



## **BUSINESS PLAN 2017**

### **Costs Lawyer Standards Board**

#### **Definitions herein**

Costs Lawyer	A qualified Costs Lawyer who is authorised and regulated by the CLSB
CLSB	Costs Lawyer Standards Board
LeO	Legal Ombudsman
LSA	Legal Services Act 2007
LSB	Legal Services Board
LSCP	Legal Services Consumer Panel
PCF 2017	Practising Certificate Fee payable for 1 January 2017 - 31 December 2017

#### **Index**

- 1. Forward**
- 2. Operations**
  - 2.1 Ongoing work
  - 2.2 Additional planned work
  - 2.3 CLSB board
  - 2.4 Business model
  - 2.5 Operational management
  - 2.6 Registered office
  - 2.7 Data protection
  - 2.8 Intellectual property
  - 2.9 LawCare
  - 2.10 Memorandum of understanding (MOU)
  - 2.11 Internal governance documents
  - 2.12 The Costs Lawyer Handbook
- 3. Finance**
  - 3.1 Income
  - 3.2 Expenditure
  - 3.3 Tax position
  - 3.4 VAT position
  - 3.5 Pension
  - 3.6 Accounting

- 3.7 Reserve policy
- 3.8 Insurance
- 3.9 CLSB shares
- 3.10 Oversight

Appendix A: Ongoing work

Appendix B: Additional planned work

## **1. Forward**

The CLSB regulates individual Costs Lawyers through their practising certificates, at the time of writing this plan the CLSB regulates 651 Costs Lawyers. The CLSB is not an entity regulator and is not licensed to authorise Alternative Business Structures (ABS). The CLSB regulates individual Costs Lawyers through their annual practising certificate and holds them personally accountable.

The regulatory objectives of the CLSB are set out in Part 1(1) of the Legal Services Act 2007 as being:

- (a) protecting and promoting the public interest;
- (b) supporting the constitutional principle of the rule of law;
- (c) improving access to justice;
- (d) protecting and promoting the interests of consumers;
- (e) promoting competition in the provision of services;
- (f) encouraging an independent, strong, diverse and effective legal profession;
- (g) increasing public understanding of the citizens legal rights and duties; and
- (h) promoting and maintaining adherence to the professional principles.

The professional principles set out under Part 1(3) of the Legal Services Act 2007 require a Costs Lawyer regulated by the CLSB to:

- (a) act with independence and integrity;
- (b) maintain proper standards of work;
- (c) act in the best interests of their clients;
- (d) comply with their duty to the court to act with independence in the interests of justice; and
- (e) keep the affairs of their clients confidential.

Since 31 October 2011, the CLSB has provided a stable, proportionate and effective regulatory service. This was evidenced by the outcome of two independent reviews initiated by the LSB in 2015 (consumer and the profession). Further, in a report issued by the LSB in May 2016 the outcome was that the CLSB was considered the only legal regulator who offered value for money.

### **A low risk profession**

The CLSB is of the view the profession is low risk. In terms of disciplinary outcomes, since 31 October 2011 there has been:

- (i) Four service complaints to LeO. One was dismissed, one was settled informally and two resulted in fines of only £100.
- (ii) No actionable consumer led professional conduct complaints.
- (iii) Three CLSB led professional conduct complaints.

Factors which the CLSB believe contribute to the low risk profile of the profession include, inter alia:

- (i) The profession does not handle client monies.
- (ii) The low number of lay client instructions.
- (iii) Costs Lawyers are specialists in one area of law only, unlike Solicitors, Barristers and Legal Executives who can practice in any area of law at any time.

### **Proportionate regulation**

Taking these factors and others into consideration e.g. the small business growth duty imposed on the CLSB under the Regulators Code, the CLSB has always sought to adopt a risk based and proportionate approach to regulation.

Costs Lawyers chose to be qualified and regulated, unlike professions such as Solicitors. It has been estimated by the ACL that there are 4,000 unregulated Costs Draftsmen in direct competition with Costs Lawyers. The CLSB operates so as not to “regulate out” those Costs Lawyers who have chosen to be regulated by the CLSB.

