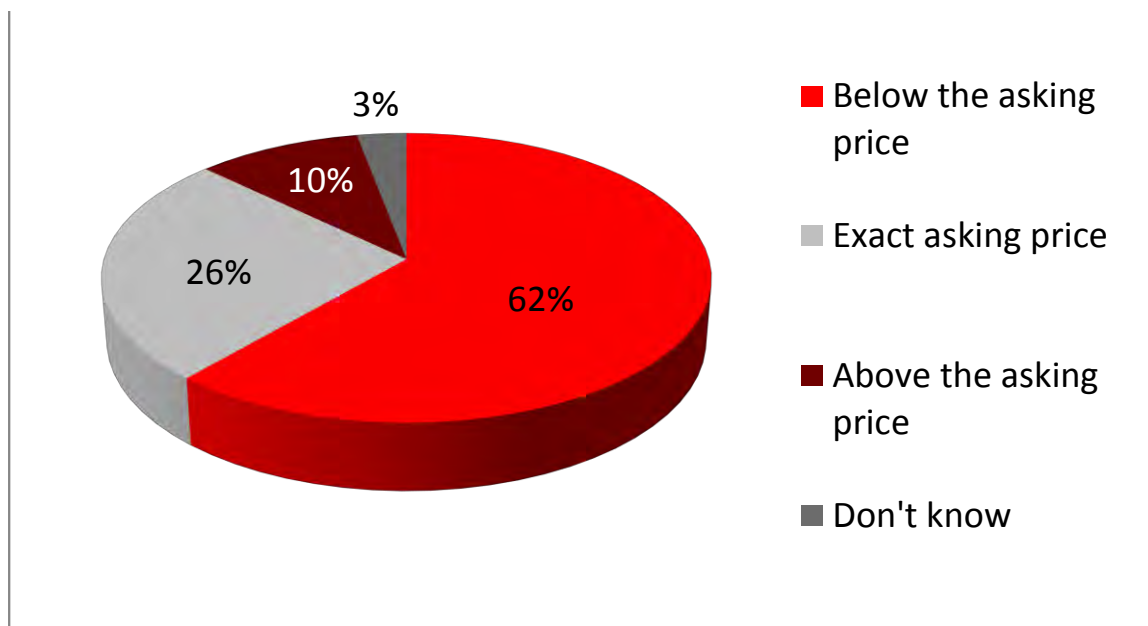
	%
Up to £75,000	5%
£75,001 - £125,000	14%
£125,001 - £250,000	45%
£250,001 - £350,000	16%
£350,001 - £500,000	12%
£500,001 - £750,000	4%
£750,000 - £1 million	2%
Over a million but less than £2 million	0.4%
£2 million or more	0.2%
Don't know/can't remember	3%
<i>Base: 999 UK adults who purchased a residential property in the last two years</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Most paid below initial price

Most of the buyers in the last two years were able to purchase the property for below the asking price. Just over a quarter paid the exact asking price, while 10% were forced to pay above the asking price.

Figure 5 Price buyers paid compared to asking price



*Base: 999 UK adults who purchased a residential property in the last two years
 Total may not = 100% due to impact of rounding
 Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)*

Almost a third do not know the level of Stamp Duty they paid

Stamp Duty Land Tax is paid on all residential property purchased in the UK over £125,000.

While 69% state that they know what level of Stamp Duty they paid on their latest property purchase, the other 31% said they don't remember.

“What percentage of the purchase price did you pay on Stamp Duty?”

The 19% paying no duty equates to the 19% who (from the previous question) paid £125,000 or less for their property. The largest group – a third – paid 1%, which relates to properties bought between £125,001 and £250,000. Almost a quarter (24%) paid 3% on properties sold for between £250,001 and £500,000.

Figure 6 Level of Stamp Duty paid by the buyers

% of purchase price	
0%	19%
1%	33%
2%	8%
3%	24%
4%	5%
5%	4%
7%	2%
Don't know	4%

Base: 690 adults who knew level of Stamp Duty

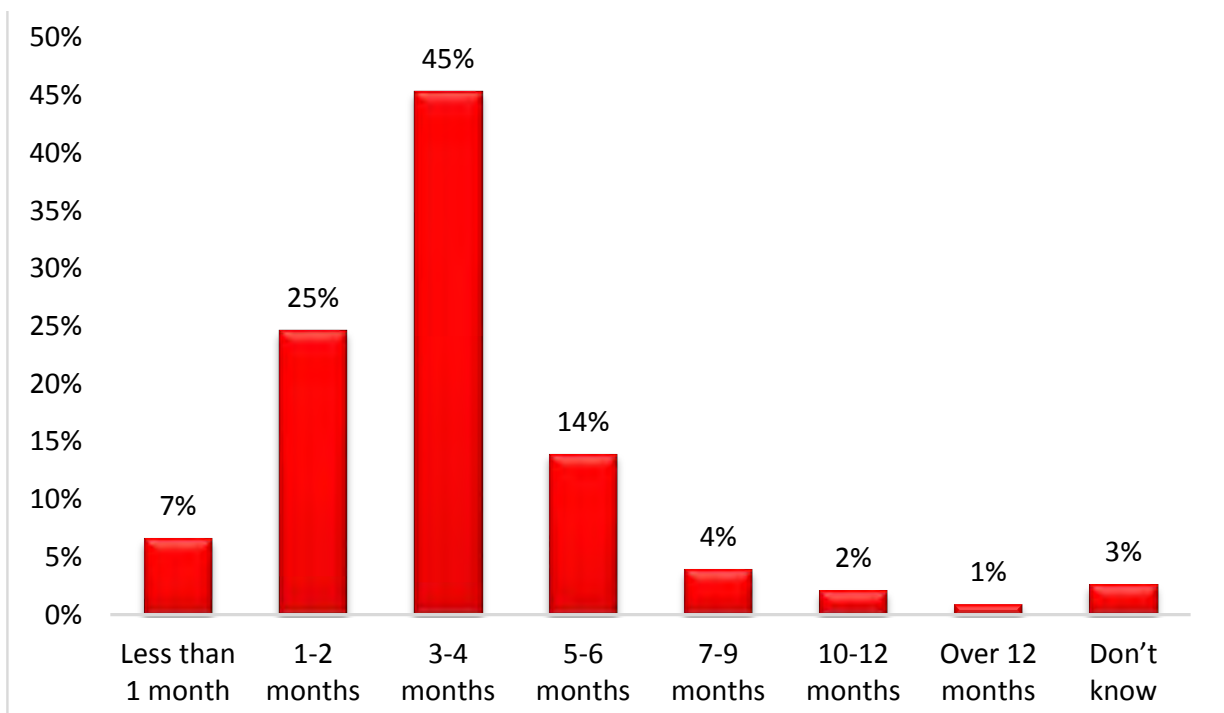
Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

A difference between expectations and reality

The time taken to complete the house buying process can vary from less than a month to over 12 months in a few cases. However, the majority of respondents embarking on a house purchase said the process from first offer to completion ran for three to four months.

“How long was it from putting the first offer in for the property and the final completion of the sale?”

Figure 7 Time buyers say it took to complete the purchase process



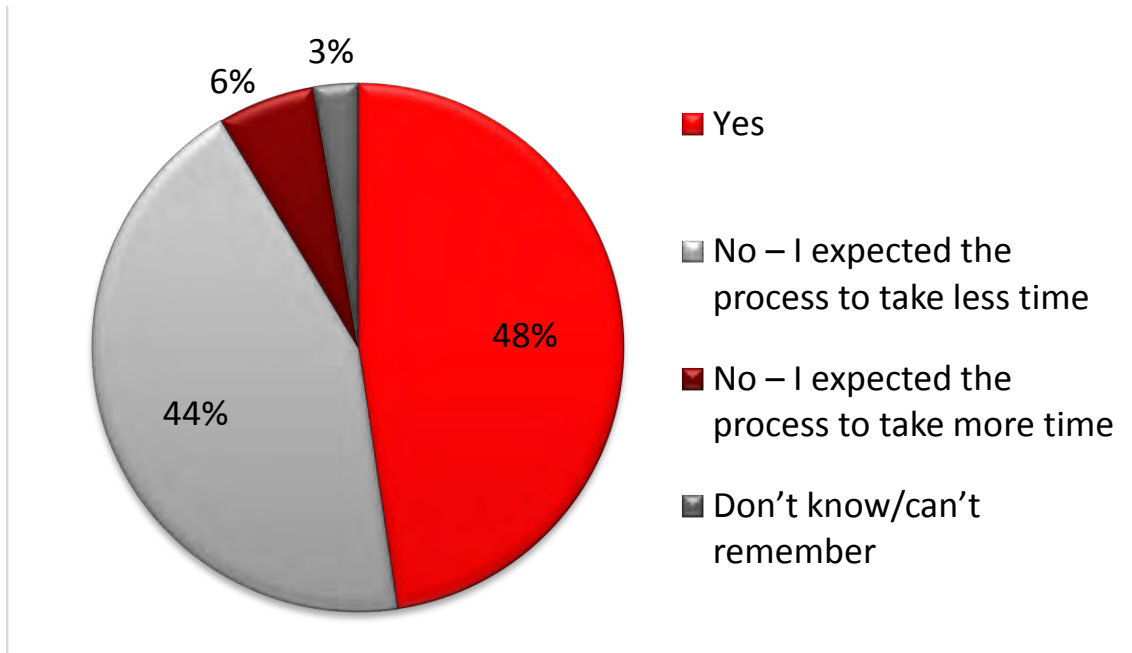
Base: 999 UK adults who purchased a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

However the gap between expectation and reality is clear; under half say that the final completion time was in line with what they were expecting, and the majority of those who say the time did not meet their expectations expected the duration to be shorter. Fully 44% of the respondents who bought a residential property in the last two years say that they expected the process to take less time.

“Was the final completion time in line with what you were expecting?”

Figure 8 Buyers’ expectations vs. time taken to complete purchase process

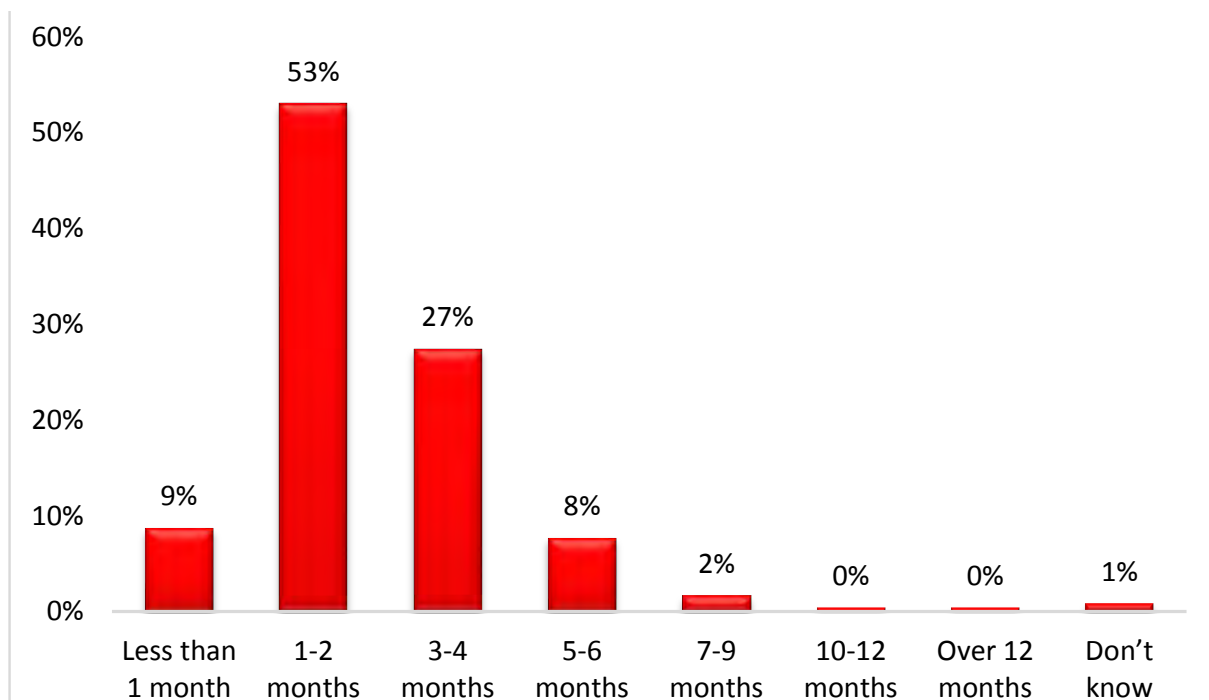


*Base: 999 UK adults who purchased a residential property in the last two years
 Total may not = 100% due to impact of rounding
 Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)*

Of the buyers who did not have their expectations met, 53% say they were expecting the process to take 1-2 months. One in 10 said they thought it would take five months or more.

“And how long were you expecting the process to take from putting the first offer in for the property and the final completion of the sale?”

Figure 9 Expected time to complete purchase process amongst buyers whose expectations were missed



Base: 496 UK adults who purchased a residential property in the last two years and found the process to take an unexpected amount of time

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Main concern over property survey revealing a serious problem

There are various issues that can arise during the property buying process which slow it down (or can derail it altogether). Amongst respondents the issue that caused the most concern at the start of the buying process was that the survey of the property being purchased could reveal a serious problem: this is the only issue that worried a majority of purchasers (with 14% 'very concerned' and 40% 'concerned').

A significant percentage expressed concerns about various other issues with the combined percentages for 'very concerned' and 'concerned' as follows:

- 43% had concerns over three issues: the seller deciding not to sell and withdrawing the property; gazumping; and local authority, land and environmental searches revealing serious problems.
- 40% had concerns over being in a chain, which can cause delays in the buying process or stop the purchase altogether.

The issue causing the least concern related to money and the ability of the purchaser to pay all the fees associated with the purchase. 26% were 'concerned' or 'very concerned' about this while 62% were 'unconcerned'.

“The following is a list of issues that can arise in the conveyancing process when buying a residential property. How concerned were you at the start of the process about these issues?”

Figure 10 Buyers’ concerns regarding the house purchase process

	Very concerned	Somewhat concerned	Unconcerned	Don’t know/na
The fact that I was in a chain which could cause delays	14%	26%	18%	41%
The fact that I was in a chain and the chain could break and stop the purchase altogether	16%	26%	17%	42%
The seller could decide not to sell and withdraw the property from the market	12%	31%	42%	15%
Gazumping – the seller could accept my offer but then later tell me that another higher offer accepted instead	13%	30%	38%	19%
A last minute demand for more money/a change to the deal	12%	26%	45%	17%
A survey of the property I was buying could reveal a serious problem	14%	40%	34%	13%
Local authority, land and environmental searches associated with purchase could reveal serious problems	9%	34%	48%	9%
My ability to pay all fees associated with the purchase	6%	20%	62%	12%
<i>Base: 999 UK adults who purchased a residential property in the last two years</i>				

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

In reality, for most people buying a property, the above concerns proved unfounded. A significant majority - 67% - had no problems during the various stages of the purchase process. The most likely problem arising for residential property purchasers was the delay caused by being in a chain: 17% faced this problem.

Figure 11 Issues buyers experienced during property purchase process compared with initial concerns

Base: 999 UK adults who purchased a residential property in the last two years

	Issues arising during purchase process	Very concerned or somewhat concerned at start
The fact that I was in a chain which could cause delays	17%	40%
The fact that I was in a chain and the chain could break and stop the purchase altogether	4%	40%
The seller could decide not to sell and withdraw the property from the market	3%	43%
Gazumping – the seller could accept my offer but then later tell me that another higher offer accepted instead	3%	43%
A last minute demand for more money/a change to the deal	5%	38%
A survey of the property I was buying could reveal a serious problem	5%	54%
Local authority, land and environmental searches associated with purchase could reveal serious problems	4%	43%
My ability to pay all fees associated with the purchase	2%	26%
None of the above	67%	na
Don't know/can't remember	2%	na

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Many opt for risking no full structural survey

While mortgage lenders will provide a valuation of the property to be purchased, and may also offer to arrange a survey of the property to be done for the buyer, many purchasers decide not to opt for a full independent structural survey (which can cost anything from a few hundred pounds to up to a £1,000).

29% of the buyers obtained a full independent structural survey and, while these are not usually necessary for new build homes, they become increasingly important for older and larger properties.

The same percentage – 29% - chose an intermediate or ‘house/flat buyers report’ which can offer advice on defects and repairs needed on parts of the property that are visible/accessible – but there are issues and problems that may not be identified in these reports.

Over one in 10 of the purchasers (12%) say they undertook none of the surveys or valuations listed.

“Which, if any, of the following applied to you when buying your own residential property?”

Figure 12 Reports and surveys undertaken when buying a property

I relied solely on valuation of the property done by the mortgage lender	27%
I obtained a full independent structural survey of the property	29%
I obtained an intermediate or "house/flay buyers report" on the parts of the property that are easy to see and to get to	29%
I obtained an Energy Performance Certificate (EPC) for the property	43%
None of the above	12%
I don't know/can't remember	4%
<i>Base: 999 UK adults who purchased a residential property in the last two years</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Purchasing – Legal Advice, Satisfaction and Cost

Recommendations from professionals prove important when choosing legal advice

There are various methods used by individuals to find a legal representative to deal with the legal aspects of the house buying process but recommendations from estate agents and other professionals are particularly important.

Estate agent recommendations are used as the main method by the largest single percentage of buyers, and when recommendations from financial advisers/mortgage brokers plus banks, building societies, and other mortgage lenders are included then over a third of purchasers are turning to professionals as their main route to help them choose.

The importance of external legal advisers building up a relationship with clients that may only use them occasionally, and developing client loyalty, is also emphasised: over 20% have used the same solicitor/conveyancer for years while another 11% went back to a legal representative that they had used for another legal matter in the past.

Figure 13 Buyers' methods of finding a solicitor/conveyancer

	All methods	Main method
Recommendation from estate agent	25%	23%
I have used the same solicitor/conveyancer for years	22%	21%
Recommendations from friend, relative, work colleague	16%	13%
I went back to a legal provider that completed other legal work for me (e.g. wills and probate, personal injury, divorce etc.)	14%	11%
Via my financial advisor/mortgage broker	8%	6%
Via my bank, building society, mortgage lender	7%	5%
Internet search engines (e.g. Google, Bing, Yahoo etc.)	6%	4%
Websites with independent consumer reviews, ratings of legal providers	3%	2%
Price comparison site for legal services	3%	2%
Printed Yellow Pages, other printed local directories	2%	1%
Advertisement on TV, radio, in the local press, or on the Internet	2%	1%
Social networking sites (e.g. Facebook, Twitter etc.)	2%	1%
Citizen's Advice Bureau or other local agencies	1%	0%
Other	6%	6%
None of the above	2%	4%
Don't know	2%	1%

Base: 999 UK adults who purchased a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

While recommendations from friends, relatives, and/or work colleagues are the third most important route for all adults they are the *most* important route for 25 to 34 year olds. In this age

group, 26% would ask for recommendations and 22% would use this as the main source to find an advisor.

Recommendations on conveyancers from professionals are usually followed up

Half of the buyers used estate agents, mortgage lenders, and mortgage brokers that recommended a service to cover the conveyancing elements of the house buying process. These recommendations were followed by 69% of these purchasers.

However, it seems that not many purchasers are aware that the conveyancer is likely to pay a referral fee to the estate agency, lender or broker for this recommendation. Just over a third (34%) state that they were aware of this while 21% note that the referral fee was detailed as part of the costs in the conveyancer’s quote.

“Did an estate agent, mortgage lender, or mortgage broker recommend a service (e.g. law firm, licensed conveyancer, online service etc.) to cover the conveyancing aspects of the house buying process?”

Figure 14 Buyers and recommendations from professionals

	Yes	No	Don't know
<i>Base: 999 UK adults who purchased a residential property in the last two years</i>			
Did estate agent, mortgage lender, mortgage broker recommend a conveyancing service?	50%	44%	6%
<i>Base: 504 adults who had a conveyancing service recommended</i>			
Did you use any of the conveyancing services recommended to you?	69%	30%	1%
<i>Base: 348 adults who used the recommended service</i>			
I was aware that the conveyancer would be paying a referral fee to the estate agent, mortgage lender, mortgage broker		34%	
The referral fee was detailed as part of the costs to me in the conveyancer’s original quote		21%	
None of these		48%	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Communications from legal advisors could be better

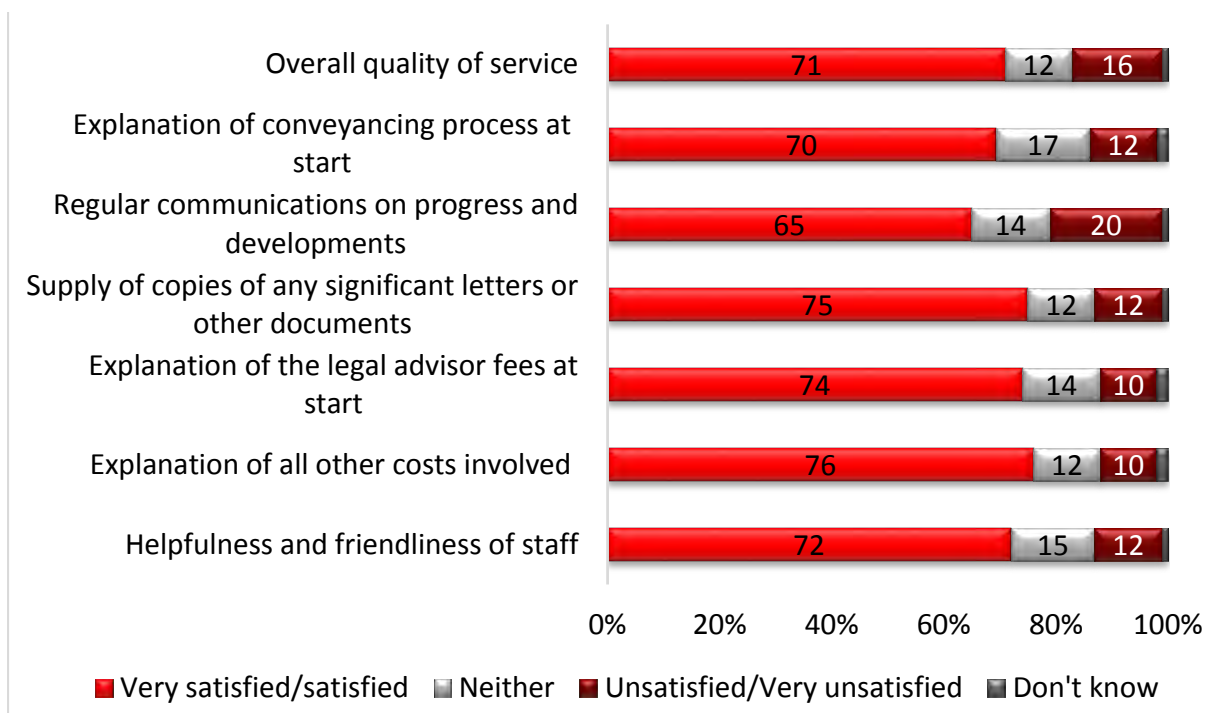
Satisfaction levels with various aspects of the service offered by legal advisors are reasonably good although there is some room for improvement.

