
Consultation

2022 practising fee



21 July 2021

Costs Lawyer Standards Board

CLSB
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Proposed fee

We propose to set the practising fee for Costs Lawyers at £281 in 2022. This represents an increase of 2% (or £6) from the current practising fee and is in line with the predicted rate of inflation for 2022.

Last year, we had the difficult task of setting the practising fee for Costs Lawyers amidst widespread uncertainty, with the long-term impact of Covid-19 on the profession and the economy being largely unknown. This year, we have [more information](#) about how Costs Lawyers and their clients have fared during the pandemic. In general, we know that only a small minority of practitioners have less work to do than before the crisis, and the level of concern about the future has reduced overall.

However, we also know that approximately 1% of Costs Lawyers stopped practising this year for reasons related to Covid-19. We have therefore seen a decrease in the size of our profession over and above the usual level of natural attrition, meaning that the cost of regulation is spread across a smaller group of practitioners. At this stage, we don't know what the impact of Covid-19 will be on the size of our community in 2022. A key factor driving the proposed practising fee is therefore our best estimate of the number of Costs Lawyers we will regulate next year.

Other factors that impact the proposed fee include:

- an anticipated increase in supplier costs – including the cost of insurance – following relatively static costs in 2020 and 2021 due to the pandemic;
- an increase in the levies that we pay on your behalf, such as a 4.4% increase in the Legal Services Board's budget;
- a proposed decrease in the CLSB's usual contribution to financial reserves (which is explained below).

This consultation paper provides further information about the level of the practising fee and how the money raised through your fees will be used. At the end of this consultation there are some questions you might like to consider as part of your response, but we would welcome any feedback you wish to provide. Consultation responses should be sent to enquiries@clsb.info by **5pm on 6 September 2021**.

How we set the practising fee

The process

The process for determining the practising fee starts in May each year.

- First, we develop a **Business Plan** for the coming practising year, setting out our annual priorities for achieving our [mid-term strategy](#).
- Next, we develop a **budget** that reflects our fixed costs (such as salaries and overheads), the variable costs of our core regulatory work (such as supervision and enforcement) and the cost of delivering the annual priorities in the Business Plan.
- The budget determines our total anticipated expenditure for the year; that is, the funding we need to operate effectively. Anticipated expenditure is then divided by the **number of Costs Lawyers** that we estimate will be practising during the year. This gives us the proposed practising fee. The fee is agreed by the **CLSB board**.
- We ask Costs Lawyers for feedback on the proposed fee through this **consultation process**. The fee is adjusted as appropriate in response to feedback received.
- The fee must then be **approved by the Legal Services Board (LSB)** under its [Practising Fee Rules](#). This involves a detailed application process whereby the fee is explained and justified to our oversight regulator. Our application is [published](#) by the LSB.
- In early October, the LSB issues its decision and the practising fee is **confirmed to Costs Lawyers**.
- We are then able to finalise the **practising certificate renewal form** based on the approved fee. You will receive an email when your online renewal form, which is unique to you, is available for completion.

2022 Business Plan

The bulk of our income from practising fees is spent on fulfilling our core regulatory duties. These activities can be broadly summarised as:

- establishing policy, rules and guidance in relation to the professional conduct expected of Costs Lawyers;
- setting the outcomes for, and accrediting training providers to deliver, the Costs Lawyer Qualification;
- supervising compliance with our regulatory requirements;

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- dealing with complaints about Costs Lawyers' conduct and taking disciplinary action where conduct falls short of the required standard;
 - helping consumers and the wider public understand issues relating to legal costs and how Costs Lawyers can assist them;
 - assisting practitioners in navigating ethical issues and treating their clients fairly;
 - gathering evidence and data about all aspects of the regulated market to inform our activities.

Our annual Business Plan establishes additional projects and priority work areas that are specific to the practising year. Each priority in the Business Plan is linked to the achievement of one or more of the objectives in our [mid-term strategy](#), as well as the improvement of various [consumer outcomes](#). Our proposed Business Plan for 2022 is available [with this consultation](#). The priorities in the Business Plan, together with the core regulatory work described above, constitutes the full programme of activity that is funded through your practising fees.

In the previous practising year – despite the very challenging circumstances that we all faced in 2020 – we delivered all of our Business Plan actions, except for two that were deprioritised early in the year. A summary of the anticipated and actual benefits of our 2020 work programme is available [with this consultation](#).

Levies and contributions

Our proposed budget for 2022 is also available [with this consultation](#). You will see that a portion of our budget is made up of levies and contributions that we must pass on to other organisations – namely the Legal Services Board, the Legal Ombudsman and the Legal Choices website – to fund their activities. Each of the legal services regulators is required to make contributions on behalf of the lawyers they regulate.