The costs of regulation are ultimately passed onto the consumer, as accepted by the LSB in their 2016 cost transparency report which stated “*establishing the cost of regulation in legal services is important because these costs are borne by businesses and ultimately the consumer.*”

### **Threats to the future of the profession**

In recent years the profession has seen its work-stream impacted by reduced legal-aid funding. The profession now faces two further, significant threats:

- In January 2016, Justice Jackson publically advocated for fixed costs on all civil matters (save for medical negligence) up to £250k. A survey undertaken by the CLSB in May/June 2016 resulted in 69.5% of Costs Lawyers advising they would lose over 50% of their work should this proposal be implemented.
- The new bill format for preparation of bills of costs electronically is due to be implemented voluntarily by October 2016, compulsory by October 2017. A survey undertaken by the CLSB in May/June 2016 resulted in 68% of Costs Lawyers advising they would lose over 50% of their work as a result.

### **The business year 2017**

During 2017, the CLSB will continue its work as set out herein to deliver a strong and sustainable regulatory function for the Costs Lawyer profession, and will address additional work the LSB expects of it following their highly critical 2016 assessment of CLSB performance.

CLSB Board  
12 July 2016

## **2. Operations**

### **2.1 Ongoing work**

A schedule of general day to day work is attached as Appendix A and may change should the need be identified. This work will continue during 2017.

### **2.2 Additional planned work**

A schedule of additional planned work is attached as Appendix B and may change should the need be identified.

### **2.3 CLSB board**

The CLSB board considers strategy and policy and is made up of five non-executive directors. It has a lay majority, with a lay Chair as required of it under the LSA. The board has four scheduled meetings for 2017 and will further convene on a needs be basis.

- Tuesday 24 January
- Tuesday 25 April
- Tuesday 25 July
- Tuesday 24 October

The performance of each board member will continue to be assessed under the CLSB prevailing appraisal policy which will also identify development needs. An up to date biography of each board member will appear on the CLSB website. CLSB board minutes will continue to be published on the CLSB website which, in response to a 2016 LSB requirement, now provide more detail.

### **2.4 Business model**

The CLSB is the smallest of the seven approved legal regulators, as a result it has limited funds. The CLSB therefore operates a business model under which it buys in services on a needs be basis as opposed to having employees. That said, under the Pensions Act 2008, the CLSB is deemed to have 13 employees as the CLSB executive, board and panel members are all remunerated through PAYE.

In addition to those 13 employees, the CLSB executive is supported on a day to day basis by a non-practising solicitor, admin support, firm of solicitors, accountant, insurance broker, payroll officer, pension officer, trademark attorney, IT specialist, independent investigator and an independent education auditor. The CLSB will continue its current business model during 2017.

### **2.5 Operational management**

During 2017, the CLSB Board will continue to approve strategy and policy decisions. These decisions will be implemented and managed by the executive.

### **2.6 Registered office**

It is proposed the CLSB registered office address will continue to be Sycamore House, Sutton Quays Business Park, Sutton Weaver, Runcorn, Cheshire WA7 3EH.

## **2.7 Data protection**

The CLSB will continue to be registered under and comply with prevailing data protection law.

## **2.8 Intellectual property**

The CLSB will retain its intellectual property rights in the CLSB logo & mark of regulation.

## **2.9 LawCare**

The CLSB will continue to offer LawCare cover to those authorised and regulated by CLSB as an additional benefit to holding a 2017 Costs Lawyer practising certificate.

## **2.10 Memorandums of understanding (MOU)**

The CLSB will continue to work in accordance with MOUs and Operational Protocols in place and will ensure they are current and fit for purpose.

## **2.11 Internal governance documents**

The CLSB has in place a portfolio of over 30 internal governance documents (Operations Manual) and will continue to review and maintain those documents to ensure they remain current and fit for purpose.

## **2.12 The Costs Lawyer Handbook**

The Costs Lawyer Handbook is made up of over 20 regulatory documents (rules, procedures and guidance notes). The CLSB will continue to review and maintain those documents to ensure they remain current and fit for purpose.