Over 70% are either ‘satisfied’ or ‘very satisfied’ with the overall quality of the service offered, explanations of the legal advisor fees, and the helpfulness and friendliness of staff.

The most likely area to get a satisfied response is the explanation of other costs involved such as Land Registry fees, search fees, and Stamp Duty – 76% are ‘satisfied’ or ‘very satisfied’. Three-quarters are satisfied regarding the supply of letters and relevant documents.

The one area where specific improvements would likely be most appreciated are communications with the client through the conveyancing process. Only 65% are either ‘satisfied’ or ‘very satisfied’ here with one in five (20%) ‘dissatisfied’ or ‘very dissatisfied’.

Figure 15 Buyers’ satisfaction with service from legal advisor



Base: 960 adults who used an external legal advisor

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Fixed fees are now commonplace

The conveyancing market is an area of legal work that – unlike many – is often characterised by legal processes and stages that do not change significantly from case to case. The result is a legal market segment that can embrace the fixed fee pricing model, and this now dominates the way individuals pay for their legal conveyancing advice.

A significant majority of purchasers who used an external legal advisor – 71% - were quoted a fee in advance of the work and this was the final fee charged. Another 11% had a fixed fee agreement although the final fee was higher than the original fee quoted and, in 5% of instances, the final fee was lower than the original fee quoted. Only 3% of buyers using an external legal advisor said their conveyancing legal advice was paid for via an hourly fee arrangement.

“How did you pay for the conveyancing advice service supplied?”

Figure 16 Service charging options used by buyers

Fixed fee:	
Agreed in advance for work required and this was final fee charged	71%
Agreed in advance for work required but final fee higher	11%
Agreed in advance for work required but final fee lower	5%
Hourly fee arrangement – based on hourly rate and hours involved	3%
Any other	2%
Don't know/would rather not say	7%
<i>Base: 960 adults who used an external legal advisor</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Over a third say they paid less than £1,000 for their conveyancing

Conveyancing fees can vary from a few hundred pounds to thousands of pounds; over a third say they paid less than £1,000 for their conveyancing; 35% say they don't know/can't remember.

Based on the adults who supplied a value, the average paid was around £1,200.

“What was the final cost (excl. VAT) to you for the conveyancing?”

Figure 17 Cost of conveyancing for buyers

Less than £100	1%
£100 to £250	2%
£251 to £500	11%
£501 to £999	23%
£1,000 to £1,199	8%
£1,200 to £1,499	6%
£1,500 to £1,999	5%
£2,000 to £2,499	3%
£2,500 to £2,999	2%
£3,000 to £3,999	1%
£4,000 to £4,999	2%
£5,000 or above	1%
Don't know/can't remember	35%
<i>Base: 960 adults who used an external legal advisor</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Few surprised by their final bill

For 83% of the adults who used an external legal advisor, the final bill for the conveyancing was what they were expecting and only 8% were surprised by the final fee.

“Was the final cost for the conveyancing in line with what you were expecting to pay?”

Figure 18 Final conveyancing fees and expectations of buyers

Base: 960 adults who used an external legal advisor	
The final cost for conveyancing fees was what I expected	83%
The final cost for conveyancing fees was not what I was expecting	8%
Don't know/can't remember	10%
<i>Base: 76 adults with unexpected final fees*</i>	
<i>The final cost was slightly higher than expected</i>	<i>51%</i>
<i>The final cost was much higher than expected</i>	<i>32%</i>
<i>The final cost was slightly lower than expected</i>	<i>1%</i>
<i>The final cost was much lower than expected</i>	<i>16%</i>

** Low sub sample*

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

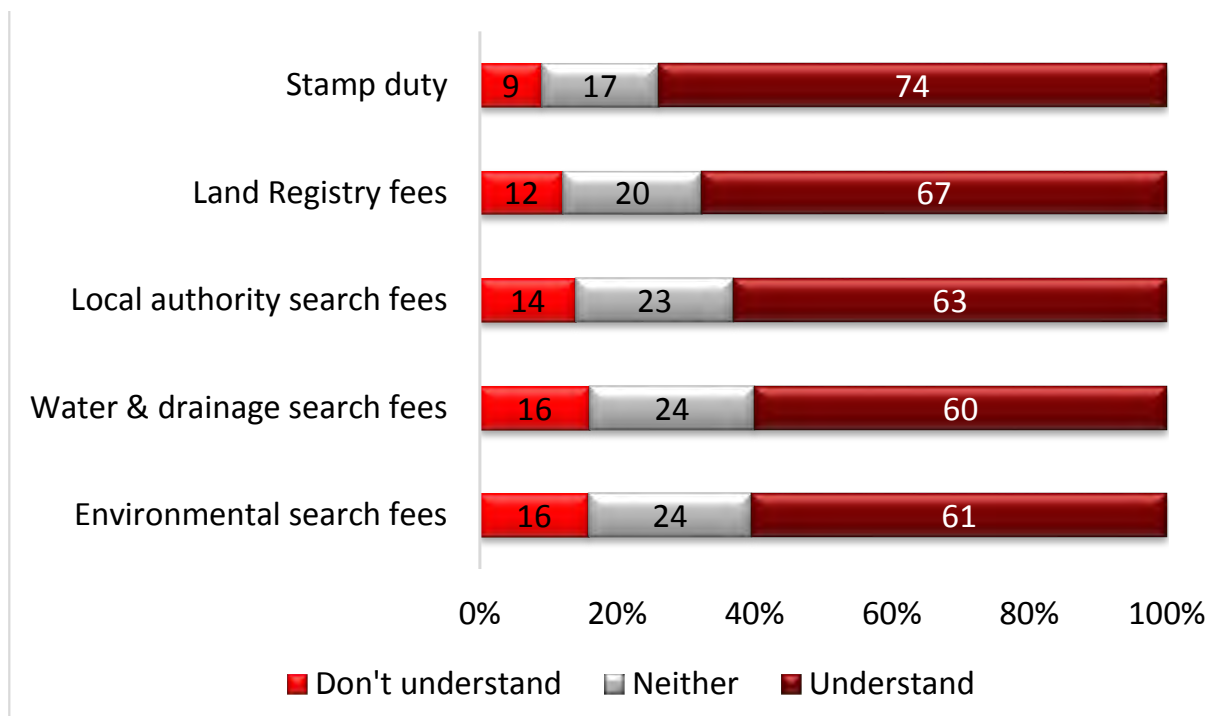
Purchasing – Understanding, Re-use and Sealed Bids

Majority say they understand Stamp Duty and search fees

A significant majority of the purchasers say they are clear about the additional fees involved in the conveyancing process. Water and drainage search fees and environmental search fees are likely to be the least understood, and many purchasers may not even have these searches undertaken. However even for these searches there is a stated understanding from the majority and just 16% indicate they are unsure.

“As well as the fees for the conveyancer there are also fees associated with various searches and Stamp Duty. How well would you say you understood the fees involved in each? Please answer on a scale of 1 to 5 where 1 is did not understand at all and 5 is completely understood.”

Figure 19 Understanding of search fees and Stamp Duty amongst the buyers



Base: 999 UK adults who purchased a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

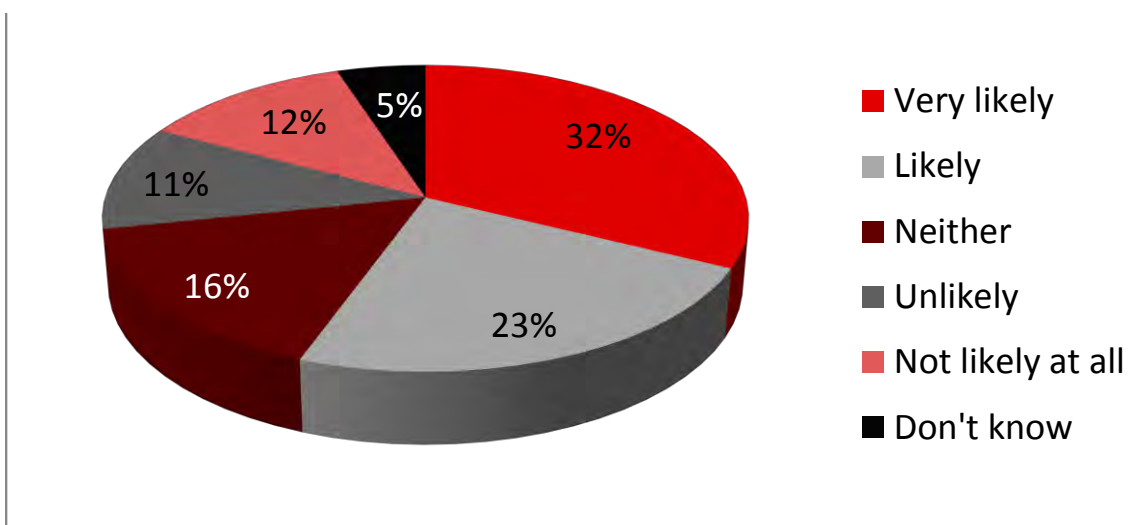
Generally younger adults, up to the age of 35, are less likely to understand the various search fees associated with the conveyancing process. For Land Registry, local authority, water & drainage, and environmental searches, there are smaller percentages of young adults that understand these searches than the result across all ages. Again, limited experience in buying and selling property for many of these adults is likely to be a factor here (i.e. older adults may have been through these processes multiple times).

Not everyone would use the same conveyancer again

Just over half (55%) say they would be likely to use the same conveyancer again if they were buying or selling a residential property. This leaves a significant minority that are either unsure (16%) or definitely would not use the same conveyancer again (23%) suggesting that by no means everyone was satisfied with the service received.

“In the future if you were buying or selling a residential property how likely would it be that you would use the same conveyancer/conveyancing service again?”

Figure 20 Buyers’ future use of conveyancer



*Base: 999 UK adults who purchased a residential property in the last two years
 Total may not = 100% due to impact of rounding
 Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)*

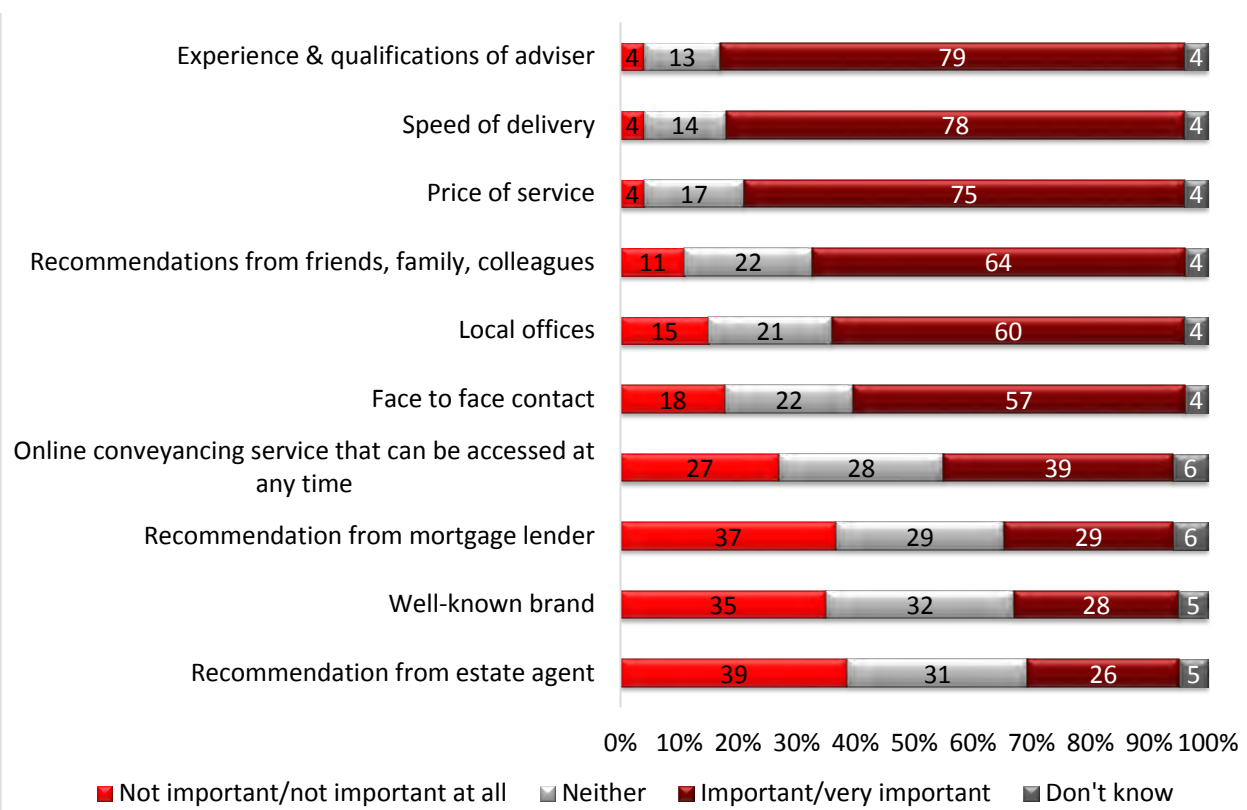
Wanted – speedy service from experienced advisers

Three factors emerge as key for buyers when selecting and using a conveyancer. At the top of the list is the experience and qualifications of those providing the service, designated ‘important’ or ‘very important’ by eight out of 10. In what can be a highly stressful process, with various stages to navigate, speed of delivery is the second most important factor. In third place, stated by three-quarters to be ‘important’ or ‘very important’, is the price of the service. In a largely process-driven legal matter, prices can be predicted at the start of the process and the use of technology is bringing prices down (as is more competition in the sector).

The growing use of national conveyancing services is a feature of the market. A majority still see local offices as important, and also face to face contact with an adviser. The latter result is a hurdle for online conveyancing services but a significant minority – 39% - agree that an online conveyancing service is ‘important’ or ‘very important’.

The least important factors when selecting and using a conveyancer are recommendations from estate agents and mortgage lenders and the conveyancing service coming from a well-known brand.

Figure 21 Importance of factors for buyers in selecting and using a conveyancer



Base: 999 UK adults who purchased a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Most used an estate agent and were satisfied with services offered

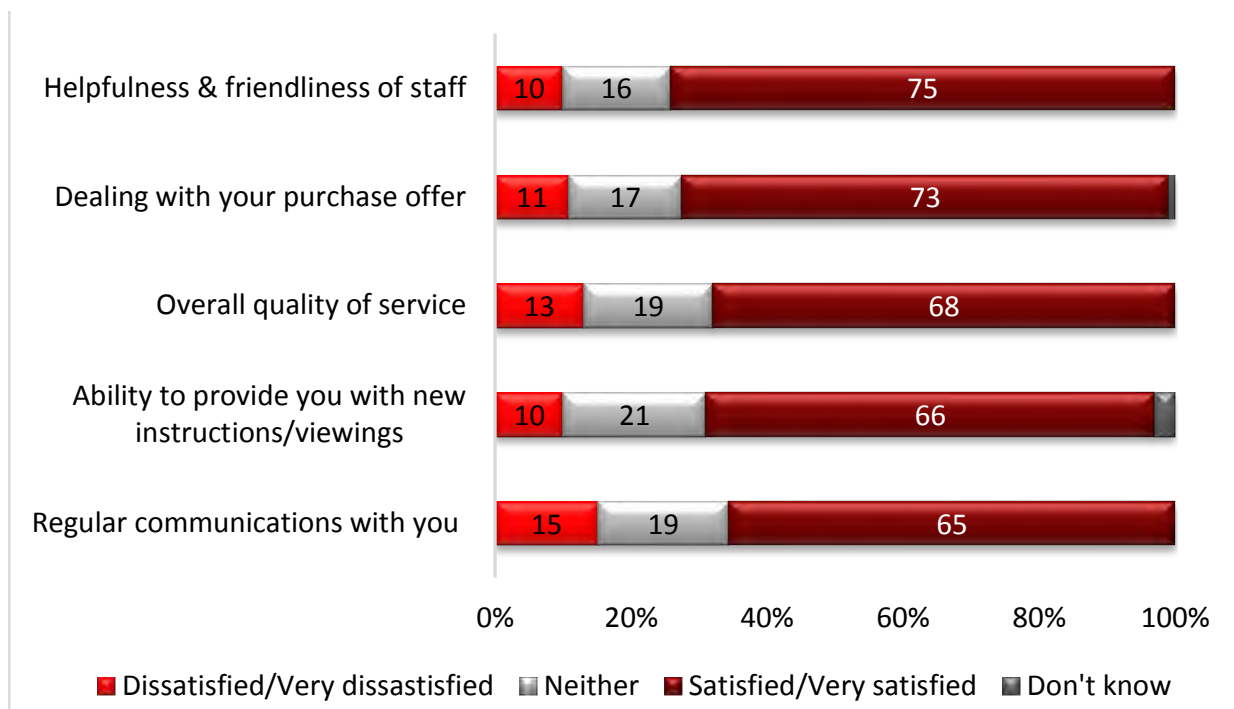
Three-quarters of the house purchasers (75%) used an estate agent, 22% did not, and 3% stated that they could not remember.

A majority of those using an estate agent were satisfied with the services offered – although there appear to be areas for improvement. The highest satisfaction rating at 75% ‘satisfied’ or ‘very satisfied’ is for the helpfulness and friendliness of staff. Ratings dip to below 70% for three key service features:

- Regular communications with a purchaser on the progress of the purchase and any significant developments (65%)
- The ability to provide a purchaser with new instructions/viewings relevant to their property requirements (66%)
- The overall quality of the services offered (68%).

“How satisfied were you with the services provided by the estate agent?”

Figure 22 Buyers' satisfaction with services from estate agent



Base: 745 adults who purchased a residential property in the last two years and used an estate agent

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

When asked “Did the estate agent ask you to pay any fees to them as part of the process of purchasing the property?” three quarters of the buyers (74%) stated that they did not. 18% said they had (8% didn’t know).

Sealed bids for residential property purchases are still rare

For the majority of those involved in purchasing a property, a sealed bid process (where all offers are placed in sealed envelopes and all opened at a certain time) are rare. 7% of the purchasers took part in a sealed bid process in their latest purchase although 12% have been involved in the past. Over three-quarters have never been involved in a sealed bid process.

“Were you asked to take part in a sealed bid process for the purchase of the property you eventually bought, i.e. asked to place your price offer in a sealed envelope to be opened along with other bids on a certain date?”

Figure 23 Buyers’ experience of sealed bids for purchases

Yes	7%
No – but I have been asked to take part in a sealed bid process in last 2 years	6%
No – but I have been asked to take part in a sealed bid process more than 2 years ago	6%
No, never	78%
Don’t know/not sure	3%
<i>Base: 999 UK adults who purchased a residential property in the last two years</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Sealed bids appear more likely in London and Scotland: 17% of the buyers in London answered yes to being involved in a sealed bid process, and 19% of the buyers in Scotland. London has become an extremely buoyant housing market, with (overall) too few properties for the demand and sometimes fierce competition. Sealed bids have been a feature of the conveyancing market in Scotland for many years.

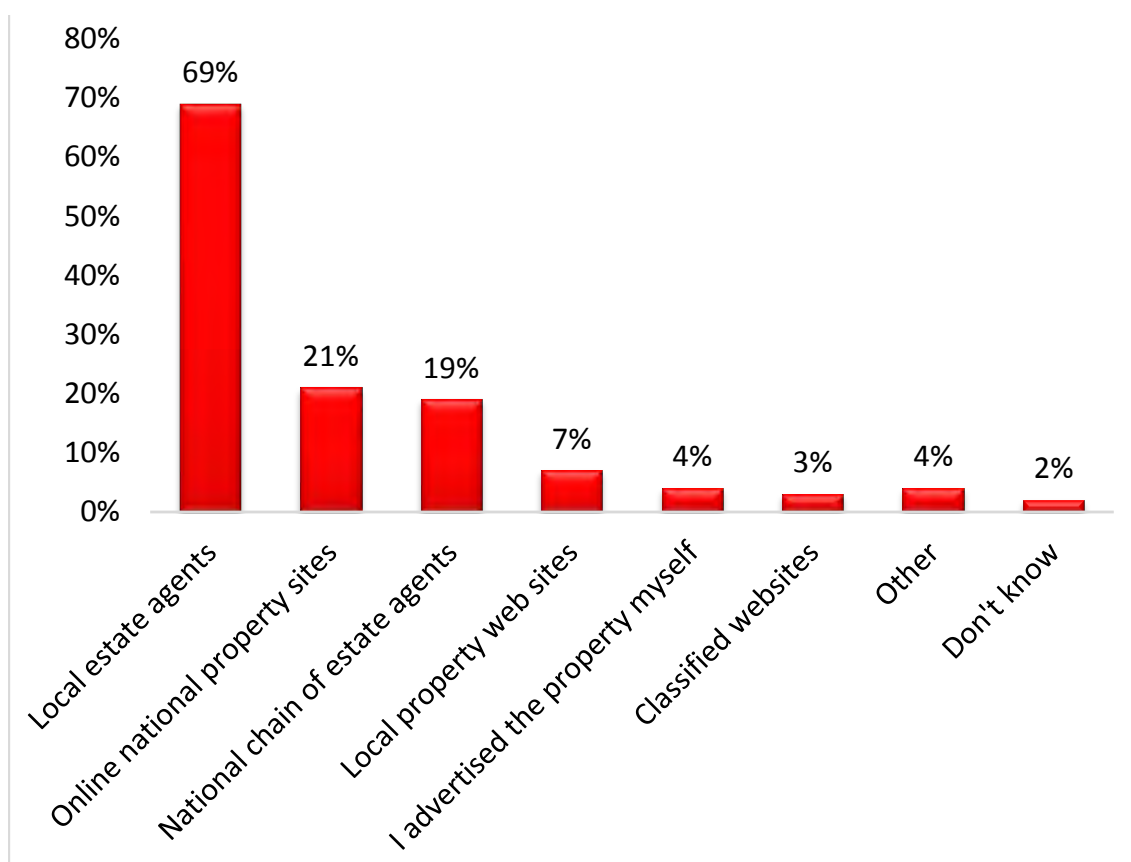
Selling – Agents, Money and Time

Local estate agents by far the most used by sellers

While national online property websites, such as Rightmove, Zoopla, and Primelocation, are the main route for the potential purchasers to find suitable residential properties (see the Purchasing – Searching, Money and Time section of this report), the sellers still turn in large numbers (69%) to local estate agents to sell their property. National online property websites are the next most popular channel, used by 21%. In third place are national chains of estate agents at 19%. These three routes dominate.

“Which, if any, of the following did you use to sell the property? Please choose all that apply”.

Figure 24 Sources used to sell residential properties



Base: 1,057 UK adults who sold a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Law firms and solicitors at the heart of the property selling process

Like purchasers of residential property, and despite competition from sources such as online conveyancing services and licensed conveyancers, traditional law firms with a physical office are still used by three-quarters of the sellers for legal advice when selling a property.

Licensed conveyancers and conveyancing companies are used by 18% and online conveyancing services by just over one in 10. Only 1% said they were able to complete the house selling process without using an external legal advisor, and the results closely mirror those recorded in the survey of buyers.