In 2022, the cost per Costs Lawyer of these contributions will be approximately:

- £22.84 for the Legal Services Board (8% of your practising fee)
- £7.35 for the Legal Ombudsman (2.5% of your practising fee)
- £8.53 for Legal Choices (3% of your practising fee)

Other information about practising fees

Permitted purposes

The CLSB derives almost all of its income from practising fees. Other minor sources of income include accreditation fees and fixed costs awarded under our Disciplinary Rules and Procedures.

All our income is allocated to expenditure on so-called “permitted purposes”. Permitted purposes are prescribed regulatory activities as listed in Rule 8 of the Legal Services Board’s [Practising Fee Rules](#). They include activities like regulation, accreditation, education, training, raising professional standards, providing advice and guidance, participating in law reform and furthering public legal education.

The Association of Costs Lawyers

Your practising fee exclusively funds the CLSB. It is not used to fund the profession’s representative body, the Association of Costs Lawyers (ACL). If you would like to be a member of ACL, a membership fee is payable separately. You can [contact ACL](#) to understand more about the benefits of membership.

Tax relief

Tax relief on your practising fee can be claimed under SI 1126/2013: The Income Tax (Professional Fees) Order 2013. This covers “fees payable to the Costs Lawyer Standards Board on applying for a costs lawyer practising certificate”.

Reserves

We hold financial reserves to provide a buffer against unexpected events. We want the level of our reserves to be neither too low nor too high, so our Reserves Policy provides for a target level of reserves. In 2021, we revised our target level of uncommitted reserves downward, following a review of the financial risks we face and the extent to which those risks are insurable. Previously, our target level of committed reserves was one year’s operating expenditure (or roughly one year’s gross income from annual

practising fees). This has been revised down to approximately six months' operating expenditure. The level of our uncommitted reserves currently meets this target.

We also hold separate reserves reflecting the amount of our paid up share capital, as well as committed reserves for planned future IT development projects. Our target level of committed reserves is £30,000. We have achieved 17% of this target so far and we will make further contributions over the next five years to reach the target level. Those contributions will be smaller than previously, given the reduction in our target level of overall reserves. This means you will pay less for your practising fee.

The level of our reserves is recorded in our audited accounts, which are available [with this consultation](#).

Practising certificates

Practising Rules

Your practising fee must be paid before we can issue you with a practising certificate for the relevant year. This is established under our Practising Rules, which you can find in the [Costs Lawyer Handbook](#).

Practical advice and information

The [practising certificates](#) page of our website contains advice on a range of topics relating to practising certificates and the practising fee. It includes information about who needs a practising certificate, how to renew your certificate, how to pay the practising fee and how your application will be dealt with.

You can also find information on this webpage about fee remissions. You might be entitled to a reduction in your practising fee if, for example, you are a newly qualified Costs Lawyer, you are applying for reinstatement to the register part-way through the year or you have recently taken parental leave.

Benefits of having a Costs Lawyer practising certificate

Benefits of holding a practising certificate issued by the CLSB include:

- The right, under the Legal Services Act 2007, to carry out the following reserved legal activities:
 - the exercise of a right of audience
 - the conduct of litigation
 - the administration of oaths
- Inclusion of your name and professional details in the [Register of Costs Lawyers](#).
- The ability to claim a better hourly rate grade than unauthorised advisers.
- Recognition by the courts and other practitioners of your status as a qualified legal services professional.
- Eligibility to use the CLSB [Mark of Regulation](#).
- Enhanced trust and confidence from your clients, who know that you must meet regulatory standards, carry adequate insurance, handle complaints properly and undertake continuing professional development (CPD).
- Access to guidance and services for yourself and your clients, including the dispute resolution scheme of the Legal Ombudsman and the support services of LawCare.

Consultation questions

Main question

Question 1: Do you agree with the proposed practising fee of £281 for 2022? Why or why not?

Other questions you might like to consider

Question 2: Do you agree with the CLSB's proposed Business Plan and budget for 2022? If not, what aspects would you suggest we change and why?

Question 3: What do you perceive to be the main benefits of regulation? Do you think we place sufficient focus on those benefits? Do you think we are delivering those benefits?

Question 4:

- (a) Are you adversely impacted by the level of the practising fee due to a protected characteristic under the Equality Act 2010 (such as age, disability or gender) or due to your individual practising arrangements? If so, please tell us why and how we could meet your needs.
- (b) Do you agree with our initial Equality Impact Assessment (EIA) of the practising fee, which we have provided [with this consultation](#)?

Question 5: Is there anything else you would like to know about the practising fee that we should include in next year's consultation?

Consultation responses should be sent to enquiries@clsb.info by **5pm on 6 September 2021**.