## **3. Finance**

### **3.1 Income**

For the year 2017 the CLSB will be financed by the PCF 2017, this is the only source of income for the CLSB. Based on 632 authorised and regulated Costs Lawyers (the number as at 1 April 2016) the CLSB anticipates an income of £158,000.

### **3.2 Expenditure**

The CLSB budget for 2017 was board approved on 12 July 2016 as follows:

<b>Expenditure</b>	<b>Budget (£)</b>	<b>Includes</b>
Salaries	77,000	Salaries of executive, chair, NEDs & panel members. Includes tax & NI and executive pension.
Travel & subsistence	10,000	Travel & subsistence for executive, chair, NEDs, panel members.
Rent	3,500	Manchester office rent & reception service. Room hire for board meetings, disciplinary hearings, general meetings e.g. ACL, ACLT, LSB, regulators forum. Storage facility.
Phone	600	Phone costs.
Admin	5,000	Postage, printing, stationary, printer cartridges.

Equipment	1,000	Printers, laptops, Blackberry
Services	40,000	LSB levy, LeO levy, insurance, accountant, solicitor, barrister, TM attorney, LawCare, phone answering service, IT support, website design & update, email server hosting, domain names, cloud storage, education audit, disciplinary investigator, banking costs, legal locum, advertising, training, auto enrolment pension cost, management of MRPQ applications.
LSB Levy	12,500	Estimated by LSB at time of writing Business Plan
LeO Levy	5,000	
Reserve	0	
Misc.	3,000	Companies house fees, ICO fee, card cases for new qualifiers, anti-virus, ARDL membership, GMCC membership, contingency/reserve.
	<b>£157,600</b>	

### 3.3 Tax position

As the only form of income is the PCF 2017, the CLSB is not liable for corporation tax and it is not anticipated this position will change during 2017.

### 3.4 VAT position

The CLSB is not registered for VAT and it is not anticipated this position will change during 2017.

### 3.5 Pension

During 2016 the CLSB complied with new pension regulation by offering an auto enrolment scheme. This scheme will continue during 2017, with the CLSB standing any annual maintenance costs of that scheme.

### 3.6 Accounting

It is intended that agp, accountancy advisors to CLSB, will continue to provide accountancy services during 2017.

### 3.7 Reserve policy

The CLSB has made steady progress towards achieving its board approved reserve. However, until the impact of changes to the profession are established, it does not propose to add to those reserves and this has been reflected in the budget set out above.

### 3.8 Insurance

During 2017, the CLSB will maintain the following insurance cover at a minimum:

- Professional Indemnity (£5 million)
- Directors & Officers (£2 million)
- Entity (£250k)
- Employers Liability (£10 million)
- Computer Equipment (£6k)

### 3.9 CLSB shares

Costs Lawyer Standards Board Ltd is a company registered in England & Wales under company number 04608905 with an authorised share capital of 100,000 ordinary shares of £1.00 each of which 15,000 shares are currently in issue to the ACL (fully paid up). There is no intention to issue more fully paid up shares. The CLSB has however set aside adequate resource to buy back those shares in issue should legislation ever become effective to make the CLSB named approved regulator as opposed to working under the delegated authority of the representative bodies.

### 3.10 Oversight

The CLSB is audit exempt. The board of the CLSB will undertake quarterly reviews of spend against budget.

### Appendix A: Planned work

The following is planned work for 2017, it does not however cover “day to day” operations and may change should the need be identified.