“Which, if any, of the following professionals did you use to cover the legal aspects of the house buying process?”

Figure 25 Key professionals used for legal advice by the sellers

Law firm/solicitor with a physical office	75%
Licensed conveyancer/conveyancing company with a physical office	18%
An online conveyancing service (whether from a law firm or a conveyancing company)	11%
Another legal advice provider	2%
Other	0.5%
I did not use any external legal advisor	1%
Don't know/can't remember	2%
<i>Base: 1,057 UK adults who sold a residential property in the last two years</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

25 to 34 year old sellers embrace online sales methods

Responses to questions regarding the selling process suggest that 25 to 34 year olds in particular are more likely to use online sites and services than any other age group. For example:

- Over twice as many 25 to 34 year olds use online-only estate agents compared to the sample as a whole. It is still a relatively small percentage (at 13%) but more than double the 6% in the survey overall. In the 35 to 44 age group, 10% use online-only estate agents.
- There are 31% of 25 to 34 year olds using a national online property site to sell a property compared to 21% in the survey overall. Only 54% in this age group used a local estate agent compared to 69% overall.
- 15% used online local property websites compared to 7% overall, and 8% used online classified sites while, among the total, only 3% used them.

Significant majority of respondents selling for £250,000 or less

A majority of the sellers – 64% - sold at £250,000 or less, and almost 20% sold at £125,000 or less.

“What was the selling price of the last residential property sold?”

Figure 26 Selling price of last residential property sold

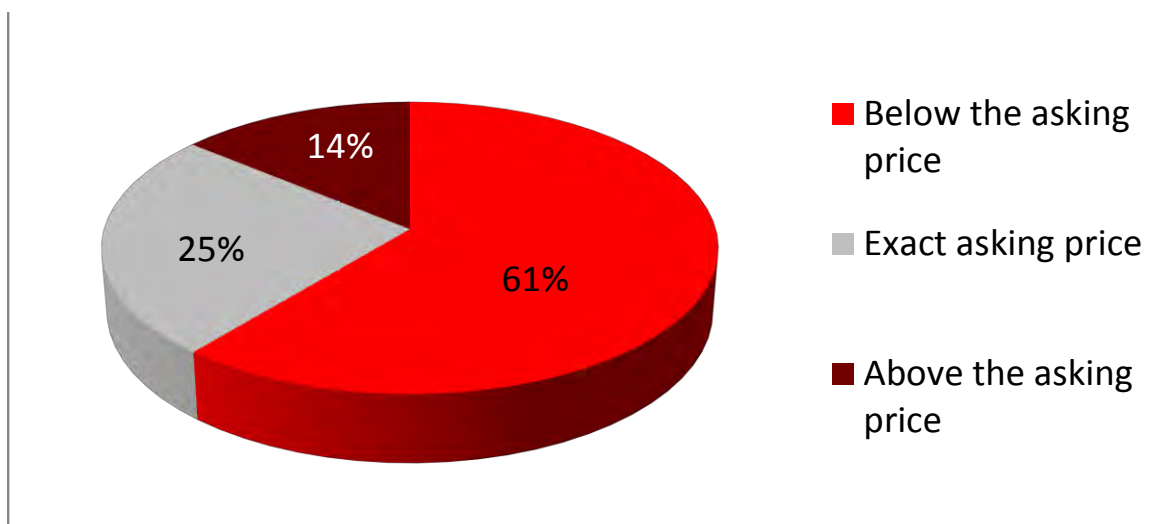
Up to £75,000	5%
£75,001 - £125,000	14%
£125,001 - £250,000	45%
£250,001 - £350,000	14%
£350,001 - £500,000	11%
£500,001 - £750,000	5%
£750,001 - £1 million	2%
Over £1 million but less than £2 million	1%
£2 million or over	0.5%
Don't know/can't remember	3%
<i>Base: 1,057 UK adults who sold a residential property in the last two years</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Majority sold for less than asking price

Only 25% of properties sold for the asking price, and another 14% were eventually sold for more than the asking price. However, for the majority of the sellers, actual selling prices were less than the asking price.

Figure 27 Price last residential property sold for



Base: 1,057 UK adults who sold a residential property in the last two years

Total may not = 100% due to impact of rounding

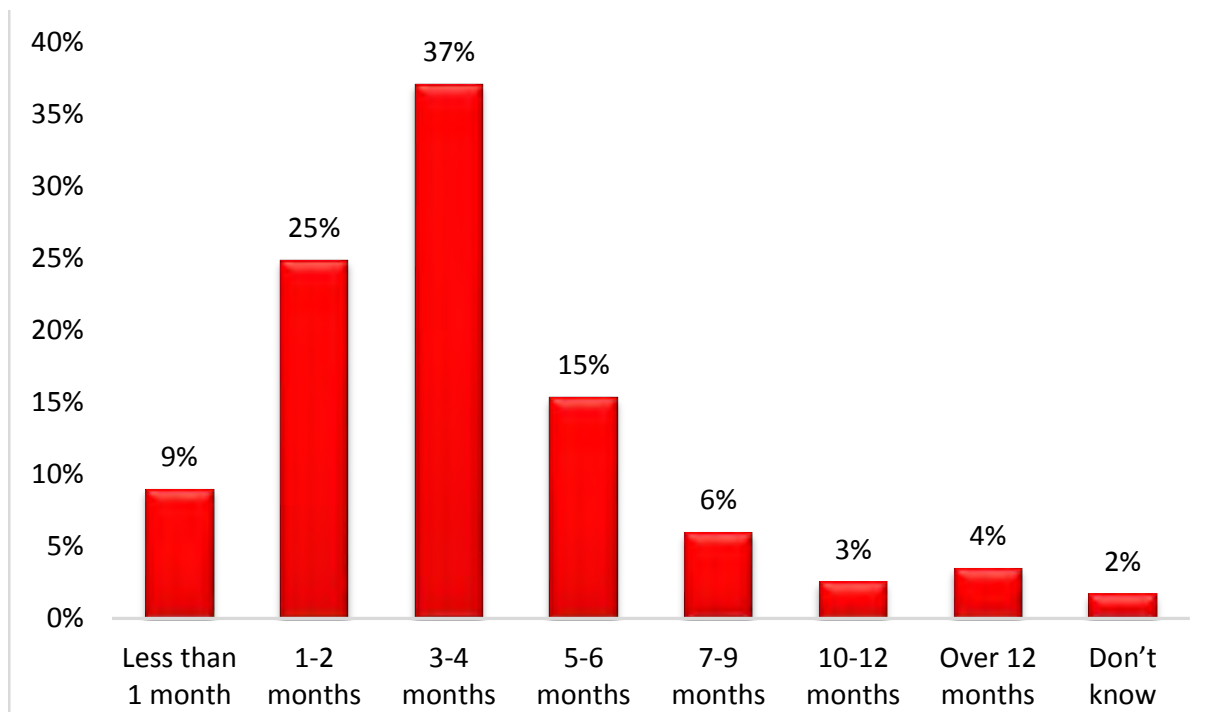
Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Time taken to sell often longer than expected

As with purchasing, the time taken to complete the house buying process can vary considerably. However, the majority of respondents selling said the process lasted three to four months.

“How long was it from getting the first offer for the property (from the eventual buyer) to the final completion of the sale?”

Figure 28 Time sellers say it took to complete sale process



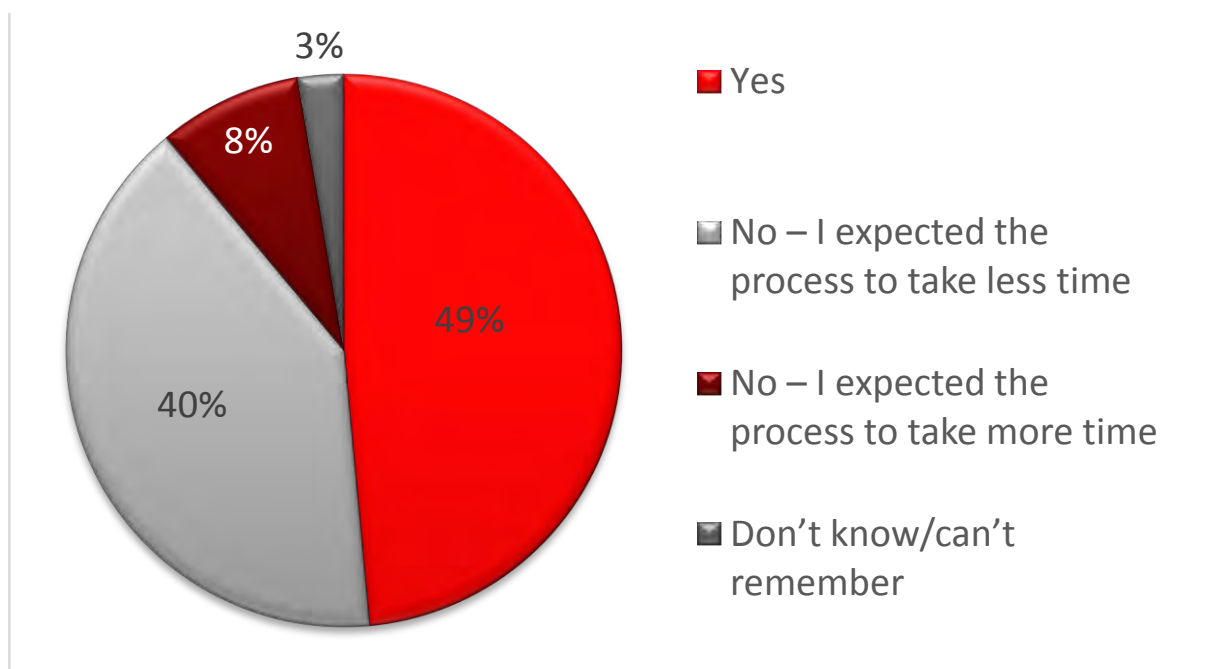
Base: 1,057 UK adults who sold a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

As with purchasing, many say that the selling process took longer than they thought – approximately half say that the final completion time was in line with what they were expecting, and 40% say they thought it would take less time than it did.

“Was the final completion time in line with what you were expecting?”

Figure 29 Sellers' expectations vs. time taken to complete sale process

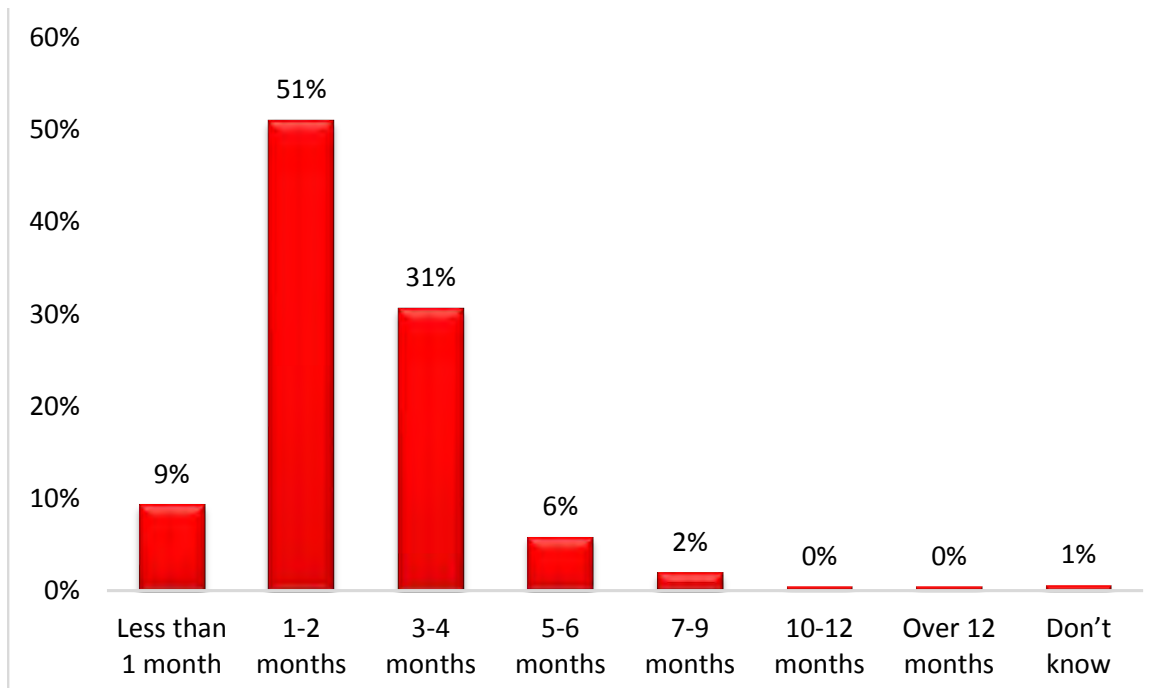


*Base: 1,057 UK adults who sold a residential property in the last two years
 Total may not = 100% due to impact of rounding
 Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)*

Of the sellers who did not have their expectations met, 51% say they were expecting the process to take 1-2 months, very close to the 53% of buyers who did not have their expectations met that said the same.

“And how long were you expecting the process to take from getting the first offer for the property (from the eventual buyer) to the final completion of the sale?”

Figure 30 Expected time to complete sale process amongst sellers whose expectations were missed



Base: 516 UK adults whose expectations were not met

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Selling – Legal Advice, Satisfaction and Cost

Recommendations from estate agents and other professionals top the list when choosing legal advice

There are various methods used to find a legal representative to deal with the legal aspects of the house selling process but, like buyers, recommendations from estate agents and other professionals are particularly important. Estate agent recommendations are used as the main method by the largest single group of the sellers (27%) but when recommendations from financial advisers/mortgage brokers plus banks, building societies, and other mortgage lenders are included, then just under a third of the sellers are taking recommendations from these professionals.

Around a quarter of the sellers have used the same solicitor/conveyancer for years while another 15% went back to a legal representative that they had used for another legal matter in the past. It seems that even though consumers may only use a legal representative infrequently, there is a significant percentage that will return to a previous supplier.

Figure 31 Sellers’ methods of finding a solicitor/conveyancer

	All methods	Main method
Recommendation from estate agent	28%	27%
I have used the same solicitor/conveyancer for years	26%	25%
I went back to a legal provider that completed other legal work for me (e.g. wills and probate, personal injury, divorce etc.)	15%	12%
Recommendations from friend, relative, work colleague	13%	11%
Internet search engines (e.g. Google, Bing, Yahoo etc.)	5%	3%
Websites with independent consumer reviews, ratings of legal providers	4%	2%
Via my bank, building society, mortgage lender	3%	2%
Via my financial adviser/mortgage broker	3%	2%
Price comparison site for legal services	3%	2%
Printed Yellow Pages, other printed local directories	2%	1%
Advertisement on TV, radio, in the local press, or on the Internet	2%	1%
Social networking sites (e.g. Facebook, Twitter etc.)	1%	1%
Citizen’s Advice Bureau or other local agencies	1%	1%
Other	7%	6%
None of the above	2%	4%
Don’t know	1%	2%
<i>Base: 1,021 adults who used a solicitor/conveyancer</i>		

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Recommendations from professionals are usually followed up

Half of the sellers used estate agents, mortgage lenders, and mortgage brokers that recommended a service to cover the conveyancing elements of the house selling process; these recommendations were followed up and used by 70% of this group.

However, only a few sellers are aware that the conveyancer is likely to be paying a referral fee to the estate agency, lender or broker for this recommendation. Only 30% state that they were aware of this while 23% note that the referral fee was detailed as part of the costs in the conveyancer’s quote.

“Did an estate agent, mortgage lender, or mortgage broker recommend a service (e.g. law firm, licensed conveyancer, online service etc.) to cover the conveyancing aspects of the house buying process?”

Figure 32 Recommendations from estate agents, lenders and brokers to sellers – and actions

	Yes	No	Don't know
<i>Base: 1,057 UK adults who sold a residential property in the last two years</i>			
Did estate agent, mortgage lender, mortgage broker recommend a conveyancing service?	50%	45%	6%
<i>Base: 527 adults who had a service recommended</i>			
Did you use any of the conveyancing services recommended to you?	70%	28%	1%
<i>Base: 371 adults who used a recommended service</i>			
I was aware that the conveyancer would be paying a referral fee to the estate agent, mortgage lender, mortgage broker	30%		
The referral fee was detailed as part of the costs to me in the conveyancer’s original quote	23%		
None of these	50%		

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

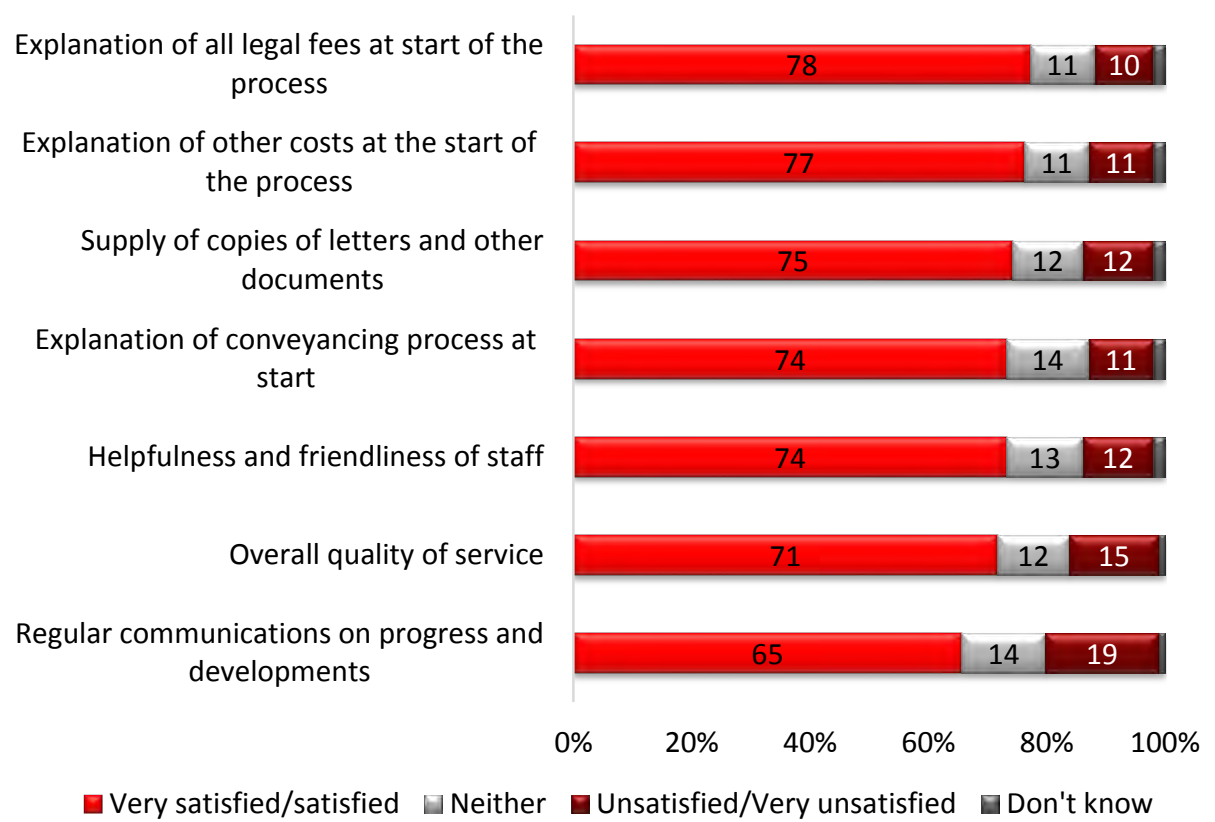
Satisfaction scores lowest for communications from legal advisors

Satisfaction levels with various aspects of the service offered by legal advisors are reasonably good although, as with satisfaction scores from buyers, it is not all good news.

A relatively high percentage of the sellers – over three-quarters – are ‘satisfied’ or ‘very satisfied’ with the explanation of legal costs and other costs involved with selling a residential property. Satisfaction levels with most other service features and delivery are not far behind – with the

exception of communications during the process from their legal advisor as only 65% are 'satisfied' or 'very satisfied' with this.

Figure 33 Sellers' satisfaction with service from legal advisor



Base: 1,021 adults who used a solicitor/conveyancer

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Fixed fees dominate

Conveyancing fees for the sellers were dominated by fixed fee models. A significant majority of individuals – 72% - were quoted a fee in advance of the work and this was the final fee charged. Another 13% had a fixed fee agreement although the final fee was higher than the original fee quoted, and in 4% of instances the final fee was lower than the original fee quoted.

Figure 34 Service charging options used by the sellers

Fixed fee:	
Agreed in advance for work required and this was final fee charged	72%
Agreed in advance for work required but final fee higher	13%
Agreed in advance for work required but final fee lower	4%
Hourly fee arrangement – based on hourly rate and hours involved	4%
Any other	2%

Don't know/would rather not say	5%
<i>Base: 1,024 adults who used a solicitor/conveyancer</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Four in 10 say they paid less than £1,000

As the figure below shows, fees can vary from a few hundred pounds to thousands of pounds. Over four in 10 say they paid less than £1,000 for their conveyancing; 28% say they don't know/can't remember.

Based on the adults who supplied a value, the average paid was around £1,300 (approximately £100 higher than the buyers' average).

"What was the final cost (excl. VAT) to you for the conveyancing?"

Figure 35 Conveyancing fees paid by sellers

Less than £100	1%
£100 to £250	3%
£251 to £500	11%
£501 to £999	28%
£1,000 to £1,199	6%
£1,200 to £1,499	7%
£1,500 to £1,999	6%
£2,000 to £2,499	3%
£2,500 to £2,999	2%
£3,000 to £3,999	3%
£4,000 to £4,999	1%
£5,000 to £9,999	1%
£10,000 or above	0.3%
Don't know/can't remember	28%
<i>Base: 1,024 adults who used a solicitor/conveyancer</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Few surprised by their final bill

For 83%, the final bill for the conveyancing was what they were expecting and only 9% were surprised by the final fee.

Of the adults that expressed some surprise over the final fee the majority faced a higher bill than they were expecting.

“Was the final cost for the conveyancing in line with what you were expecting to pay?”

Figure 36 Final conveyancing fees and expectations of sellers

<i>Base: 1,024 adults who used a solicitor/conveyancer</i>	
The final cost for conveyancing fees was what I expected	83%
The final cost for conveyancing fees was not what I was expecting	9%
Don't know/can't remember	8%
<i>Base: 92 adults who had an unexpected cost*</i>	
<i>The final cost was slightly higher than expected</i>	<i>55%</i>
<i>The final cost was much higher than expected</i>	<i>27%</i>
<i>The final cost was slightly lower than expected</i>	<i>5%</i>
<i>The final cost was much lower than expected</i>	<i>11%</i>

** low sub-sample*

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

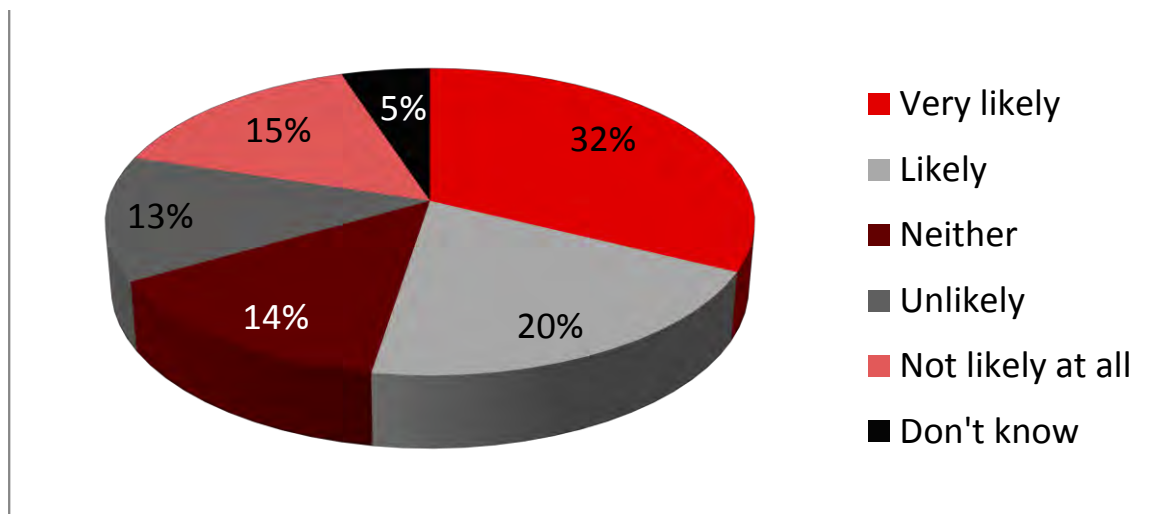
Selling – Re-use, Key Factors and Charges

Just over half would use the same conveyancer again

Just over half (52%) would turn to the same conveyancer again if they were buying or selling a residential property. Another 14% are not sure while 28% would not use the same conveyancer again.

“In the future if you were buying or selling a residential property how likely would it be that you would use the same conveyancer/conveyancing service again?”

Figure 37 Sellers’ future use of conveyancer



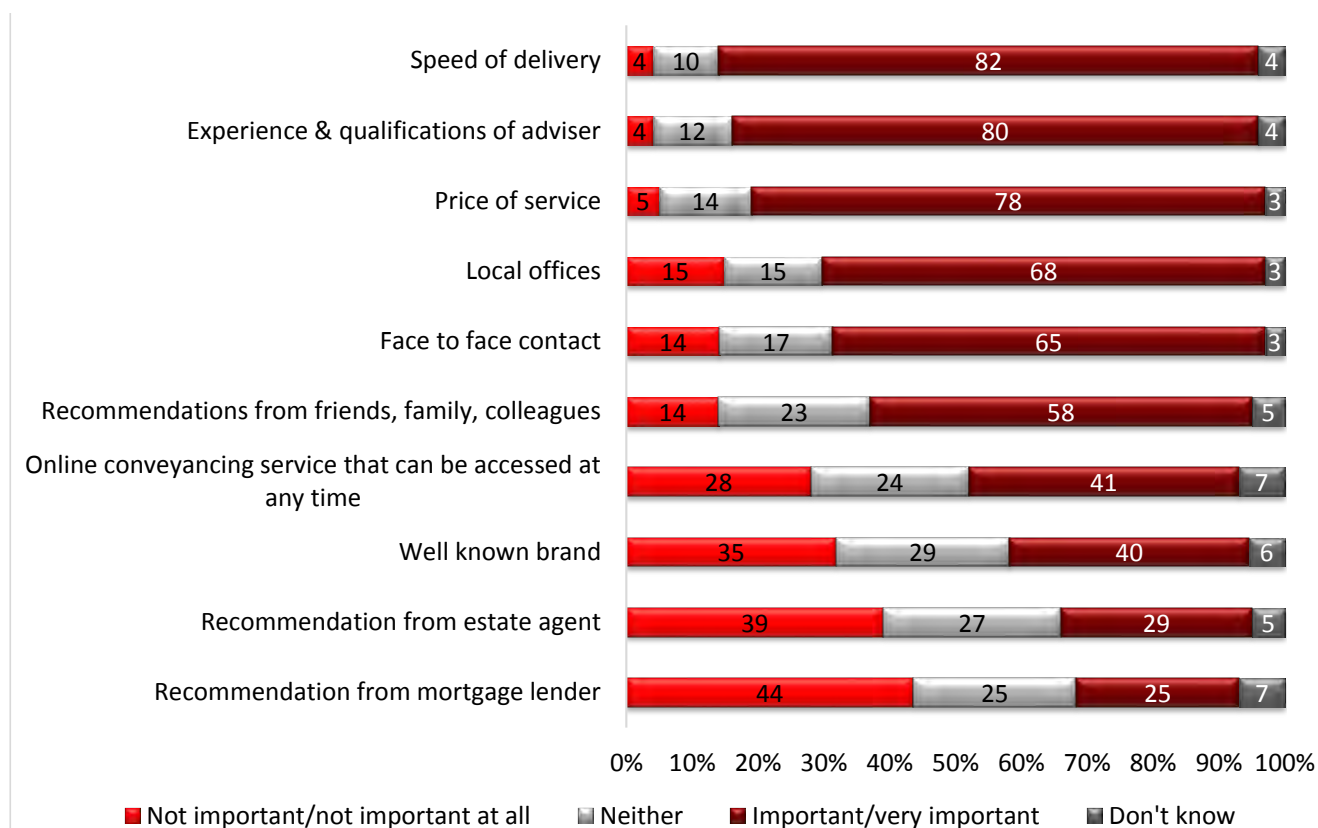
*Base: 1,057 UK adults who sold a residential property in the last two years
 Total may not = 100% due to impact of rounding
 Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)*

Speed of delivery of service is top of the list for clients

The same three factors as with buyers are by the most important for individuals when selecting and using a conveyancer. For sellers, the most important factor is getting the process dealt with quickly; speed of delivery of services is ‘important’ or ‘very important’ to 82%. In second place is the experience and qualifications of those providing the service, ‘important’ or ‘very important’ to eight in 10. Price comes third with 78% seeing this as one of the most important factors.

The least important factors when selecting and using a conveyancer emerge as recommendations from estate agents and mortgage lenders and also the service being provided by a well-known brand. There is also limited interest in online conveyancing services: these are mentioned as ‘important’ or ‘very important’ by just 41%.

Figure 38 Important factors in selecting and using a conveyancer for sellers



Base: 1,057 UK adults who sold a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Most used a local estate agent and satisfaction with services is relatively good

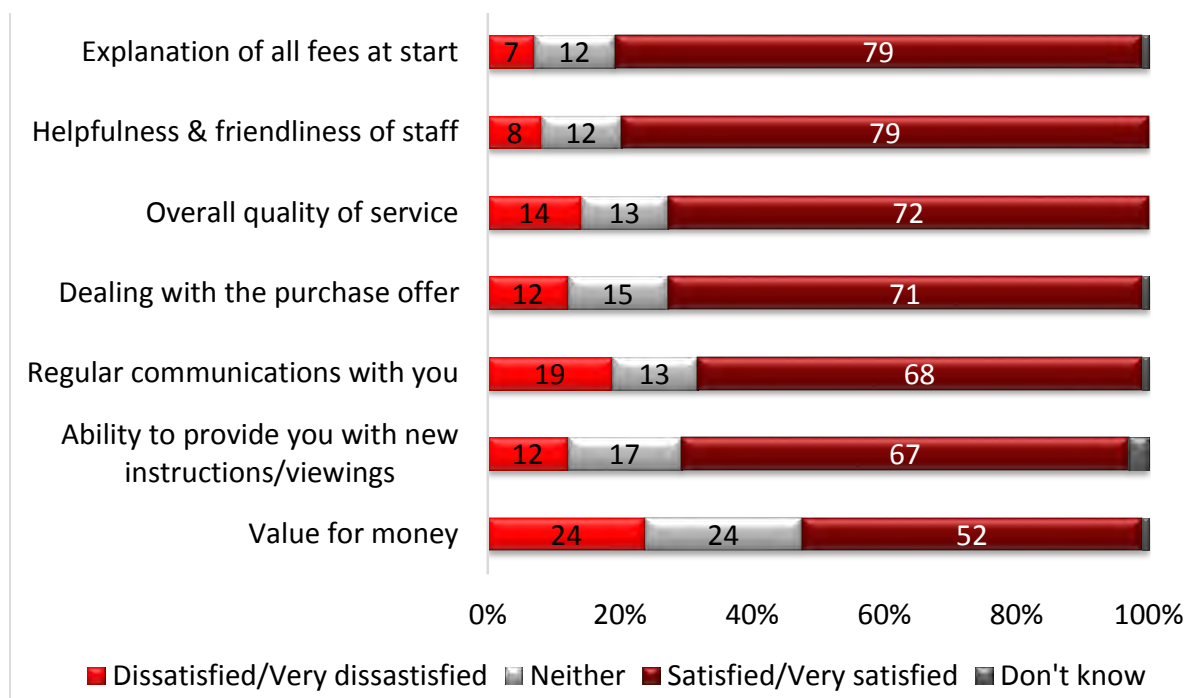
A large majority (84%) of the residential property sellers used an estate agent with a physical office or shop, and another 6% used an online estate agency service. Only 8% sold the property without using an estate agent, and 2% can't remember/don't know.

A majority of those using an estate agent were satisfied with the services offered although there are at least 20% that do not give a high satisfaction rating for each service feature. The highest satisfaction rating at 79% 'satisfied' or 'very satisfied' is for both the explanation of all fees at the start of the process plus the helpfulness and friendliness of staff. Other service features where positive satisfaction scores surpass 70% are overall quality of service and dealing with the purchase offer.

Value for money is at the bottom of the list with only 52% either 'satisfied' or 'very satisfied'. Almost a quarter (24%) were 'dissatisfied' or 'very dissatisfied' with this aspect of the service and another 24% had no view either way.

"How satisfied were you with the services provided by the estate agent?"

Figure 39 Sellers' satisfaction with services from estate agent



Base: 838 adults who used an estate agent

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Between 1% and 1.5% is the percentage charged for most on property sale

The percentage of the selling price charged by estate agents can vary from as low as 0.5% to over 3% but, for the majority of the sellers the percentage charged was between 1% and 1.5% (55% were charged in this range). 66% were charged at less than 2%, and only 2% were charged 3%. Just 1% of sellers were charged over 3%.

“What percentage of the selling price did the estate agent charge for their services?”

Figure 40 Percentage charged by estate agent

Percentage charged	% of sellers
0.50%	4%
0.75%	4%
1.00%	23%
1.25%	16%
1.50%	16%
1.75%	3%
2.00%	5%
2.25%	2%
2.50%	1%
2.75%	1%
3.00%	2%
More than 3.00%	1%
Don't know	22%
<i>Base: 1,057 UK adults who sold a residential property in the last two years</i>	

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Other Conveyancing Providers

As part of YouGov Report's research for this publication, both buyers and sellers were also asked about their likely use of non-traditional suppliers of conveyancing services (as opposed to law firms and solicitors) and their interest in conveyancing services from specific well-known brands.

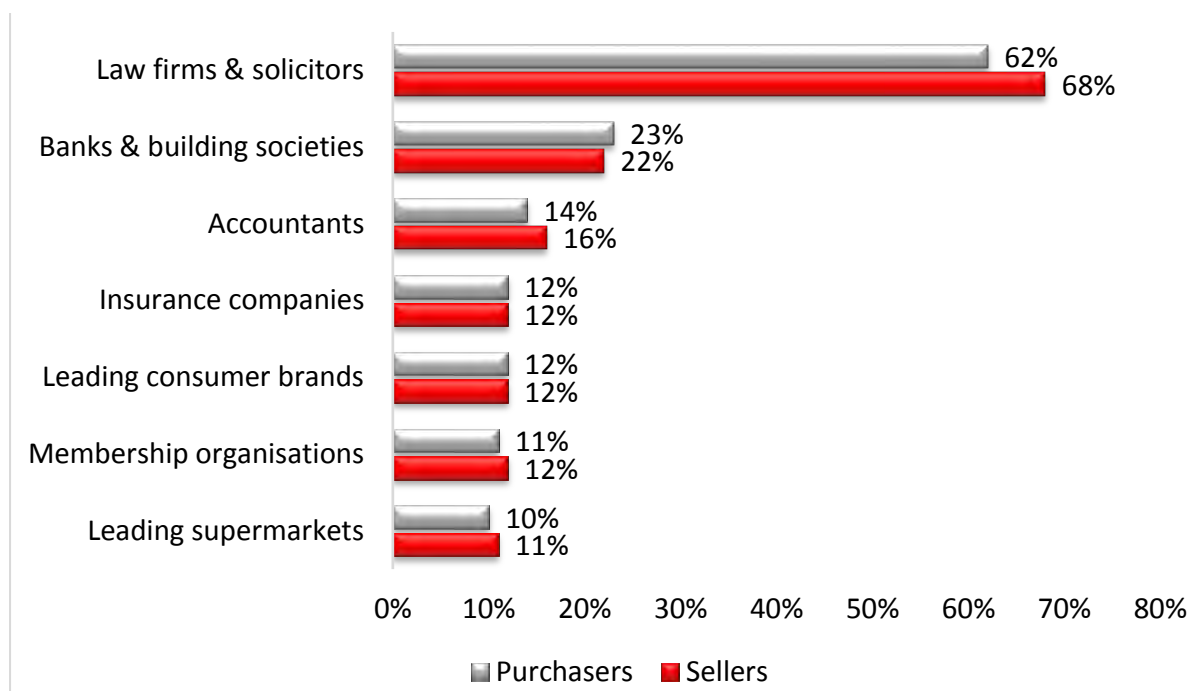
Little interest in conveyancing services from new providers

YouGov Report's research reveals little enthusiasm from either buyers or sellers in considering using non-traditional suppliers of conveyancing services. While a clear majority are happy to continue to use law firms and solicitors, the next most popular option would be banks and building societies – although less than a quarter of either the buyers or the sellers would be 'likely' or 'very likely' to use this source in the future. So far, most other potential providers have not generated interest amongst many respondents, with the least popular option being conveyancing services from the leading supermarkets.

62% of purchasers and 68% of sellers say they would be 'likely' or 'very likely' to continue to use law firms and solicitors for conveyancing advice. Banks and building societies are seen as an option by 23% of buyers and 22% of sellers. Accountants might be used for conveyancing advice by 14% of buyers and 16% of sellers.

"Liberalisation of the legal services market means that new suppliers of legal advice can join traditional suppliers (like law firms and solicitors) in supplying services such as conveyancing. If you were about to buy or sell a residential property, how likely would you be to use any of the following types of companies for conveyancing advice if they offered it? Please answer on a scale where 1 is not likely at all, and 5 is very likely."

Figure 41 Use of legal services providers – respondents ‘likely’ or ‘very likely’ to use



Base: 999 UK adults who purchased a residential property in the last two years, 1,057 UK adults who sold a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

One in five could use a well known brand for conveyancing

When specific consumer brands are mentioned as possible sources of conveyancing advice and services, interest is strongest for John Lewis, a well-established brand with a good reputation for quality and service. There is also interest in services from banks and Which?.

John Lewis as a source of conveyancing advice would be of interest to 23% of buyers and 20% of sellers and another 22% of buyers and 19% of sellers would be interested in using the Halifax (the highest-rated banking brand here). Which? would interest 20% of buyers, but slightly fewer sellers.

39% of the buyers and 40% of the sellers would not be interested in using conveyancing services from any of the brands listed.

“Please look at this list of some well-known brands in the UK. Please select any that you would be willing to use for conveyancing if they offered such a service.”

Figure 42 Interest in non-legal brands for conveyancing services

Brand	Buyers	Sellers
John Lewis	23%	20%
Halifax	22%	19%
Lloyds	20%	19%
NatWest	20%	17%
Which?	20%	17%
Barclays	18%	18%
Marks & Spencer	16%	17%
The Co-op	15%	16%
AA	14%	11%
Virgin	12%	13%
Waitrose	12%	9%
Tesco	11%	9%
Sainsbury's	10%	9%
Admiral Insurance	9%	7%
RAC	9%	7%
Saga	9%	11%
Asda	8%	6%
BT	6%	4%
BUPA	6%	4%
DAS Insurance	3%	3%
Stobarts	3%	3%
None of the above	39%	40%

Base: 999 UK adults who purchased a residential property in the last two years, 1,057 UK adults who sold a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Some of the above like the Co-op, Saga, and Which? are already offering legal services, including conveyancing, under their own brand names but the research indicates that few adults are aware of this. For example The Co-op is only recognised as offering conveyancing advice by 8% of buyers and 9% of sellers.

The top brands that consumers believe are offering conveyancing services (whether they do or not) are the major banks and mortgage lenders with over one in five of the sellers listing many as providers of conveyancing advice – and almost as many of the buyers list them as well.

62% of the buyers and 57% of the sellers think that none of the brands are currently offering conveyancing services.

Figure 43 Prompted awareness of non-legal brands offering conveyancing services

Base: 999 UK adults who purchased a residential property in the last two years (buyers), 1,057 adults (sellers)

Brand	Buyers	Sellers
HSBC	18%	22%
Barclays	17%	23%
Halifax	17%	21%
Lloyds	17%	23%
Nat West	17%	21%
The Co-op	8%	9%
Saga	7%	7%
Admiral Insurance	5%	5%
AA	4%	4%
Virgin	4%	7%
John Lewis	3%	4%
Marks & Spencer	3%	5%
Tesco	3%	5%
Which?	3%	3%
Asda	2%	2%
BUPA	2%	2%
DAS Insurance	2%	3%
RAC	2%	2%
Sainsbury's	2%	3%
BT	1%	2%
Stobarts	1%	0.4%
Waitrose	1%	1%
None of the above	62%	57%

Base: 999 UK adults who purchased a residential property in the last two years, 1,057 UK adults who sold a residential property in the last two years

Source: YouGov Reports Conveyancing survey (31/07/2014 - 26/08/2014)

Market Size

Total market

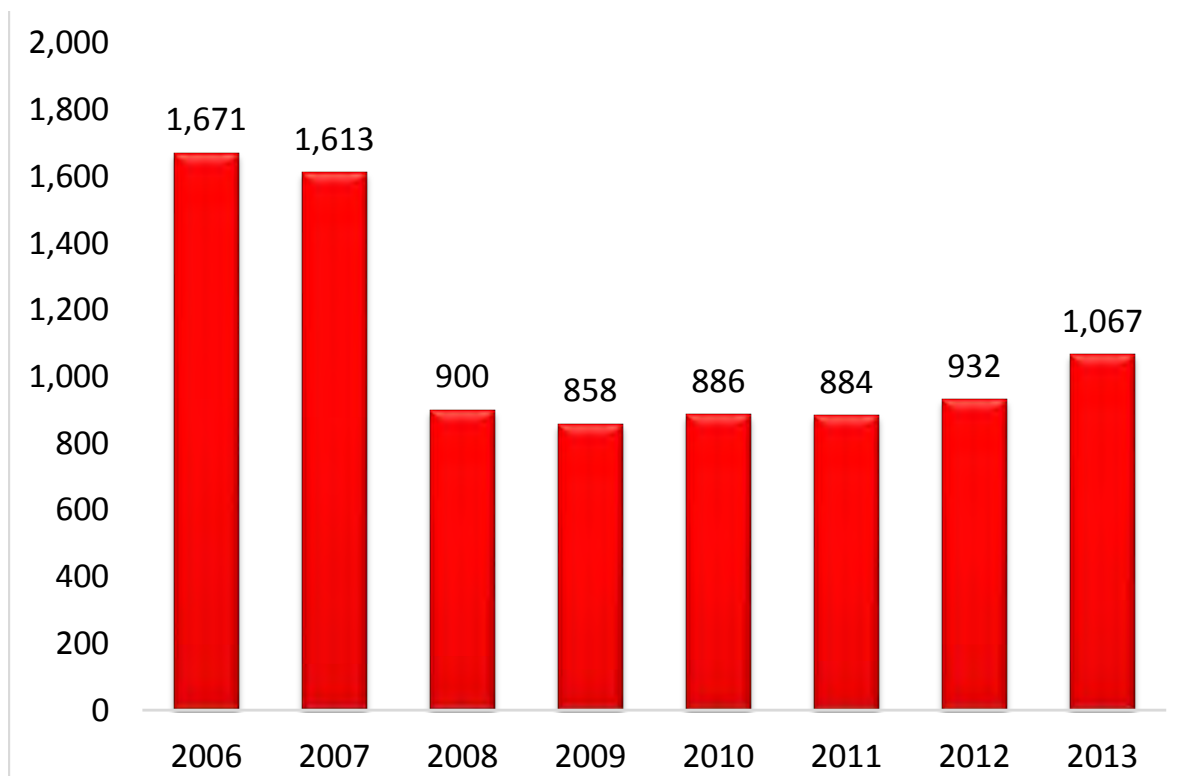
In October 2013, research from the LSB (*Changes in Competition in Different Legal Markets, October 2013*) estimated that legal services related to residential property constituted a market valued at £1.3 billion, representing 5% of the overall legal services market.

The residential conveyancing market is driven by factors including economic conditions, household income and savings trends and the construction and residential housing markets. In addition, there are changes to the structure of the conveyancing sector driven by liberalisation of legal services in the UK.

Since the advent of the economic downturn in 2008, the residential property market struggled – however 2013 saw the first signs of real recovery. However, the previous years of weak market demand have taken their toll with many large law firms drastically cutting their conveyancing teams while many other law firms, from large to small, exited the conveyancing market altogether.

The conveyancing sector started its recovery in 2012 and in 2013, UK residential property transactions passed the million mark for the first time since 2006. Despite this marked improvement, the market is still well short of the peak in 2006 when transactions were almost 1.7 million.

Figure 44 Residential property transactions in UK over £40,000 (000s), 2006-2013



Source: HMRC/YouGov Reports

Strong double-digit percentage growth has been maintained in 2014 although the rate of growth has slowed in recent months. In February 2014, growth was 33.2% year on year from February 2013. By

June 2014, growth was 15.7% from June 2013.

Figure 45 UK – number of residential property completions with value over £40,000 (seasonally adjusted), 2013 and 2014

	2013	2014	Percentage change year on year
January	79,560	103,480	30.1%
February	82,190	109,500	33.2%
March	82,270	103,620	26.0%
April	79,370	102,670	29.4%
May (p)	86,110	102,860	19.5%
June (p)	88,760	102,680	15.7%

p – provisional

Source: HMRC/YouGov Reports

Figures for mortgage lending from the Council of Mortgage Lenders (CML) also emphasise the strong improvement in the residential housing market:

- In July 2014, mortgage lending for new house purchases reached £11.8 billion, increasing by 33% on the same month in 2013. The July 2014 figure compares with a value for lending of £10 billion in June 2014.
- 67,000 mortgages were approved for new house purchases in July 2014 compared to 60,500 in the previous month. The July 2014 figure was 9.5% higher than July 2013.

Leading Law Firms and Legal Suppliers

Like many legal services segments, the conveyancing market is still highly fragmented but large volume providers of conveyancing services have been increasing their share of the market in recent years. The Land Registry produces statistics on the number of conveyancing transactions it deals with and between 2010 and 2013, the share of the conveyancing sector taken by the top 10 firms in England and Wales increased from 5.1% to 8.6%. The market is still far off from being highly concentrated but the presence of the larger players is increasing.