CLSB objective	Latest date by in 2017	Action
Supervision	13 Jan	Consider 2016 education audit report and consider annual authorisation of study provider
Supervision	15 Jan	2017 register of authorised & regulated Costs Lawyers on the CLSB website
Supervision	31 Jan	Send register of authorised & regulated Costs Lawyers to all Costs Judges
Meeting expectations	25 April	Board to consider report on outcome of question <i>“Advise of ways you feel the professional standards of Costs Lawyers can be improved and ways the CLSB can better regulate the profession”</i>
Supervision	25 April	Board to consider first-tier complaints stats gathered from 2017 PC application forms
Supervision	25 April	Board to consider stats <ul style="list-style-type: none"><li>• The profession</li><li>• Part time working</li><li>• Geographical location</li><li>• Instructions</li><li>• Legal aid</li><li>• Insurance</li></ul>
Communication	May	Attend 2 day ACL National Conference in London & make annual presentation

Supervision	May	Undertake random audit of 2016 CPD records
Compliance	25 July	Board approve: <ul style="list-style-type: none"> <li>• Accounts for year ended 31 December 2016</li> <li>• Budget 2018</li> <li>• Consultation paper on 2018 PCF</li> <li>• 2018 business plan for publication</li> </ul>
Compliance	30 July	Initiate timetable for S.51 application on 2018 PCF
Compliance	21 July	Issue consultation paper on proposed 2018 PCF
Compliance	15 Sept	File S.51 application for LSB approval of 2018 PCF
Compliance	15 Oct	LSB approve 2017 PCF
Communication	October	Attend 1 day annual ACL conference in Manchester
Supervision	28 Nov	Issue application packs for 2018 practising certificate to all Costs Lawyers on the 2017 register
Supervision	31 Dec	Evidence of current insurance (where appropriate) required to be filed before a 20178 practising certificate issued
Supervision	31 Dec	First-tier complaints procedures required form all Costs Lawyers working not working for an SRA regulated body before 2017 practising certificate issued
Supervision	31 Dec	2016 CPD record to be filed before 2017 practising certificate issued

### Appendix B: On-going work

During 2017, CLSB will continue with on-going work streams which include:

Category	Action
Compliance	LSB action plan following 2016 assessment
Supervision	On-going risk management via Risk Framework
Supervision	Monitor likely impact/impact of future changes on the profession e.g. automated bills and fixed costs
Supervision	Managing MRPQ process and reacting to applications

Supervision	Independent investigation/Conduct Committee/Conduct Appeal Committee initiated to deal with professional conduct complaints accepted by CLSB under prevailing rules
Supervision	Publishing in Costs Lawyer journal and on the CLSB website any disciplinary outcomes
Supervision	On-going work with LeO on service complaints with board analysis to identify any risk areas
Supervision	Maintaining the public domain register of authorised and regulated Costs Lawyers on CLSB website to ensure it remains accurate
Supervision	Maintaining the accredited Costs Lawyer scheme (for the purposes of CPD) and public domain register on CLSB website
Supervision	Maintaining the public domain register of Costs Lawyers licensed to use the Mark of Regulation
Communication	Initiating consultation processes as and when required.
Communication	Partaking in consultation processes received from others e.g. LSB, LeO, other legal regulators.
Compliance	Continual assessment of Costs Lawyer Handbook documents to ensure they remain fit for purpose
Compliance	Continual assessment of CLSB Operation Manual to ensure it remains fit for purpose
Supervision	Continual assessment of risk trends through LeO & CLSB complaints
Communication	Keeping CLSB website up to date with information, documentation and news items
Communication	Engagement through the Costs Lawyer Journal
Compliance	Engagement with the LSB
Compliance	Considering reports issued by the LSB
Communication	Engagement with the ACL on matters affecting the profession which could impact on regulatory objectives
Communication	Engagement with fellow legal regulators at Regulator Forum
Communication	Engagement through CEO meetings

Communication	Engagement with LSCP
Communication	Considering reports issued by LSCP
Communication	Engagement with LeO
Compliance	Considering reports issued by LeO
Operations	Compliance with Companies House requirements e.g. annual returns, filing of accounts
Operations	Compliance with employment law requirements
Operations	Compliance with Pensions Act requirements
Operations	Compliance with financial requirements e.g. accounting, payroll, tax & NI, P60s
Operations	Recruitment, as required
Operations	Managing external services providers e.g. legal locum, admin, solicitors, barristers, accountants, education auditor, IT support, trademark attorney

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