Key issues include:

- The rise of the volume conveyancer is being helped by individuals tightening their belts and looking for lower priced conveyancing services. A strong web presence, and heavy web marketing of services and SEO (Search Engine Optimisation) also means that these brands are picked up more often from search engines.
- Law firms can struggle to make a reasonable margin out of conveyancing work, with the financial problems for some having been exacerbated by lender panels reducing the number of their law firm members, and referrers (e.g. estate agents) continuing to ask for considerable commission fees.

- In turn, the financial instability of some law firms with a relatively significant percentage of their work in conveyancing has made it difficult for some suppliers to obtain professional indemnity insurance (PII), or have forced firms to pay increased PII costs.
- Non-law firms and individuals that are not qualified solicitors can now invest in law firms through a business model called Alternative Business Structures (ABS). This opens up opportunities for estate agents, property management companies, and others like insurance companies, claims management companies and online legal services providers to own a share in law firms – which, in the already highly competitive conveyancing sector, could bring in even more competition.
- At the end of August 2014, there were over 300 ABS in England and Wales licensed by the Solicitors Regulation Authority (SRA), and 38 licensed by the Council of Licensed Conveyancers (CLC). The latter group are all conveyancing firms (and the CLC was the first to licence an ABS, in October 2011). Only a relatively small number of ABS licensed by the SRA offer conveyancing services but amongst them are some big names – led by the Co-operative – and large law firms such as Irwin Mitchell.
- The consolidation of the conveyancing sector is taking place in parallel with the growth in fixed price services, online conveyancing and white label conveyancing. Growth in these services is pushing the value of the market down as it shifts more towards price-driven business models.

In 2013, the top ten conveyancers involved in Land Registry transactions dealt with 67,214 transactions, representing 8.6% of all transactions. Concentration in the sector is still limited but growing steadily.

Figure 46 Land Registry transactions by account customer – top ten, 2013

	Transactions	Percentage share of all transactions
My Home Move Limited	16,842	2.1
Countrywide Property Lawyers Limited	11,158	1.4
O’Neil Patient Solicitors LLP	9,247	1.2
Birchall Blackburn	5,350	0.7
Grindleys LLP	4,607	0.6
Langleys LLP	4,601	0.6
Shoosmiths LLP	4,510	0.6
Enact Conveyancing Limited	3,761	0.5
Bower & Bailey	3,686	0.5
Martin Tolhurst Partnership LLP	3,452	0.4

Source: Land Registry/YouGov Reports

The top conveyancers are My Home Move and Countrywide Property Lawyers Limited. The top law firms, based on Land Registry transactions, are O’Neil Patient Solicitors, Birchall Blackburn, Grindleys, Langleys, and Shoosmiths.

The Future

Short-term outlook

Compared to recent years, the UK housing market is in a healthy position with more new build, more mortgages handed out, more house sales, and house price rises. However, there are signs that some of the indicators of housing market health are beginning to stabilise (in particular a levelling off of new house building and some slowdown in price rises). 2014 has seen new rules on mortgage lending introduced, intended to reduce the risk of mortgage lending – but their long-term impact is still unclear and they could restrict mortgage lending overall. The UK has also become used to a base rate of 0.5% but rising interest rates looks set to become a reality over the next 24 months.

Currently, it is unclear whether the improvement in the housing market which has helped start to turn the fortunes of the conveyancing sector around will continue at the same pace in the short term. What may be more likely is further growth in the market but at a lower rate than in the past 12 months. This would still be good news for most solicitors and conveyancers and this is emphasised by the fact that the Law Society sees improvements in the house market as a key component of the growth in the legal services in the next year or so (see below).

One issue is the shortage of skilled conveyancing professionals in some regions. The downturn in the housing market in 2008 and 2009 led to a large number of conveyancers and specialist property solicitors losing their jobs or leaving the sector. Now, as the market recovers, there are some concerns regarding a skills shortage.

Other factors impacting on the market include:

Housing market recovery to drive legal services market growth...

The Law Society's latest forecasts for the legal service market were published at the end of August 2014 and state that improvements in the housing market, along with an improved performance in the UK business sector, are expected to be the significant drivers of growth in legal services market real turnover in 2014 and 2015.

The report notes that real turnover growth in 2013 was 3.5% with most of this – 2.7% - attributed to the increase in activity in the housing market. Looking back, the Law Society estimates that the growth in real turnover in legal services between 2007 and 2010 was over 10% lower than it would otherwise have been due to the significant falls in the housing market.

In 2014, real legal services turnover is expected to grow by 3.8% with 1.5% due to improved housing market activity. In 2015, the growth is forecast at 4.9% overall with 1.0% due to improved housing market activity.

...and Help to buy to boosts house sales...

From April 2013, Help to Buy equity loans have been available to people to buyers of new build homes priced below £600,000. Interest-free for the first five years, the buyer needs a 5% deposit. Since 1 January 2014, the Help to Buy mortgage guarantee has been available to help consumers buy

a home with a deposit of only 5% of the purchase price for homes worth up to £600,000. Depending on the size of deposit, the government guarantees up to 15% of the property's value, in return for a fee from the lender.

Data released by the government in September 2014 stated that, in the first nine months of operation, 18,564 mortgages were completed with the support of Help to Buy mortgage guarantee, with 79% purchases by first time buyers and "the total value of mortgages supported by the scheme [at] £2.7 billion".

...but mortgage lending has been toughened

From the 26th April 2014, mortgage lending rules became tougher. Consumers now have to provide more evidence than ever before that they can afford their mortgage now and if things change in the future (for example because of interest rate rises or foreseeable changes in circumstances which might affect levels of income). Lenders are also expected to undertake more detailed checks on an applicant's financial position. The new rules – designed to increase consumer protection and ensure lenders act responsibly – are the result of the financial regulator's comprehensive review of the mortgage market known as the Mortgage Market Review (MMR).

In July 2014, The Bank of England's Financial Policy Committee introduced specific affordability stress tests to ensure that a closer look is taken at borrowers to see if they can afford their mortgages. One test is to see if borrowers could still afford their repayments if at any point over the first five years of the mortgage their interest rate increased by three percentage points over the rate at origination of the loan. Also, there is a limit on the amount that can be loaned at 4.5 times income to no more than 15% of the loan.

CILEx members join the market

In September 2014, The Chartered Institute of Legal Executives (CILEx) won the approval of the House of Commons to grant its members rights to conduct reserved probate and conveyancing work. Before this approval was granted, CILEx members could only work with qualified solicitors and barristers to offer these services but now they can offer them independently and may even set up their own firms to do so. This should open up more opportunities for CILEx members and more choices for consumers looking for conveyancing advice.

Online conveyancing portal moves closer

In October 2013, The Law Society announced plans for a conveyancing web portal with the aim of streamlining the process, improving communication between parties, saving costs and time and improving risk management. The portal's aims are to allow all parties in a transaction to view up-to-date information on the process online in a secure and collaborative 'deal room', accessible through a smartphone, tablet or computer. A feature called 'chain view' will enable parties to check what stage has been reached by everyone in a purchasing chain.

In July 2014, The Law Society announced a joint venture with software company Mastek UK Limited to deliver the conveyancing portal. A new joint venture company called Legal Practice Technologies Ltd has been set up and a testing programme is being launched.

The plan is that the portal will give solicitor and licensed conveyancer users access to centralised case management, integrated workflows, secure and auditable communication between the two sides, client access, and online contract negotiation and exchange. In addition, the portal will provide for verification of the other side, anti-money laundering checks, and a view of the chain.

The Law Society states that *“the portal would allow smaller firms to use the kind of technically advanced platform only normally available to larger more technologically enabled firms, and enable solicitors as a profession, to maintain the highest standards”*.

Appendix – Questionnaire

- 1. When did you purchase your MAIN residential property? By main we mean the one that you live in most of the time.**

In the last 6 months

In the last year

In the last 18 months

Between 18 months and 2 years ago

Longer than 2 years ago

- 2. During the purchase process were you also selling a residential property at the same time?**

Yes

No

Don't know/can't remember

- 3. Which, if any, of the following professionals did you use to cover the legal aspects of the house buying process? Please choose all that apply.**

A law firm/solicitor with a physical office location

A licensed conveyancer/conveyancing company with a physical office location

An online conveyancing service (whether from a law firm or a conveyancing company)

Another legal advice provider

Other [

I did not use any external legal advisor

Don't know/can't remember

- 4. What sources did you use to look for a property to buy? Please choose all that apply.**

Visits to local estate agents

Online websites of estate agents

Online national property websites (e.g. Rightmove, Zoopla, Primelocation etc.)

Online local property websites (e.g. for specific towns, cities)

Classifieds websites (e.g. Gumtree)

National newspapers/magazines

Local newspapers/magazines

Other

Don't know/can't remember

- 5. What did you pay for your MAIN residential property? Again, by main we mean the one that you live in most of the time.**

Up to £75,000

£75,001 - £125,000

£125,001 - £250,000
£250,001 - £350,000
£350,001 - £500,000
£500,001 - £750,000
£750,001 - £1 million
Over a million but less than £2 million
£2 million or more
Don't know/can't remember

6. Do you know what level of stamp duty you paid on the property?

Yes
No

7. What percentage of the purchase price did you pay?

0%
1%
2%
3%
4%
5%
7%
More than 7%
Don't know

8. Still thinking about the purchase of your MAIN residential property, did you pay:

The exact asking price of the property
Above the asking price of the property
Below the asking price of the property
Don't know

9. How long was it from putting the first offer in for the property and the final completion of the sale?

Less than 1 month
1-2 months
3-4 months
5-6 months
7-9 months
10-12 months
Over 12 months
Don't know

10. Was the final completion time in line with what you were expecting?

Yes

No – I expected the process to take less time

No – I expected the process to take more time

Don't know/can't remember

11. And how long were you expecting the process to take from putting the first offer in for the property and the final completion of the sale?

Less than 1 month

1-2 months

3-4 months

5-6 months

7-9 months

10-12 months

Over 12 months

Don't know

12. The following is a list of issues that can arise in the conveyancing process when buying a residential property. How concerned were you at the start of the process about these issues?

The fact that I was in a chain (dependant on others to sell/buy) which could cause delays

The fact that I was in a chain (dependant on others to sell/buy) and the chain could break and stop my purchase altogether

The seller could decide not to sell and withdraw the property from the market

Gazumping – the seller could accept my offer but then later tell me that another higher offer was accepted instead

Last minute demand for more money/change to deal

A survey of the property I was buying could reveal a serious problem

Local authority, land, and environmental searches associated with the purchase could reveal serious problems

My ability to pay all fees associated with the purchase

Very concerned

Somewhat concerned

Unconcerned

Not applicable

Don't know

**13. And did any of these issues arise during the purchase of your main residential property?
Please choose all that apply.**

The fact that I was in a chain (dependant on others to sell/buy) caused delays

The chain (dependant on others to sell/buy) I was in broke and I had to stop my purchase altogether

The seller decided not to sell and withdrew the property from the market

Gazumping – the seller accepted my offer but then later told me that another higher offer had been accepted instead

The seller made a last minute demand for more money/a change to the deal

A survey of the house I was buying revealed a serious problem with the property
 Local authority, land, and environmental searches associated with the purchase revealed serious problems
 I wasn't able to pay all fees associated with the purchase
 None of these
 Don't know/can't remember

**14. Which, if any, of the following applied to you when buying your main residential property?
 Please choose all that apply.**

I relied solely on the valuation of the property done by the mortgage lender
 I obtained a full independent structural survey of the property
 I obtained an intermediate or "house/flat buyers report" on the parts of the property that are easy to see and to get at
 I obtained an Energy Performance Certificate (EPC) for the property
 None of these
 Don't know

15. How did you choose the service you used to cover the legal aspects of the house buying process? Please choose all that apply.

I have used the same solicitor/law firm/conveyancer for years
 I went back to a legal provider that completed other legal work for me (e.g. personal injury, wills, divorce, etc.)
 Recommendations from friend, relative, work colleague
 Internet search engines (e.g. Google, Bing, Yahoo etc)
 Printed Yellow Pages, Thomson or similar local directories
 Advertisement (on TV, radio, in local press, on internet etc.)
 Citizen's Advice Bureau or other local advice agency
 Via my bank, building society, or mortgage lender
 Via my financial adviser/mortgage broker
 Recommended by an estate agent
 Website with independent consumer reviews/ratings of solicitors/conveyancers
 Website with price comparisons for specific solicitors/conveyancers
 Social networking sites (e.g. Facebook, LinkedIn, Twitter)
 Other
 None of above
 Don't know

16. And what was the main method used to choose the service you finally used? Please select one only.

I have used the same solicitor/law firm/conveyancer for years
 I went back to a legal provider that completed other legal work for me (e.g. personal injury, wills, divorce, etc.)
 Recommendations from friend, relative, work colleague
 Internet search engines (e.g. Google, Bing, Yahoo etc)
 Printed Yellow Pages, Thomson or similar local directories
 Advertisement (on TV, radio, in local press, on internet etc.)

Citizen's Advice Bureau or other local advice agency
 Via my bank, building society, or mortgage lender
 Via my financial adviser/mortgage broker
 Recommended by an estate agent
 Website with independent consumer reviews/ratings of solicitors/conveyancers
 Website with price comparisons for specific solicitors/conveyancers
 Social networking sites (e.g. Facebook, LinkedIn, Twitter)
 Other
 None of above
 Don't know

17. Did an estate agent, mortgage lender, or mortgage broker recommend a service (e.g. a law firm, licensed conveyancer, online service etc.) to cover the conveyancing aspects of the house buying process?

Yes
 No
 Don't know

18. Did you use any of the conveyancing service(s) recommended to you?

Yes
 No
 Don't know

19. Which, if any, of the following apply to you? Please choose all that apply.

I was aware that the conveyancer would be paying a referral fee to the estate agent/mortgage lender/mortgage broker for the recommendation
 The referral fee was detailed as part of the costs to me in the conveyancer's original quote
 None of these

20. How satisfied were you with the legal advice and services provided at various stages of the conveyancing process by your legal adviser?

Explanation of the conveyancing process at the start
 Regular communications with you on the progress of the conveyancing, and any significant developments
 Supply of copies of any significant letters or other documents to you during the conveyancing process
 Explanation of the legal advisor fees at the start of the process
 Explanation of all the other costs involved in the process, e.g. Land Registry fees, search fees, stamp duty
 Helpfulness and friendliness of staff
 Overall quality of service

Very dissatisfied
Dissatisfied

Neither satisfied nor dissatisfied
 Satisfied
 Very satisfied
 Don't know

21. How did you pay for the conveyancing advice service supplied?

Fixed fee – a fee was agreed/quoted in advance for the conveyancing and this was the final fee charged
 Fixed fee – a fee was agreed/quoted in advance for the conveyancing but the final fee was actually higher
 Fixed fee – a fee was agreed/quoted in advance for the conveyancing but the final fee was actually lower
 Hourly fees arrangement – I was charged for the conveyancing based on an hourly rate and the hours involved
 Any other
 Would rather not say
 Don't know

22. What was the final cost (excl. VAT) to you for the conveyancing?

Less than £100
 £100-£250
 £251-£500
 £501 to £999
 £1,000 to £1,199
 £1,200 to £1,499
 £1,500 to £1,999
 £2,000 to £2,499
 £2,500 to £2,999
 £3,000 to £3,999
 £4,000 to £4,999
 £5,000 to £9,999
 £10,000 to £14,999
 £15,000 to £19,999
 £20,000 or more
 Don't know/can't remember

23. Was the final cost for the conveyancing service in line with what you were expecting to pay?

Yes
 No
 Don't know/can't remember

24. Were the final costs:

Slightly lower than expected

Much lower than expected
Slightly higher than expected
Much higher than expected
Don't know/can't remember

25. As well as the fees for the conveyancer there are also fees associated with various searches and stamp duty. How well would you say you understood the fees involved for each? Please answer on a scale of 1 to 5 where 1 is did not understand at all and 5 is completely understood.

Stamp duty
Land Registry fees
Local authority search fees
Water and drainage search fees
Environmental search fees

1 – Did not understand at all
2
3
4
5– Completely understood

26. In the future, if you were buying or selling a residential property how likely would it be that you would use the same conveyancer/conveyancing service again to help you?

Not likely at all
Unlikely
Neither likely nor unlikely
Likely
Very likely
Don't know

27. Did you use an estate agent as part of the process of purchasing your main residential property?

Yes
No
Don't know/can't remember

28. How satisfied were you with the services provided by the estate agent?

Ability to provide you with new instructions/viewings relevant to your property requirements
Regular communications with you on the progress of the purchase, and any significant developments
Dealing with your purchase offer
Helpfulness and friendliness of staff

Overall quality of service

Very dissatisfied

Dissatisfied

Neither satisfied nor dissatisfied

Satisfied

Very satisfied

Don't know

29. Did the estate agent ask you to pay any fees to them as part of the process of purchasing the property?

Yes

No

Don't know

30. Were you asked to take part in a sealed bid process for the purchase of the property you eventually bought, i.e. asked to place your price offer in a sealed envelope to be opened along with other bids on a certain date?

Yes

No – but I have been asked to take part in a sealed bid process in the last 2 years

No – but I have been asked to take part in a sealed bid process more than two years ago

No, never

Not sure/don't know

31. Which, if any, of the following factors are/would be most important to you when selecting and using a conveyancing service? Please rank each one on a scale where 1 is not important at all, and 5 is very important.

Experience and qualifications of those providing services

Face to face contact

Local offices

Online conveyancing service that can be accessed at any time and tracked

Price of conveyancing services

Recommendation from estate agent

Recommendation from friends, family, colleagues

Recommendation from mortgage lender, e.g. bank, building society

Speed of delivery

Well-known brand

1 – Not important at all

2

3

4

5 – Very important

Don't know

32. Liberalisation of the legal services market means that new suppliers of legal advice can join traditional suppliers (like law firms and solicitors) in supplying services such as conveyancing. If you were about to buy or sell a residential property, how likely would you be to use any of the following types of companies for conveyancing advice if they offered it? Please answer on a scale where 1 is not likely at all, and 5 is very likely.

Law firms and solicitors
Banks/building societies
Insurance companies
Accountants
Leading supermarkets
Membership organisations (e.g. Saga, AA, RAC etc.)

1 – Not likely at all

2

3

4

5 – Very likely

33. Please look at this list of some well-known brands in the UK. Please select any that you would be willing to use for conveyancing if they offered such a service.

AA
Asda
RAC
BT
BUPA
Admiral Insurance
DAS Insurance
Virgin
The Co-op
Sainsbury's
Tesco
Waitrose
Barclays
Lloyds TSB
HSBC
NatWest
Marks & Spencer
John Lewis
Saga
Stobarts
Halifax
Which?
None of these

34. Finally, which from this list do you think already offer a conveyancing service. Please choose all that apply.

AA
Asda
RAC
BT
BUPA
Admiral Insurance
DAS Insurance
Virgin
The Co-op
Sainsbury's
Tesco
Waitrose
Barclays
Lloyds TSB
HSBC
NatWest
Marks & Spencer
John Lewis
Saga
Stobarts
Halifax
Which?
None of these

35. When did you last sell a residential property?

In the last 6 months
In the last year
In the last 18 months
Between 18 months and 2 years ago
Three to five years ago
Longer than five years ago
Not applicable - I have never sold a residential property

36. Which, if any, of the following professionals did you use to cover the legal aspects of the sale process? Please choose all that apply.

A law firm/solicitor with a physical office location
A licensed conveyancer/conveyancing company with a physical office location
An online conveyancing service (whether from a law firm or a conveyancing company)
Another legal advice provider
Other
I did not use any external legal advisor
Don't know/can't remember

37. Which, if any, of the following did you use to sell the property? Please choose all that apply.

National chain of estate agents
Local estate agents
Online national property websites (e.g. Rightmove, Zoopla, Primelocation etc.)
Online local property websites (e.g. for specific towns, cities)
Classifieds websites (e.g. Gumtree)
I advertised the property privately myself
Other Don't know/can't remember

38. [Still thinking of the last residential property you sold, what was the selling price?

Up to £75,000
£75,001 - £125,000
£125,001 - £250,000
£250,001 - £350,000
£350,001 - £500,000
£500,001 - £750,000
£750,001 - £1 million
Over a million but less than £2 million
£2 million or more
Don't know/can't remember

39. Did you sell for:

The exact asking price of the property
Above the asking price of the property
Below the asking price of the property

40. How long was it from getting the first offer for the property (from the eventual buyer) to the final completion of the sale?

Less than 1 month
1-2 months
3-4 months
5-6 months
7-9 months
10-12 months
Over 12 months
Don't know

41. Was the final completion time in line with what you were expecting?

Yes
No – I expected the process to take less time
No – I expected the process to take more time
Don't know/can't remember

42. And how long were you expecting the process to take from getting the first offer for the property (from the eventual buyer) to the final completion of the sale?

Less than 1 month
 1-2 months
 3-4 months
 5-6 months
 7-9 months
 10-12 months
 Over 12 months
 Don't know

43. How did you choose the service you used to cover the legal aspects of the house selling process? Please choose all that apply.

I have used the same solicitor/law firm/conveyancer for years
 I went back to a legal provider that completed other legal work for me (e.g. personal injury, wills, divorce, etc.)
 Recommendations from friend, relative, work colleague
 Internet search engines (e.g. Google, Bing, Yahoo etc.)
 Printed Yellow Pages, Thomson or similar local directories
 Advertisement (on TV, radio, in local press, on internet etc.)
 Citizen's Advice Bureau or other local advice agency
 Via my bank, building society, or mortgage lender
 Via my financial adviser/mortgage broker
 Recommended by an estate agent
 Website with independent consumer reviews/ratings of solicitors/conveyancers
 Website with price comparisons for specific solicitors/conveyancers
 Social networking sites (e.g. Facebook, LinkedIn, Twitter)
 Other
 None of above
 Don't know

44. And what was the main method used to choose the service you finally used? Please select one only.

I have used the same solicitor/law firm/conveyancer for years
 I went back to a legal provider that completed other legal work for me (e.g. personal injury, wills, divorce, etc.)
 Recommendations from friend, relative, work colleague
 Internet search engines (e.g. Google, Bing, Yahoo etc.)
 Printed Yellow Pages, Thomson or similar local directories
 Advertisement (on TV, radio, in local press, on internet etc.)
 Citizen's Advice Bureau or other local advice agency
 Via my bank, building society, or mortgage lender
 Via my financial adviser/mortgage broker
 Recommended by an estate agent
 Website with independent consumer reviews/ratings of solicitors/conveyancers
 Website with price comparisons for specific solicitors/conveyancers
 Social networking sites (e.g. Facebook, LinkedIn, Twitter)

Other
None of above
Don't know

45. Did an estate agent, mortgage lender, or mortgage broker recommend a service (e.g. a law firm, licensed conveyancer, online service etc.) to cover the conveyancing aspects of the house selling process?

Yes
No
Don't know

46. Did you use any of the conveyancing service(s) recommended to you?

Yes
No
Don't know

47. Which, if any, of the following apply to you? Please choose all that apply.

I was aware that the conveyancer would be paying a referral fee to the estate agent/mortgage lender/mortgage broker for the recommendation
The referral fee was detailed as part of the costs to me in the conveyancer's original quote
None of these

48. How satisfied were you with the legal advice and services provided at various stages of the conveyancing process by your legal adviser?

Explanation of the conveyancing process at the start
Regular communications with you on the progress of the conveyancing, and any significant developments
Supply of copies of any significant letters or other documents to you during the conveyancing process
Explanation of the legal advisor fees at the start of the process
Explanation of all the other costs involved in the process
Helpfulness and friendliness of staff
Overall quality of service

Very dissatisfied
Dissatisfied
Neither satisfied nor dissatisfied
Satisfied
Very satisfied
Don't know

49. How did you pay for the conveyancing advice service supplied?

Fixed fee – a fee was agreed/quoted in advance for the conveyancing and this was the final fee charged

Fixed fee – a fee was agreed/quoted in advance for the conveyancing but the final fee was actually higher

Fixed fee – a fee was agreed/quoted in advance for the conveyancing but the final fee was actually lower

Hourly fees arrangement – I was charged for the conveyancing based on an hourly rate and the hours involved

Any other

Would rather not say

Don't know

50. What was the final cost (excl. VAT) to you for the conveyancing?

Less than £100

£100-£250

£251-£500

£501 to £999

£1,000 to £1,199

£1,200 to £1,499

£1,500 to £1,999

£2,000 to £2,499

£2,500 to £2,999

£3,000 to £3,999

£4,000 to £4,999

£5,000 to £9,999

£10,000 to £14,999

£15,000 to £19,999

£20,000 or more

Don't know/can't remember

51. Was the final cost for the conveyancing service in line with what you were expecting to pay?

Yes

No

Don't know/can't remember

52. Were the final costs:

Slightly lower than expected

Much lower than expected

Slightly higher than expected

Much higher than expected

Don't know/can't remember

53. In the future, if you were buying or selling a residential property how likely would it be that you would use the same conveyancer/conveyancing service again to help you?

Not likely at all
Unlikely
Neither likely nor unlikely
Likely
Very likely
Don't know

54. Still thinking about the last residential property you sold, did you use an estate agent as part of the process of selling the property?

Yes – a 'traditional' style estate agent, with a physical office/shop
Yes – an online-only estate agent
No
Don't know/can't remember

55. How satisfied were you with the services provided by the estate agent?

Explanation of all fees at the start
Ability to provide you with new instructions/viewings relevant to your requirements
Regular communications with you on the progress of the sale, and any significant developments
Dealing with the purchase offer
Helpfulness and friendliness of staff
Overall quality of service
Value for money

Very dissatisfied
Dissatisfied
Neither satisfied nor dissatisfied
Satisfied
Very satisfied
Don't know

56. What percentage of the selling price did the estate agent charge you for their services?

0.5%
0.75%
1%
1.25%
1.5%
1.75%
2%
2.25%
2.50%
2.75%
3.0%
More than 3%
Don't know

#ASK ALL

57. Which, if any, of the following factors are/would be most important to you when selecting and using a conveyancing service? Please rank each one on a scale where 1 is not important at all, and 5 is very important.

Experience and qualifications of those providing services
Face to face contact
Local offices
Online conveyancing service that can be accessed at any time and tracked
Price of conveyancing services
Recommendation from estate agent
Recommendation from friends, family, colleagues
Recommendation from mortgage lender, e.g. bank, building society
Speed of delivery
Well-known brand

1 – Not important at all
2
3
4
5 – Very important
Don't know

58. Liberalisation of the legal services market means that new suppliers of legal advice can join traditional suppliers (like law firms and solicitors) in supplying services such as conveyancing. If you were about to buy or sell a residential property, how likely would you be to use any of the following types of companies for conveyancing advice if they offered it? Please answer on a scale where 1 is not likely at all, and 5 is very likely.

Law firms and solicitors
Banks/building societies
Insurance companies
Accountants
Leading supermarkets
Leading consumer brands (e.g. Coop, Virgin, O2 etc.)
Membership organisations (e.g. Saga, AA, RAC etc.)

1 – Not likely at all
2
3
4
5 – Very likely

59. Please look at this list of some well-known brands in the UK. Please select any that you would be willing to use for conveyancing if they offered such a service.

AA

Asda
RAC
BT
BUPA
Admiral Insurance
DAS Insurance
Virgin
The Co-op
Sainsbury's
Tesco
Waitrose
Barclays
Lloyds TSB
HSBC
NatWest
Marks & Spencer
John Lewis
Saga
Stobarts
Halifax
Which?
None of these

60. Finally, which from this list do you think already offer a conveyancing service. Please choose all that apply.

AA
Asda
RAC
BT
BUPA
Admiral Insurance
DAS Insurance
Virgin
The Co-op
Sainsbury's
Tesco
Waitrose
Barclays
Lloyds TSB
HSBC
NatWest
Marks & Spencer
John Lewis
Saga
Stobarts
Halifax
Which?
None of these

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Plan 2015-16

Including additional information
on our three-year priorities



Foreword from the Auditor General for Wales and the Chair of the Wales Audit Office



Independent audit of the use of public funds is an essential component of democratic accountability. The public needs to be adequately informed about the activities of public bodies and how they use public money. And public bodies need to understand how to improve outcomes and succeed. They need to be able to access information which is timely, impartial, accurate, comprehensive and clear.

Together I, as Auditor General, and the staff of the Wales Audit Office independently examine and report on whether public money in Wales is being managed wisely and properly accounted for.

This Annual Plan:

- describes the aims and objectives of our work;
- sets out our priorities in the exercise of our functions both for 2015-16 and for the three-year period 2015-2018;
- provides detail on my planned programme of audit work for 2015-16;
- sets out the resources available and which may become available to the Wales Audit Office, and how those resources are to be used in our work programmes; and
- describes how we will measure and report on our performance.

Public bodies throughout Wales currently face a number of difficult challenges and need to find new and better ways of designing and delivering services.

This Plan provides a blueprint of how we propose to prioritise and strengthen our programmes of work during 2015-16 and for the next three years so that they can add maximum value, thereby helping and encouraging the Welsh public sector to succeed.

Huw Vaughan Thomas
Auditor General for Wales



The Wales Audit Office enables the Auditor General to carry out his functions. We are committed to:

- providing the Auditor General with highly skilled resources to deliver his programme of work;
- being, and being seen to be, a well-run and efficient organisation;
- applying the principles of sustainable development to all that we do and the way that we do it;
- keeping a tight grip on costs, seeking further efficiencies and keeping audit fees as low as possible (without sacrificing the quality and level of independent audit assurance provided);
- further developing our workforce through a learning culture; and
- being a trusted organisation and great place to work.

In this document, we outline the actions we intend to take in 2015-16 and over the next three years to meet these commitments, as part of a longer term view of how the effectiveness of public sector audit in Wales can be enhanced.

When devising the Plan, we have paid particular attention to considering what sort of audit office Wales needs now and in the future, how best we can work together with other external review bodies and our key stakeholders, and how we can effectively assess whether we are getting it right.

By successful implementation of the Plan, we will help the people of Wales know whether public money is being managed wisely, and help public bodies in Wales understand how to improve.

Isobel Garner

Chair, on behalf of the Wales Audit Office

This Annual Plan of the Auditor General for Wales and the Wales Audit Office for the year ending 31 March 2016, which includes additional information on our three-year priorities, has been jointly prepared by the Auditor General for Wales and the Wales Audit Office under section 25(1) of the Public Audit (Wales) Act 2013.

It is laid before the National Assembly for Wales by the Auditor General for Wales and the Chair of the Wales Audit Office under section 26 of the Public Audit (Wales) Act 2013.

If you require this publication in an alternative format and/or language please contact us using the details below.

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Who we are

- 1 The Auditor General is the statutory external auditor of most of the Welsh public sector.
- 2 The Auditor General is responsible for the audit of the majority of public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.
- 3 The Wales Audit Office constitutes a Board that employs professionally qualified staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions. The Wales Audit Office currently employs nearly 250 staff.

See Appendix 1 – Wales Audit Office organisation chart

- 4 Together, the Auditor General and the staff of the Wales Audit Office independently examine whether public money in Wales is being managed wisely and is properly accounted for.
- 5 We undertake our work in accordance with the Auditor General's Code of Audit Practice. As laid out in the Code, alongside specific legal and professional requirements, five widely recognised principles underpin our audit work.

Principles of audit

1	Public focus Audit is carried out on behalf of the public and in the public interest. The public has a legitimate stake in audit work and should be engaged with its processes.
2	Independent Audit must be, and be seen to be, independent. Auditors should report in public without being influenced by fear or favour.
3	Proportionate Audited bodies need to be given enough space to deliver services to a high standard. They should be subject to sufficient, but not excessive, levels of scrutiny.
4	Accountable Auditors are publicly funded and are accountable for the stewardship of the resources provided to them. They must work economically, efficiently and effectively.
5	Sustainable Audit work must be undertaken with regard to sustainable development as a central organising principle for integrated decision making and reporting by audited bodies.

What we do

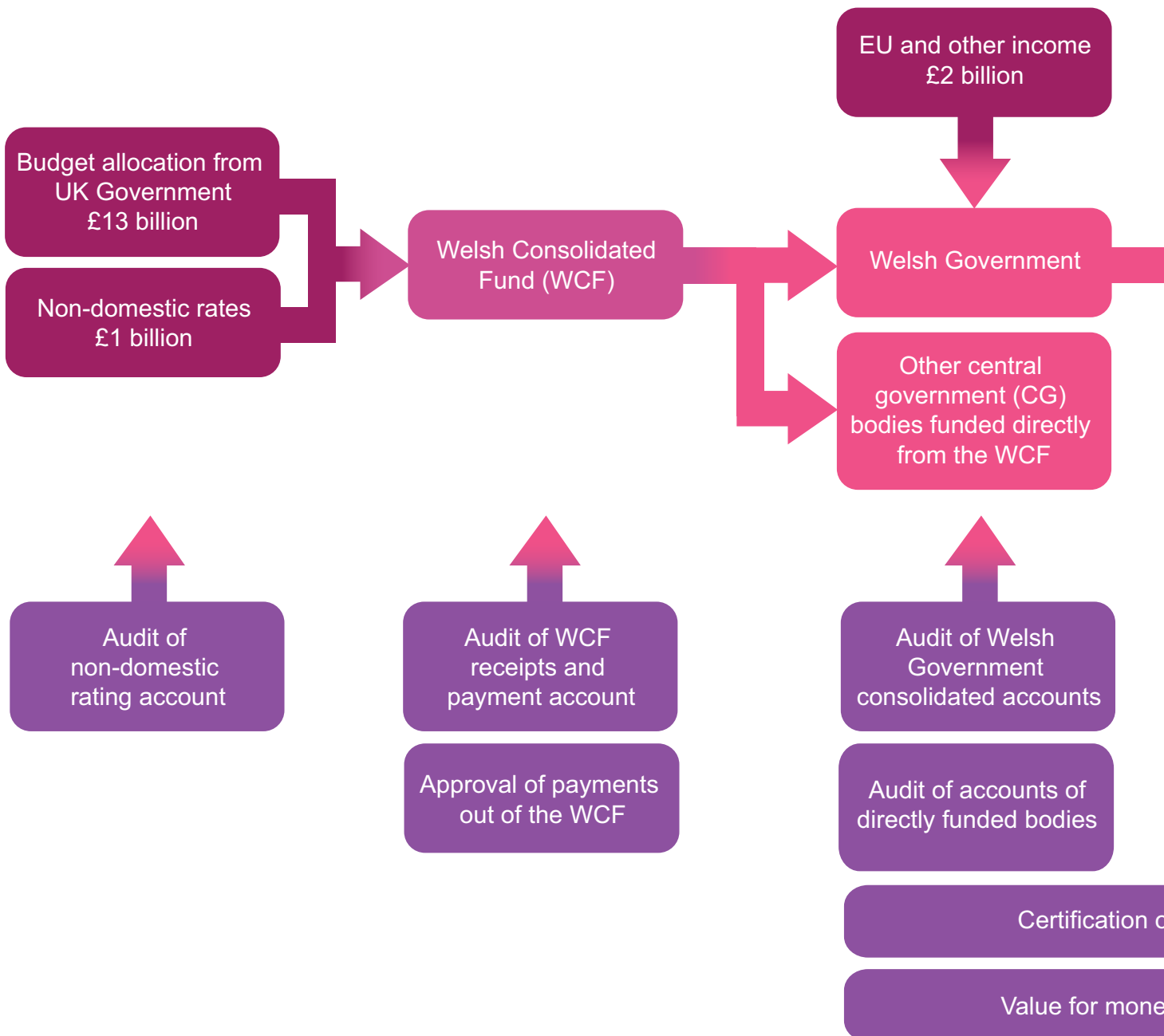
Public sector audit involves providing an opinion on the accounts and also covers issues such as regularity (whether public money is being used for approved purposes), propriety (how public business is being conducted) and value for money

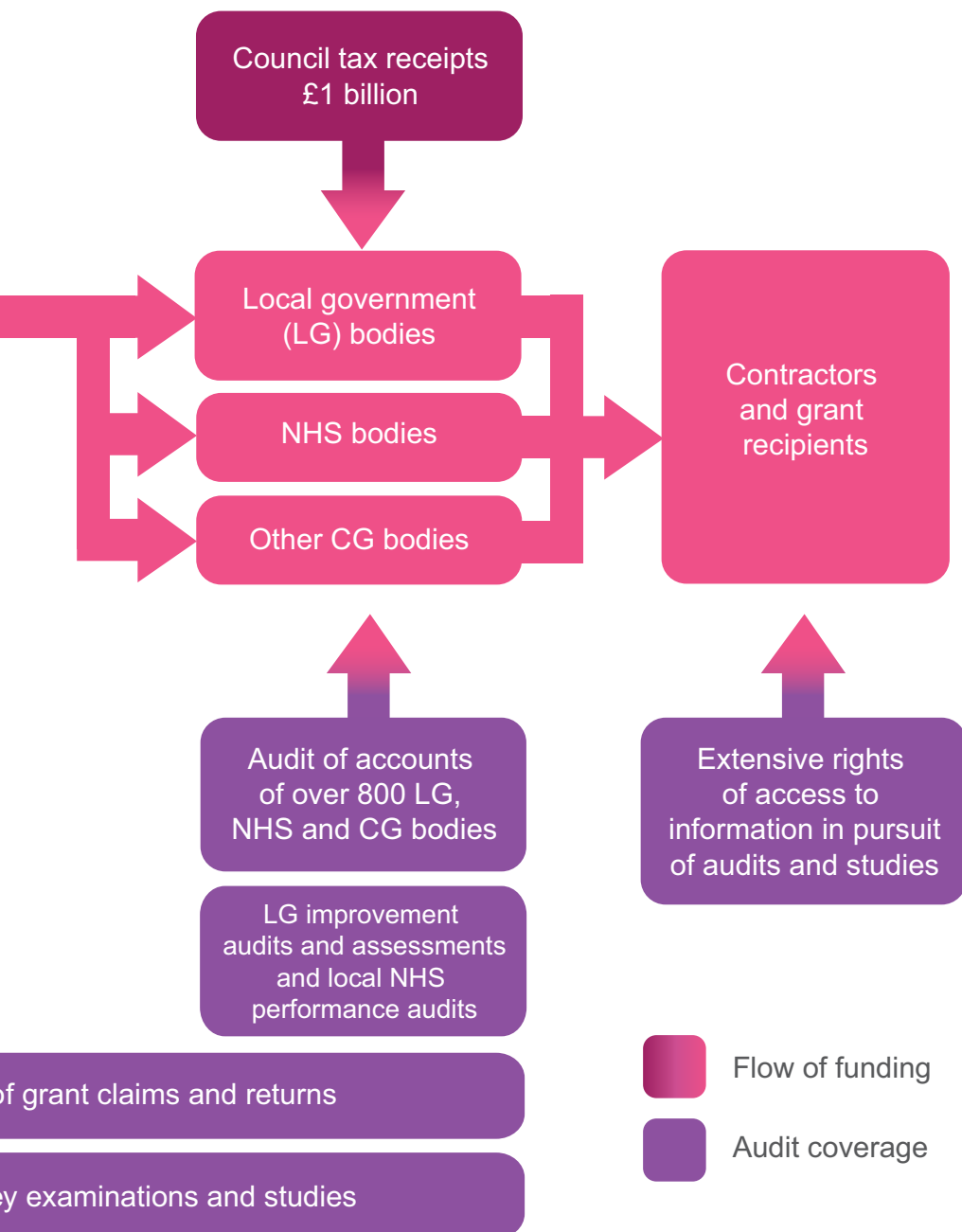
- 6 Each year the Auditor General, using resources provided by the Wales Audit Office delivers an extensive but proportionate programme of external audit work, alongside certain other functions. The Auditor General also retains a degree of flexibility in his programme in order that he can respond swiftly and effectively to any issues we encounter through our audit work or that are brought to his attention.
- 7 The Auditor General's functions apply across different types of bodies, to examine public spending irrespective of who delivers the services.
- 8 We identify good practice from across the full breadth of the Auditor General's audit work and disseminate this through the Good Practice Exchange (a free web-based resource) and other media, including shared learning seminars and webinars.

The aspects of value for money – economy, efficiency and effectiveness

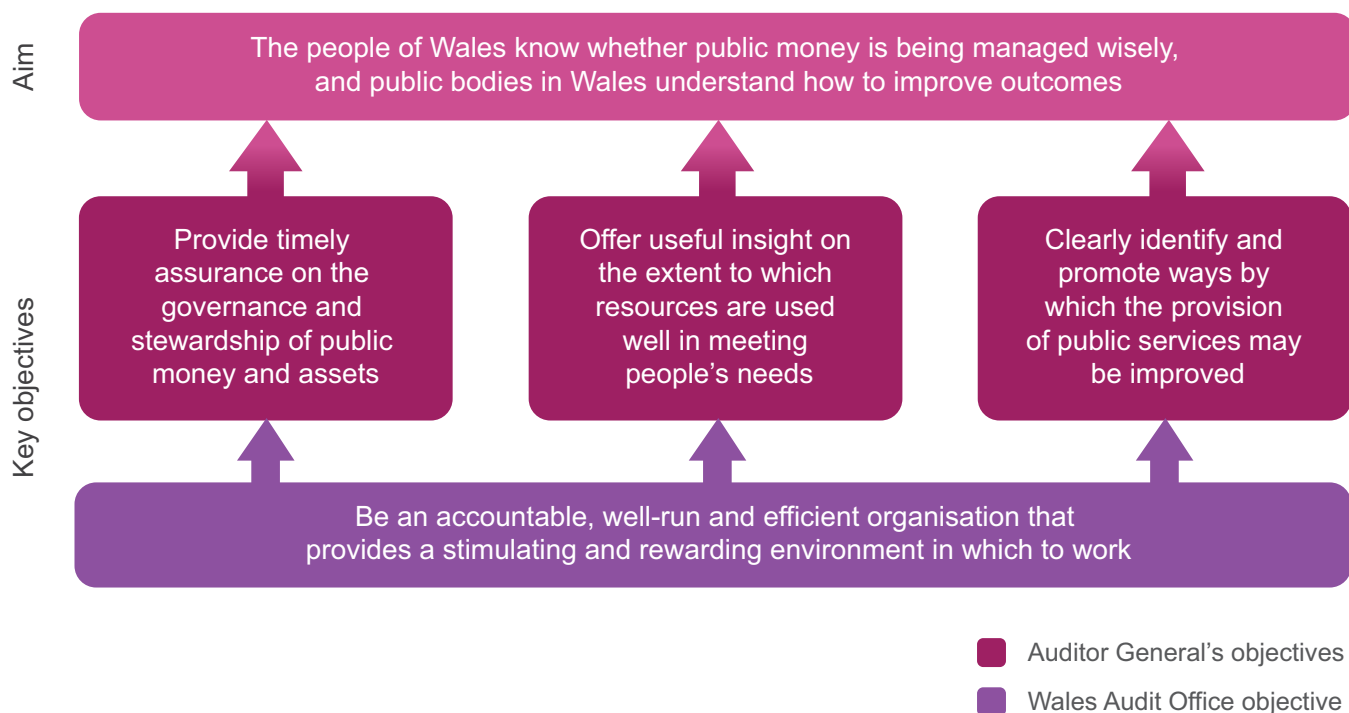


How we follow the public pound in Wales



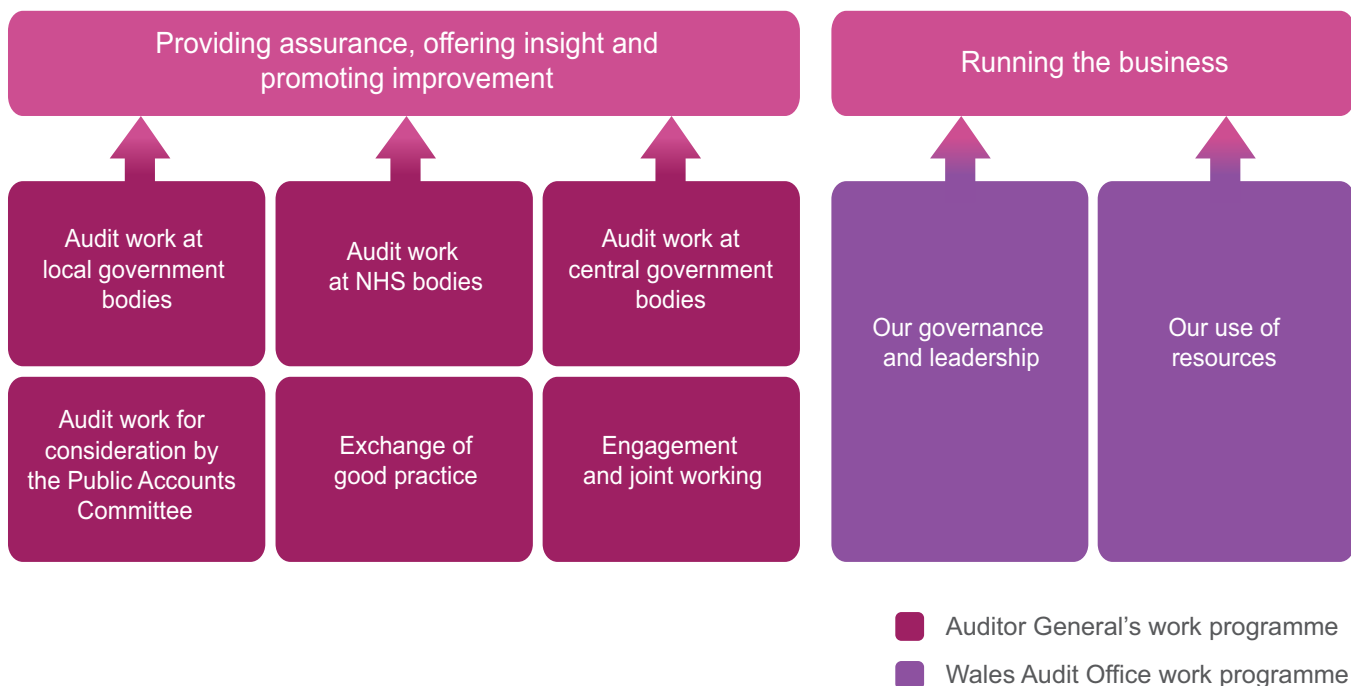


Our aim and objectives



- 9 Our aim is focused on informing the people of Wales and helping public bodies in Wales to succeed.
- 10 Our fourth key objective underpins the first three; in order for the Auditor General to deliver a high quality audit service, the Wales Audit Office must be a well-run organisation which delivers value for money.

Our plan for delivery



11 Public bodies throughout Wales, including ourselves, currently face a number of difficult challenges and need to find new and better ways of designing and delivering services.

See Appendix 2 – The key challenges facing Welsh public services

12 The Auditor General and Wales Audit Office will therefore prioritise and strengthen our programmes of work during 2015-16 and over the next three years so that we can add maximum value, thereby helping and encouraging the Welsh public sector to succeed.

13 The following pages constitute our Plan for responding to our operating environment and delivering our aim and key objectives, both in 2015-16 and for the three-year period 2015-2018. In the Plan detail is provided on the work programmes of the Auditor General and Wales Audit Office for 2015-16. The resources available, and which may become available to the Wales Audit Office, as per the approved Estimate of Income and Expenses for the Year Ended 31 March 2016, are to be used in delivering these work programmes. The Plan is divided into eight sections which are aligned with our objectives.

- 14 The first six sections of the Plan relate to the Auditor General's work programme. The referenced appendices in these sections outline the Auditor General's priorities for 2015-16 in exercising his functions. The tables in these sections outline further priority areas of improvement or other work that we intend to undertake over the next three years, alongside or as part of the Auditor General's statutory programme of audit work.
- 15 The remaining two sections of the Plan relate to the Wales Audit Office's work programme. The tables in these sections outline the Wales Audit Office's priorities for 2015-16 and for the next three years in exercising its functions.
- 16 While priority projects in the Plan are listed under headline areas, several touch on one or more of the areas. Each project is sponsored by a named individual from our executive management team and is supported by a project plan.

Audit work at local government bodies

17 The Auditor General's programme of work in local government covers a broad range of bodies, including unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, local government pension funds and town and community councils. The programme includes audits of accounts, certification of grant claims and returns, improvement audits and assessments, and local government studies.

See Appendix 3 – The Auditor General's programme of audit work at local government bodies in 2015-16

18 Local government bodies in Wales currently face a number of significant challenges and risks. These include reductions in funding, weaknesses in governance, scrutiny and public reporting arrangements, increased demand for care and education services, an urgent need for many councils to improve standards in education, and the prospect of substantive reform and mergers in the future.

Three-year priorities	When	Management Committee Lead
Further enhance our local assessments of financial health and quality of financial planning and continue to provide an annual all-Wales overview	2015 and each year thereafter	Alan Morris Sector Lead, Local Government and Criminal Justice
Better integrate the planning and reporting of our local audit of accounts and performance audit work, particularly in relation to examining the effectiveness of governance arrangements, and further align our work with that of other external review bodies	2015-2016	Alan Morris
Prepare for the introduction of faster closure of local government accounts, and for the impact of changes to the grant funding regime in Wales, whether arising from new terms and conditions set by the Welsh Government or the introduction of Universal Credit by the Department for Work and Pensions	2015-2016	Anthony Barrett Assistant Auditor General and Head of Financial Audit
Modify our framework for the audit of town and community councils to provide more informative reporting on the effectiveness of governance arrangements	2016	Anthony Barrett
Examine local government bodies' preparedness and planning for reform and mergers	2016-2018	Alan Morris

Audit work at NHS bodies

19 The Auditor General’s work across NHS Wales covers all seven local health boards and the three NHS Trusts, as well as the work of the Welsh Government’s Health and Social Care Department. The Auditor General audits the annual accounts of each NHS body, and reports publicly on the arrangements in place to secure economy, efficiency and effectiveness in their use of resources.

See Appendix 3 – The Auditor General’s programme of audit work at NHS bodies in 2015-16

20 Across the NHS in Wales (as elsewhere in the UK) some recent highly-publicised failures in corporate and clinical governance, together with associated quality and patient safety concerns, have served to dent public confidence in healthcare provision. In addition, the provisions of the NHS Finance (Wales) Act 2014 present a genuine opportunity to shift away from the short-term pressures of annual budgets and to focus instead on robust medium-term integrated delivery plans. The strengthening of the interface between health and social care will also be a key concern to NHS planners during the ongoing debates around the future shape of public services in Wales.

Three-year priorities	When	Management Committee Lead
Establish an NHS Expert Panel, including academics and health professional bodies, to advise on all aspects of our health audit programme	2015	Gillian Body Assistant Auditor General and Head of Performance Audit
Further enhance the content and impact of our reports for NHS bodies on the effectiveness of governance arrangements to better support both corporate and service improvement	2015	Gillian Body
Participate fully in applying the new protocol for identifying and responding to serious issues affecting service delivery, quality and safety of care and organisational effectiveness across NHS Wales	2015 and each year thereafter	Mike Usher Sector Lead, Health and Central Government
Draw on local audit work to present a national picture of relative financial and service performance by NHS bodies	2015 and each year thereafter	Mike Usher
Publish an audit review of the initial operation of three-year NHS integrated delivery plans	2017	Mike Usher

Audit work at central government bodies

21 The central government sector in Wales covers a diverse range of public bodies, including the Welsh Government and its sponsored bodies, the offices of various statutory commissioners, inspectors and regulators, and the National Assembly Commission. Unlike for local government and health bodies, the Auditor General is not required to conduct a programme of performance audit work at each central government body, but instead only provides an annual opinion on their accounts. Performance audit work conducted within this sector currently sits within his programme of value for money studies.

See Appendix 3 – The Auditor General’s programme of audit work at central government bodies in 2015-16

22 A particular challenge for the Welsh Government is the implementation of fiscal powers for Wales from April 2018, including the creation of the Welsh Revenue Authority and a Treasury function. Preparatory work has recently commenced on this complex change programme. A different set of strategic challenges will be posed by the impact of the outcome of the 2014 referendum on Scottish independence on the relationship between Wales and Westminster and the devolution settlement.

Three-year priorities	When	Management Committee Lead
Publish an annual overview report on the results of audit work undertaken within the central government sector	2015 and each year thereafter	Mike Usher
Explore with the Welsh Government the potential for undertaking a cyclical programme of governance and performance audit reviews across each of the Welsh Government departments and sponsored bodies	2015-2016	Mike Usher
Provide the National Assembly’s Finance Committee and Public Accounts Committee with an audit commentary on preparedness for the introduction of fiscal powers and on progress made throughout the planning and implementation stages	2015-2018	Mike Usher
Evaluate and prepare for the accounting and audit implications of the implementation of Welsh fiscal powers, together with the UK Government’s impending response to the ‘Silk 2’ report	2015-2018	Mike Usher

Audit work for consideration by the Public Accounts Committee

23 This programme of audit work includes value for money examinations, the preparation of summary reports of the findings from audit work across multiple NHS, central government and/or local government bodies, and examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General. The outputs from much of this programme support the work of the National Assembly's Public Accounts Committee and potentially other Assembly committees.

See Appendix 3 – The Auditor General's programme of audit work being undertaken during 2015-16 for consideration by the Public Accounts Committee

24 In determining his programme of value for money studies, the Auditor General takes into account the views of the Public Accounts Committee and consults more widely with other stakeholders. His key aims for the programme are to provide comprehensive and timely coverage of spending and risks to value for money, to address a broad range of issues that are of material interest or concern, and to give consideration to the long-term well-being of the people of Wales. We look to support the Public Accounts Committee and, where relevant, other Assembly committees to help maximise the impact of their scrutiny inquiries.

Three-year priorities	When	Management Committee Lead
Put in place discrete arrangements to strengthen our forensic audit capacity and ensure timely responses to issues of public concern without detracting from our statutory audit work	2015-2016	Gillian Body
Increase the impact of, and engagement with, our public reporting through enhancing the design of our reports and broadening our communication channels	2015-2017	Gillian Body
Enhance our work that examines whole systems and the linkages between service providers, including in particular the interface between health and social care provision	2015-2018	Gillian Body
Better understand the expectations and requirements of the Public Accounts Committee, through surveying members on their views of our support for their scrutiny work, and seeking feedback on individual audit reports	2016-2017	Gillian Body
Raise awareness of the work of the Auditor General and Wales Audit Office amongst Assembly Committees, including through contributing to the induction of new Assembly Members after the 2016 Assembly elections	2016-2017	Huw Vaughan Thomas Auditor General and Chief Executive

Exchange of good practice

- 25 Our approach to knowledge exchange has been developed and applied with increasing success over the last five years. One of the two main strands of our approach is the provision of freely available online resources that enable the public, service users, service providers, policy makers and decision makers to access information that will leave them better informed. In particular, we aim to promote the sharing of this information across organisational, geographical and international boundaries.
- 26 Our other strand of activity involves facilitating conversations where the learning from comparative successes and failures is shared face-to-face. Increasingly we are looking to bring the views and experience of global experts to these conversations.

See Appendix 3 – Our programme of good practice work in 2015-16

Three-year priorities	When	Management Committee Lead
Encourage improvements in public services by capturing at least 50 pledges to action from an annual programme of 12 shared learning events, and monitor their translation into action	2015 and each year thereafter	Alan Morris
Develop programmes of good practice work on key challenges facing public services including governance, risk management, strategic financial management and planning for the long term.	2015 and each year thereafter	Alan Morris
Invest in developing and supporting self-sustaining 'communities of interest' amongst public bodies to build upon the momentum generated by our good practice and shared learning activity	2015 and each year thereafter	Alan Morris
Increase the proportion of audit projects that incorporate good practice and shared learning activity and outputs	2015 and each year thereafter	Alan Morris

Engagement and joint working

- 27 The Auditor General and Wales Audit Office are committed to effective stakeholder engagement to inform the development, maximise the relevance, and extend the reach and impact of the Auditor General's work. In 2015-16 and over the next three years we will actively seek to increase awareness of and engagement with the Auditor General's work, particularly through more effective use of information technology, including web-based applications and social media.
- 28 We are also committed to working closely with the other UK audit agencies through the Public Audit Forum, and with the other main external review bodies in Wales through the Inspection Wales initiative, to enhance the efficiency and effectiveness of public audit and the collective impact of our work. On occasion, we represent Wales on the international audit stage.
- 29 The Wales Audit Office is able to make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of those bodies. But, we are mindful that all such activities should be self-financing and should not be undertaken to the detriment of our core audit work in Wales.

See Appendix 3 – The Auditor General's programme of joint working activity in 2015-16

Three-year priorities	When	Management Committee Lead
Put in place arrangements for more effective management of correspondence received from the public or other interested parties about matters relevant to the Auditor General's functions, including providing swifter and more substantive responses	2015	Kevin Thomas Director of Corporate Services
Further enhance our sector understanding and relationships with audited bodies to both better inform our work programme and contribute to developments and improvements across the public sector	2015 and each year thereafter	Huw Vaughan Thomas
Engage more effectively with the public, their representatives and other stakeholders to gauge the impact of our work, assess our performance and measure our success	2015 and each year thereafter	Huw Vaughan Thomas
Encourage participation in the National Fraud Initiative from a greater range of bodies in receipt of public funding, and expand the information used in the data matching exercise	2015-2016	Anthony Barrett
Further enhance the efficiency and effectiveness of audit, inspection and regulation in Wales through working with other external review bodies to streamline our reviews and strengthen joint working and the sharing of intelligence and resources	2015-2018	Huw Vaughan Thomas

Our governance and leadership

30 As prescribed by the Public Audit (Wales) Act 2013, we are now in the unique position of having not only non-executive and executive members of the Wales Audit Office Board, but also employee-elected members to provide an extra dimension of insight and experience. Our new governance arrangements provide us with a real opportunity to further develop and progress as a business.

See Appendix 4 – Roles and responsibilities of the Wales Audit Office Board

31 The key aspects of the Wales Audit Office’s programme of work for 2015-16 and for the next three years will be to:

- a ensure that our new governance arrangements are embedded in the organisation with strong and accountable leadership;
- b provide the Auditor General with the resources needed for delivering the Auditor General’s work;
- c make sure that the Wales Audit Office is a well-run and efficient organisation; and
- d monitor the delivery of this Plan.

32 The Wales Audit Office also has a senior management structure which is designed to provide clear lines of reporting and accountability, and to enable the Auditor General’s work to inform the public and influence public service delivery in the most efficient and effective way.

Three-year priorities	When	Management Committee Lead
Strengthen our workforce strategy to meet current demand and ensure we are able to anticipate and respond to future legal, environmental and professional developments, including through effective succession planning	2015-2016	Steve O’Donoghue Director of Finance
Strengthen leadership capability, including through the use of 360° performance reviews for senior staff and supporting reviews of Board effectiveness	2015-2018	Huw Vaughan Thomas
Monitor the evolution of our unique governance arrangements, with a view to sharing knowledge, learning and experience	2015-2018	Huw Vaughan Thomas
More effectively use external benchmarking and comparison to assess our performance and measure our success and impact	2015-2018	Kevin Thomas

Our use of resources

33 In 2015-16 and over the next three years we will build on our effective working relationship with the National Assembly’s Finance Committee. The Finance Committee scrutinises our use of resources, including through consideration of our estimate, fee scheme, annual plan, interim report(s) and annual report and accounts.

See Appendix 5 – Our estimate of income and expenditure for 2015-16

34 We have been working hard to embed the principles of sustainable development in the way we run our business, and in the way we resource the Auditor General’s audit work, for a number of years. Sustainable development is about meeting the needs of the present without compromising the ability of future generations to meet their own needs. The Welsh Government’s commitments, as laid out in the Well-being of Future Generations Bill, will require us to make further progress in this area.

35 Approximately two thirds of Wales Audit Office funding comes from fees charged to audited bodies in accordance with a scheme of fees approved by the National Assembly. In November 2014, the Assembly’s Finance Committee recommended that the Public Audit (Wales) Act 2013 be amended to further clarify audit fee charging requirements. In the meantime we will take steps to ensure we have a mutual understanding with audited bodies about what is required.

36 Most of the remainder of Wales Audit Office funding comprises approved financing from the Welsh Consolidated Fund. In these times of significant financial restraint, cost efficiency continues to be a priority and we have launched an efficiency and effectiveness programme to support this across the business.

See Appendix 6 – Our relative expenditure

Three-year priorities	When	Management Committee Lead
Make better use of technology and information management to rationalise and streamline our business systems and processes, through implementation of a rolling three-year ICT plan	2015-2018	Kevin Thomas
Make further arrangements to establish the Wales Audit Office as a recognised training ground for pan-public sector accountants	2015-2017	Anthony Barrett
Keep a tight grip on costs, seek further efficiencies and keep fees as low as possible	2015-2018	Steve O’Donoghue
Make better use of our physical and information assets to support the delivery of our objectives	2015-2018	Kevin Thomas
Demonstrate our corporate social responsibility through our work on: <ul style="list-style-type: none"> improving environmental stewardship; promoting a healthy lifestyle and good work-life balance amongst our staff; advancing equality of opportunity, eliminating discrimination and fostering good relations; and promoting use of the Welsh language and meeting the new Welsh language standards 	2015-2018	Kevin Thomas

Measuring and reporting on our performance

- 37 In 2015-16 and over the next three years we will use a combination of methods to report and reflect on our performance and risks. This will include regular reporting to our Management Committee and Board on progress made on delivering our priorities and achieving our key performance measure targets. It will also include internal audit reports to our Audit and Risk Assurance Committee. We will place particular emphasis on evaluating our direction of travel and pace of improvement, alongside comparison with appropriate benchmarking.
- 38 We will report on our performance externally through our annual report and accounts and interim report(s), and by providing evidence at meetings of the National Assembly's Finance Committee.
- 39 Our framework of key performance measures is centred on the following themes and questions about our activities. Our suite of targets has been developed with reference to current levels of performance and appropriate benchmarks. The targets will be subject to further scrutiny and refinement during 2015-16 to ensure they are suitably challenging but achievable within the specified timescales.

Impact

To what extent is our work informing the people of Wales, helping public bodies in Wales to succeed, and valued by our stakeholders?

Delivery

Are we delivering our audits on time and to the required quality and professional standards?

Leadership

Are our governance and leadership arrangements operating effectively?

Financial

How well are we managing our finances and assets?

Social

How well are we promoting and supporting equality, well-being and learning?

Environmental

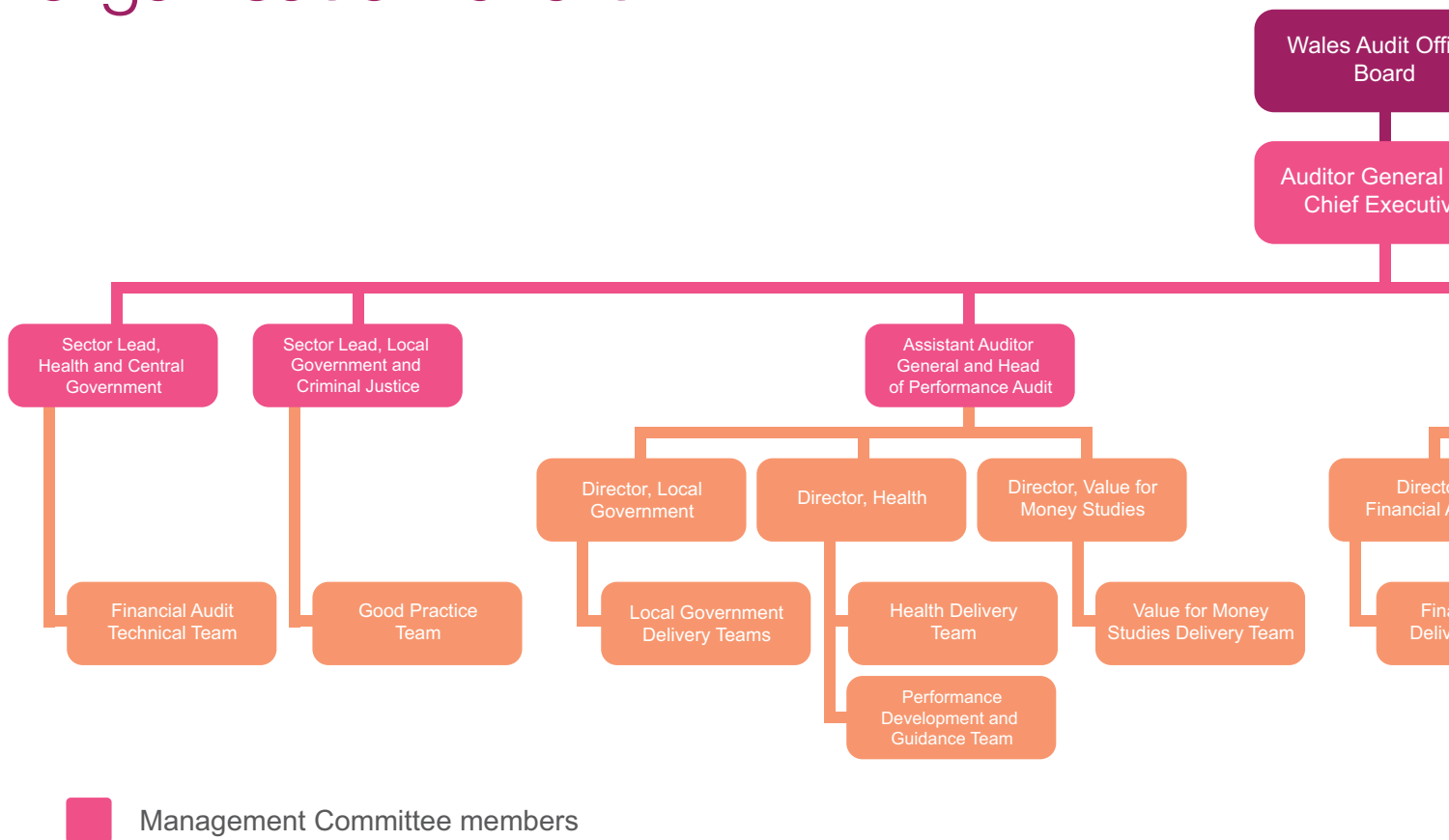
How well are we managing our impact on the environment?

Communication

How well are we raising awareness of and encouraging engagement with our work?

See Appendix 7 – Key performance measures and targets

Appendix 1 - Wales Audit Office organisation chart

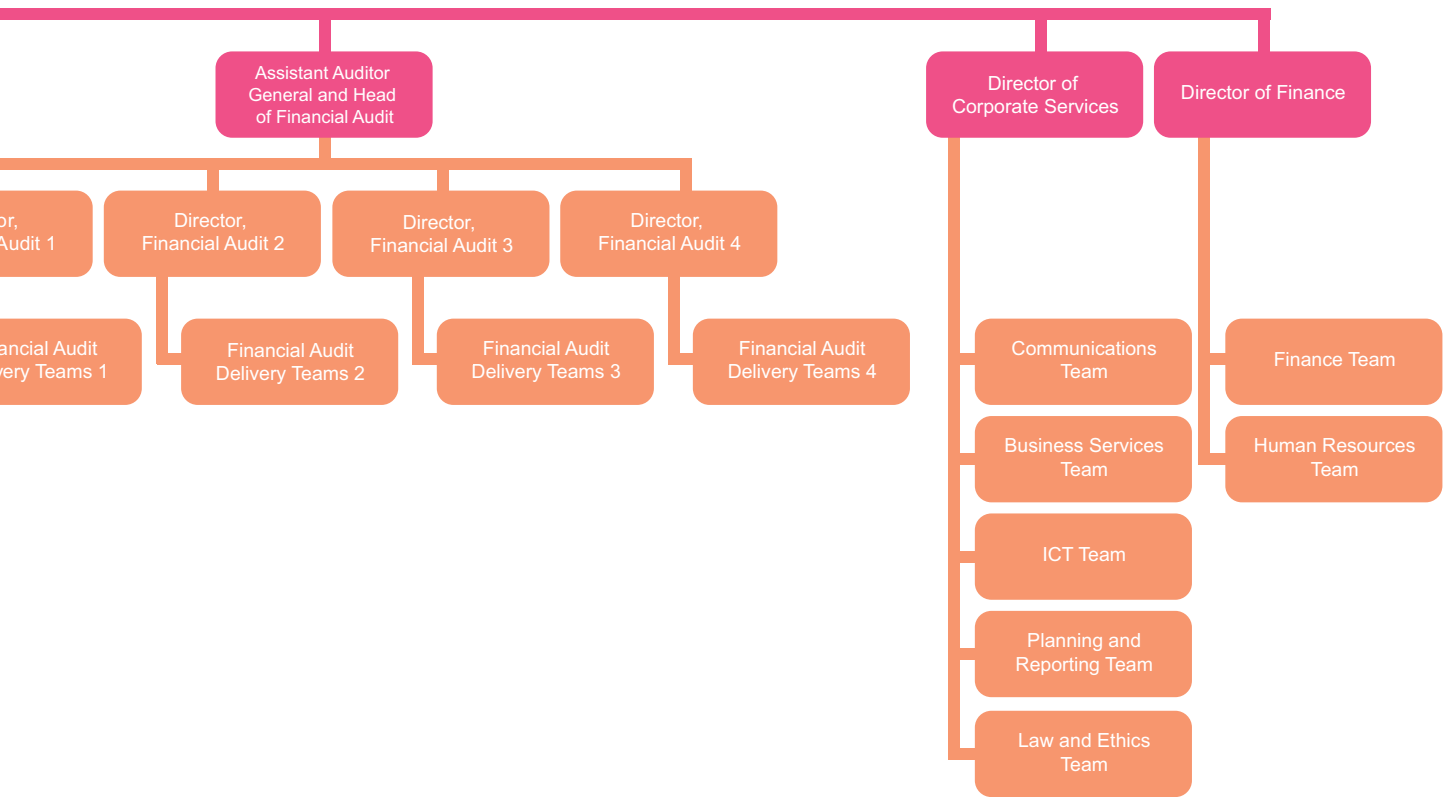


Notes:

- Sector Leads also maintain a portfolio of operational responsibilities for which they act as Directors and report to the relevant Assistant Auditor General
- The Management Committee and other Directors meet on a regular basis as a broader Senior Leadership Team
- The Board and its sub-Committees, and the Management Committee are supported by a Board Secretary

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Appendix 2 - The key challenges facing Welsh public services

The likelihood that austerity will continue to 2020 and beyond has created something of a perfect storm for Welsh public services. Those charged with delivering public services are facing continued real-terms reductions in annual budgets, while seeking to meet rising public expectations and demands and address a range of acknowledged service deficiencies.

The Welsh Government has also outlined its commitment to place further requirements on the public sector in Wales to strengthen governance arrangements in accordance with the principles of sustainable development, through the Well-being of Future Generations (Wales) Bill. Increasingly our consideration of financial resources, and the way in which public bodies account for their use, will need to be integrated with a consideration of their stewardship of human and natural resources.

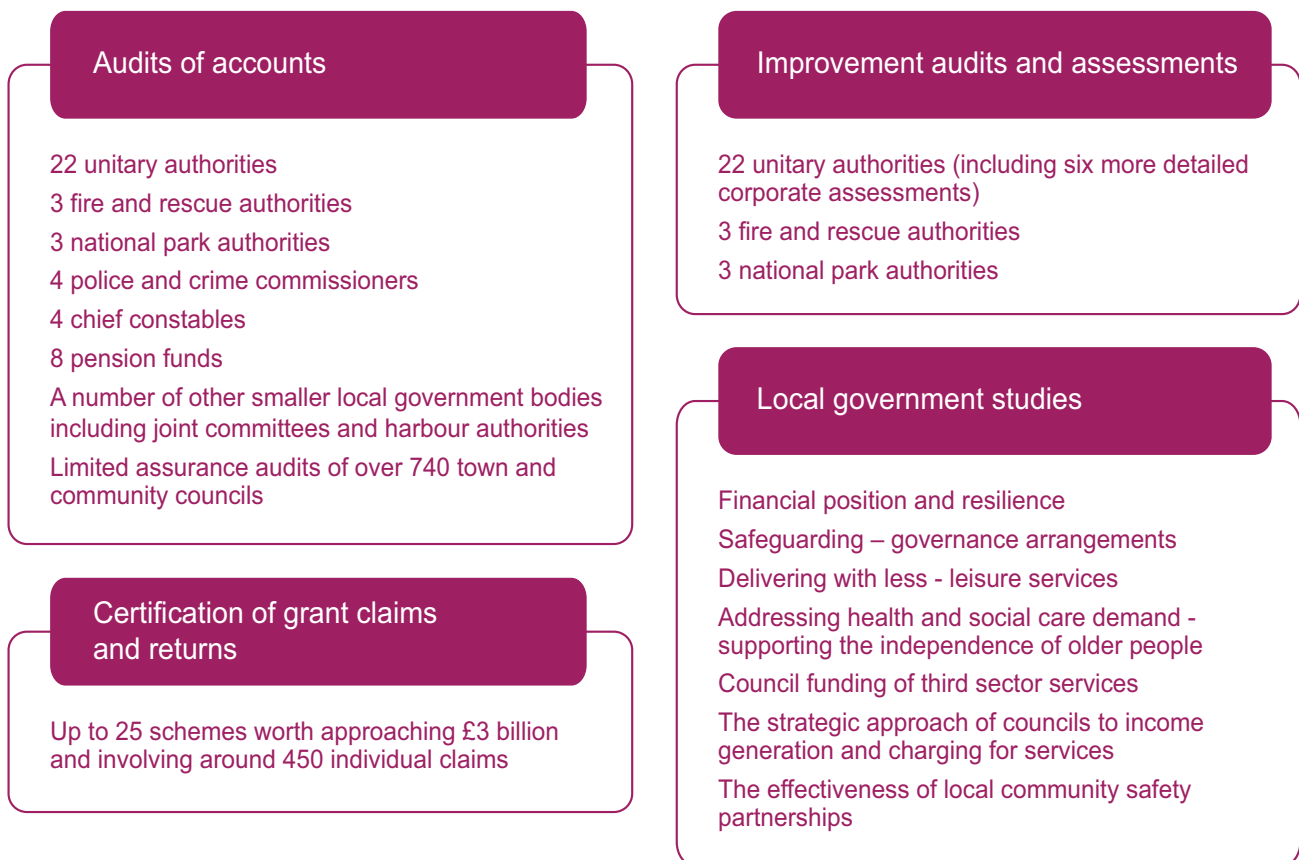
In addition, the responses of the Welsh Government and local government to the report of the Commission on Public Service Governance and Delivery will have a significant impact on the future shape of public services in Wales, and on the bodies that deliver them. The Welsh Government has already published a statement of intent White Paper about the future of local government in Wales, including substantive proposals for reform.

And, the implementation of the recommendations of the Commission on Devolution in Wales, many of which are given effect through the Wales Act 2014, will significantly alter the operation of the devolution settlement in Wales.

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Appendix 3 - Programmes of work for 2015-16

The Auditor General's programme of audit work at local government bodies in 2015-16



The Auditor General's 2015-16 programme of improvement audits and assessments will have a particular focus on the themes of financial management, governance and performance management and will take account of any mergers or changes emerging in this time frame from the Local Government Reform programme.

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The Auditor General's programme of audit work at NHS bodies in 2015-16

Audits of accounts

7 local health boards
3 NHS trusts
Local health board summarised accounts
NHS trusts summarised accounts

Structured assessments

7 local health boards
3 NHS trusts

Local performance audit work

7 local health boards
3 NHS trusts

Health studies

Medicines management in the acute sector
Outpatient services: follow-up appointments
IT infrastructure and capacity
Radiology services
NHS Consultant Contract (follow-up study)
Hospital catering and patient nutrition (follow-up study)
Governance arrangements at Betsi Cadwaladr University Health Board (follow-up study)

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The Auditor General's programme of audit work at central government bodies in 2015-16

Welsh Government accounts

Welsh Government Consolidated Accounts
Non-Domestic Rating Account
Welsh Consolidated Fund receipts and payment account
Whole of Government Accounts
Approval of payments out of the Welsh Consolidated Fund

Accounts of Welsh Government sponsored bodies

Arts Council of Wales
Arts Council of Wales Lottery Fund
Care Council for Wales
Higher Education Funding Council for Wales
National Library of Wales
National Library of Wales Pension Fund
National Museums and Galleries of Wales
Natural Resources Wales
Sports Council for Wales Main and Trust Accounts
Sports Council for Wales Lottery Fund
Local Democracy and Boundary Commission for Wales

National Assembly for Wales accounts

National Assembly for Wales Commission
Assembly Members Pension Fund

Accounts of commissioners, inspectors and regulators

Children's Commissioner for Wales
Older People's Commissioner for Wales
Public Services Ombudsman for Wales
Welsh Language Commissioner
Estyn
General Teaching Council for Wales

Certification of grant claims and returns

European structural fund claims from the Welsh Government and its sponsored bodies worth around £300 million

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The Auditor General's programme of audit work being undertaken during 2015-16 for consideration by the Public Accounts Committee

The Auditor General is committed to delivering 10 to 12 reports and other outputs for consideration by the Committee each year including, where relevant, local government study reports.

Value for money studies

- Welsh Government investment in broadband infrastructure
- Regional education consortia
- Welsh Government acquisition of Cardiff Airport
- Rail services
- Picture of public services
- Development of Natural Resources Wales
- Welsh Government response to audit recommendations
- Flood and erosion risk management
- Early intervention and public behaviour change
- Welsh Government interventions in local government
- Public procurement and the National Procurement Service

Summary reports

- Orthopaedic services
- Medicines management

Reactive examinations

- Regeneration Investment Fund for Wales
- NHS waiting lists and private practice
- Wales Life Sciences Investment Fund

Much of the work listed above is already in progress and is due to be reported on in 2015-16. However, the programme of work retains a degree of flexibility to respond to changing circumstances, priorities and risks and the plans for certain studies are currently under review.

In early 2015-16 the Auditor General will consider and consult on potential topic areas for future value for money studies to start, and potentially in some cases to be reported, in 2015-16. There may also be additional outputs in 2015-16 arising from examinations undertaken in response to issues of public concern or from local programmes of audit work where there are issues or learning of wider relevance.

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Our programme of good practice work in 2015-16

Shared learning seminars

- NHS waiting times
- Patient experience
- The voice of the child in public services
- Independence of older people
- Trust during major organisational change
- Physical activity, leisure, health and well-being
- Trustees and governance of third sector activities
- Broadband, accessibility and digital inclusion
- Governance of public sector bodies
- Health and social care
- Invest to Save

Shared learning webinars

- Faster closure of accounts
- Staff involvement and engagement
- Clinical data coding
- Fraud and corruption

Good practice guides

- Governance
- Staff involvement and engagement

External facilitation of shared learning and community support

- Academi Wales summer school
- NHS Wales Finance Directors Network
- Working With Not To co-production practitioner groups
- Good Practice Wales
- Sustainable Futures Commissioner
- Public Health Wales

More information on our programme of good practice work, including our case studies library, can be found on our website.

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The Auditor General's programme of joint working activity in 2015-16

Joined up delivery

National Fraud Initiative with other UK audit agencies

Providing assistance to Estyn on inspections of local authority education services

Working with Estyn to undertake value for money studies of Regional Education Improvement Consortia

Working with Care and Social Services Inspectorate Wales and the Older People's Commissioner on a study on the independence of older people

Annual certification of the accounts of the European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD)

Follow-up joint review with Healthcare Inspectorate Wales of governance arrangements at Betsi Cadwaladr University Health Board

Commissioned audit work

Further Education College audits

Audit of EU grant claims for the University of Glamorgan

Chief Auditor to and audit of the accounts of the Government of Anguilla

Waste management and trade refuse benchmarking groups

Participation with observer status on external working groups

Partnership Council for Wales

Reforming Local Government Programme Board

Well-being of Future Generations (Wales) Bill advisory and reference group

Welsh Government Treasury Implementation Board

Finance Minister's Welsh Tax Forum

CSSIW Local Authority Inspection Framework Board

Local Government Data Unit Board

Fire and Rescue Service National Framework Project Board

Membership of external working groups

EURORAI

International Integrated Reporting Council's Public Sector Integrated Reporting Network

Public Audit Forum

Financial Reporting Advisory Board

CIPFA/LASAAC Local Authority Code Board

ICAEW Public Sector Audit Committee

CIPFA Audit and Accounting Standards Panel

Inspection Wales initiative

DWP Housing Benefit and Welfare Reform UK inspectorates liaison group

Youth Justice Board/HMIP 'Keeping in Touch' liaison panel

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Appendix 4 - Roles and responsibilities of the Wales Audit Office Board

Wales Audit Office



David Corner
Non-executive
Member



Lindsay Foyster
Non-executive
Member



Peter Price
Non-executive
Member



Steve Burnett
Non-executive
Member and
Senior Independent
Director



Isobel Garner
Non-executive
Chair

The Board is responsible for:

- Monitoring the exercise of the Auditor General's powers
- Providing the Auditor General with the resources necessary to carry out his or her duties
- Employing staff and providing resources for the exercise of the Auditor General's powers
- Charging fees for work done by the Auditor General
- Preparing jointly with the Auditor General an annual plan of work

Board



Huw Vaughan
Thomas

Auditor General
for Wales and
Chief Executive



Kevin Thomas

Appointed
Employee
Member



Amanda Hughes

Elected
Employee
Member



Louise Fleet

Elected
Employee
Member

able for:

General's functions

with advice

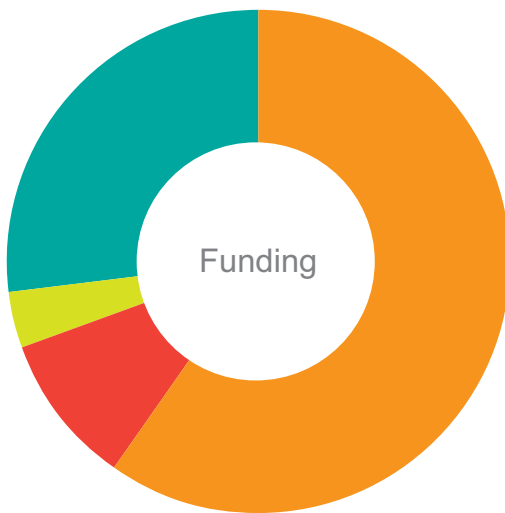
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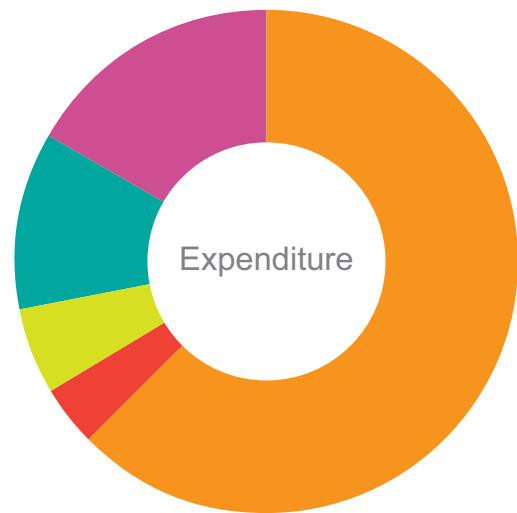
n and estimate of income and expenses

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Appendix 5 - Our estimate of income and expenditure for 2015-16



- Audit fees (£14.1 million)
- Grant certification fees (£2.3 million)
- Improvement grant (£0.9 million)
- Welsh Consolidated Fund (£6.3 million)



- Staffing (£14.8 million)
- Contractor staff (£0.9 million)
- Travel (£1.3 million)
- Audit firms (£2.7 million)
- Other support costs (£3.9 million)

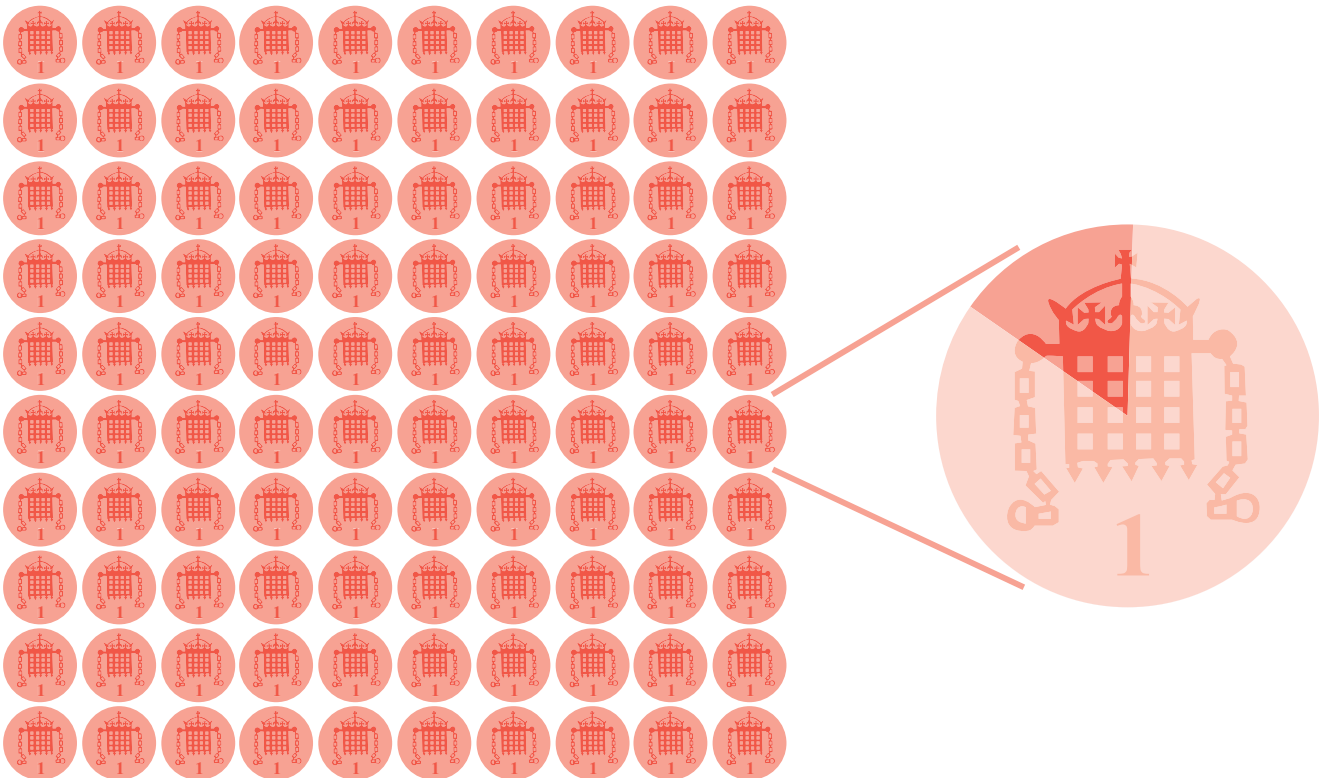
In 2015-16, £16.8 million of the resources will be made available to the Auditor General to carry out his work programme, and £6.8 million of resources are required to support the Wales Audit Office's programme. The maximum amount of the resources available, and which may become available, that it is anticipated will be allocated by the Wales Audit Office to the Auditor General for the purpose of undertaking the Auditor General's programme, is £16.8 million.

More information on our estimate of income and expenditure for the year ending 31 March 2016 can be found on our website

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Appendix 6 - Our relative expenditure

Our expenditure in 2015-16 equates to less than one fifth of one penny of every pound of the funds that are voted annually by the National Assembly.



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Appendix 7 - Key performance measures and targets

Impact

No.	Indicator	Description	Target
I1	Accepted recommendations	Proportion of recommendations or proposals for improvement that are fully accepted for implementation by audited bodies	90 per cent
I2	Savings identified	Value of potential savings identified through our work	£24 million during 2015-2018 and at least £6 million in 2015-16
I3	Credibility	Proportion of stakeholders who consider the Auditor General to be an independent and authoritative commentator on the governance and stewardship of public money and assets	At least 90 per cent
I4	Insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise	At least 80 per cent
I5	Improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services	At least 80 per cent

Delivery

No.	Indicator	Description	Target
D1	On time	Proportion of audit products delivered on time	95 per cent
D2	National reports	Number of national reports published	14 per annum
D3	Good practice	Number of good practice products delivered, including seminars and webinars	20 per annum
D4	Quality	Proportion of audits that are delivered in accordance with required quality standards	100 per cent of annual sample
D5	Approval of payments	Proportion of requests to draw from the Welsh Consolidated Fund that are processed within 24 hours of receipt of required information	100 per cent

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Leadership

No.	Indicator	Description	Target
L1	Confidence	Proportion of stakeholders that said they have confidence in our work	At least 90 per cent
L2	Engagement	Proportion of staff that feel they understand and are engaged with our strategic approach as set out in this Plan	At least 80 per cent
L3	Trust and motivation	Proportion of staff that feel they are trusted to carry out their job effectively, feel recognised when they have done their job well, and feel their manager motivates them to be more effective in their job	At least 80 per cent
L4	Continuous improvement	Proportion of staff that believe they would be supported if they try a new idea, even if it may not work, and feel encouraged to come up with new and better ways of doing things	At least 80 per cent
L5	Performance management	Proportion of staff that agree their performance is evaluated fairly	At least 95 per cent

Financial

No.	Indicator	Description	Target
F1	Income	Variance between actual and budgeted income as per the approved annual Estimate	Less than one per cent at year end
F2	Expenditure	Variance between actual and budgeted expenditure as per the approved annual Estimate	Less than two per cent underspend at year end
F3	Debt recovery	Value of aged debts aged over 60 days	Less than £300,000
F4	Cost savings	Value of cost savings generated throughout the business	£760,000 in 2015-16 (3 per cent of budgeted expenditure)
F5	Efficiency of estate	Costs including for rent and rates per whole-time equivalent	Less than £3,300 in 2015-16

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Social

No.	Indicator	Description	Target
S1	Sickness absence	Average working days lost per member of staff per annum	Less than 6.5 days
S2	Learning and development	Proportion of staff that feel they are able to access appropriate learning and development opportunities when they need to	At least 80 per cent
S3	Inclusion and fair treatment	Proportion of staff that feel they are treated fairly and with respect, feel valued and feel the organisation respects individual differences	At least 80 per cent
S4	Work-life balance	Proportion of staff that feel they have an acceptable workload and are able to strike a good balance between their work and private life	At least 80 per cent
S5	Welsh language scheme compliance	Proportion of our outputs that are compliant with our Welsh-language scheme	100 per cent

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Environmental

No.	Indicator	Description	Target
E1	Environmental management	Level of Groundwork Wales Green Dragon Environmental Standard accreditation	Level 5 (highest level) by 2016-17 and maintain at Level 4 in 2015-16
E2	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of purchased electricity, or that are produced indirectly as a consequence of our activities	Less than 530 tonnes in 2015-16
E3	Waste	Total waste produced	Less than 50 tonnes by 2018 and less than 60 tonnes in 2015-16
E4	Reused, recycled or composted	Proportion of our total waste produced that is reused, recycled or composted	70 per cent by 2018 and 60 per cent in 2015-16
E5	Paper	Paper consumption	Less than 2,200 reams in 2015-16

Communication

No.	Indicator	Description	Target
C1	Website	Number of page views	750,000 per annum
C2	Press coverage	Proportion of media articles published about our work that have positive or neutral sentiment	At least 70 per cent
C3	Social media	Klout score – a measure of our social media influence by analysing our Twitter account activity	Score of 45 out of 100 in 2015-16
C4	Shared learning seminars	Number of attendees at our shared learning seminars	600 per annum
C5	External events	Number of instances where our staff are invited to present audit learning at externally hosted conferences and events	25 per annum

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Agenda Item 10

By virtue of paragraph(s) vi of Standing Order 17.42

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