

MINUTES
Costs Lawyer Standards Board Ltd
Thursday 12 December 2024 at 10:30 am
Remotely via Teams

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|-----------------------|------------------------|-------------------------------|
| Board: | Rt Hon David Heath CBE | Lay NED (Chair) |
| | Stephanie McIntosh | Lay NED (Vice-Chair) |
| | Andrew Harvey | Lay NED |
| | Andrew McAulay | Non-Lay NED |
| | Paul McCarthy | Non-Lay NED |
| In attendance: | Kate Wellington | CEO |
| | Jacqui Connelly | Director of Operations |
| | Craig Westwood | Legal Services Board (item 1) |
| | Suganya Suriyakumaran | Legal Services Board (item 1) |

1. OPENING MATTERS

- 1.1** The Chair declared the meeting quorate. There were no apologies from board members. Lori Frecker, Director of Policy, sent her apologies.
- 1.2** There were no declarations of interest on any agenda item.
- 1.3** The board hosted Craig Westwood and Suganya Suriyakumaran from the Legal Services Board for a meet-and-greet session. Craig described the LSB's current priorities and intended approach to oversight going forward, as well as his initial impressions having started as CEO in August. The board discussed with Craig issues such as:
- how best to work within the complexities of the regulatory framework for legal services and achieve the most impact;
 - challenges for the CLSB that make its regulatory task unique amongst the legal services regulators;
 - drivers behind the LSB's budget increase for next year and likely future costs;
 - helping consumers navigate the regulatory landscape and the various bodies;
 - getting value from small teams and ensuring proportionality in information requests;
 - ways to build on the existing constructive relationship between the organisations.

David thanked Craig and Suganya for a useful session and emphasised the benefits of ongoing open dialogue. Craig also thanked Kate for her collaboration with the LSB during her time as CEO and wished her well for the future.

2. MINUTES

2.1 Minutes dated 21 October 2024

The board considered the minutes of its last scheduled quarterly meeting on 21 October 2024. The board agreed the minutes as being a true record for signing.

Actions: Publish approved minutes on CLSB website.

2.2 Matters arising

The board considered the matters arising from the minutes of its meeting on 21 October 2024. There were no matters arising that had not been scheduled as agenda items or otherwise dealt with.

3. STRATEGY

3.1 Progress against Business Plan: 2024 annual roundup

The board was provided with a progress update against the 2024 Business Plan to year end. Kate explained that the team had delivered the remaining Business Plan priorities in Q4, completing all Business Plan activities for the year.

Board members expressed their appreciation for the executive's ambition and diligence in delivering all aspects of the 2024 Business Plan, especially given new events and pressures that inevitably arose throughout the year.

The board considered and approved the executive's proposed strategic priorities for Q1 of 2025.

3.2 Recruitment update

David updated the board on arrangements for recruiting a new CEO following Kate's decision to step down in October. This followed the board's approval of an updated job description and advertisement for the role by email between meetings.

Stephanie – who would chair the first round interview panel – agreed to provide feedback to the board by email once the first round had concluded.

Action: Stephanie to feed back outcome of first round interviews in December.

4. BOARD MATTERS

4.1 Board member reappointment

David left the meeting. Stephanie, as Vice Chair, explained that David's term as Chair of the board was due to expire on 17 March and he was eligible for reappointment.

The board resolved to reappoint David for a further three years, to 17 March 2028. David returned to the meeting and was informed of the board's decision.

4.2 Remuneration Committee member reappointments

The board resolved to reappoint the two members of the Remuneration Committee – Andrew Harvey and Paul McCarthy – until the end of their board appointment terms, namely to 23 January 2027 and 24 January 2026 respectively.

The board felt that this would help with continuity and succession planning by allowing a new member to join the Committee in 2026 under Andrew H's continued

chairmanship. That new member would then provide continuity when Andrew H departed in 2027.

4.3 Remuneration Committee update

Andrew H provided an update on the business of the Remuneration Committee and the board was provided with the minutes of the Committee's meeting in November. Andrew H noted that a cost of living pay rise of 3% had been awarded to staff and office holders with effect from 1 March 2025.

5. FINANCE

5.1 Quarterly report: Q4 2024

Jacqui introduced the quarterly finance report. The board noted the financial position to the end of the year. Expenditure was almost exactly in line with budget, with just an £18 variance. The final position for the year was a small surplus of £4,982 due to higher than anticipated income. This would be used to offset the practising fee for 2026, as required under the LSB's Practising Fee Rules.

5.2 2024 contribution to reserves

The board approved a £5,000 contribution to the CLSB's committed reserves as anticipated in the 2024 budget.

Jacqui noted that committed reserves were now close to the target level, so the executive and board would need to take that into account when considering how much to contribute to reserves in 2025. The board also noted there were several projects being scoped that might necessitate drawing on the committed reserves (in the tech and IT space), which would deplete the reserves in 2025.

6. RISK MANAGEMENT

6.1 Review of risk register

The board carried out its quarterly review of the risk register. The board noted that risks relating to the Axiom Ince report would be considered at item 8.3 below. The board also agreed that section C of the risk register should be updated to reflect the CLSB's new mitigation activities under the 2025 Business Plan.

7. REGULATORY MATTERS

7.1 ACL Training annual monitoring outcome

The Accreditation Panel carried out the annual monitoring process in Q4 as a key mechanism for overseeing ACL Training's delivery of the Costs Lawyer Qualification. The board was provided with the Accreditation Panel's report, based on information and evidence provided by ACL Training, as well as a letter communicating the outcome of the annual monitoring process to ACL Training.

Kate emphasised that this was the first time the annual monitoring process had been tested and it had worked well for both parties, with positive feedback from ACL Training about the usefulness of the Panel's recommendations. Andrew M also fed back on how he found the process, as the third member of the Accreditation Panel.

The board reflected on the extent of the journey that CLSB and ACL Training had come on together to create the new framework for qualification and the new course; the Panel's report evidenced the success of that journey and the quality of course delivery.

The board also discussed how the CLSB's work on accreditation and monitoring could be better socialised, to give ACL Training credibility and help showcase the CLSB's contribution in this area.

7.2 First tier complaints guidance

The board was provided with proposed amendments to five Guidance Notes. These amendments aimed to ensure the CLSB complied with the LSB's new requirements for first tier complaints and would also bring the guidance into line with the Legal Ombudsman's document "An Ombudsman's view of good costs services", which was updated in June 2024. Kate noted that the executive had also produced a spreadsheet tracking compliance with the LSB's and Legal Ombudsman's expectations; this had not been provided to the board due to its size but was available on request.

The board discussed the requirement in the Guidance Note on Complaints Procedures for Costs Lawyers to provide their complaints procedure to clients at the outset and close of every matter, and considered whether this was proportionate and realistic. Kate agreed to check the source of that requirement and, if it would not render the guidance noncompliant, the requirement would be adjusted before publication.

Subject to the above, the board approved the amendments to the Guidance Notes for publication. Board members discussed with Jacqui how best to get the Guidance Notes in front of the right practitioners at the right time.

The board noted the ambitions set out in a letter from the Legal Ombudsman to the regulators regarding better complaint handling, dated 4 December. It was agreed that the CLSB should engage constructively with the Legal Ombudsman and other legal regulators on the issues raised in the letter, as led by the Ombudsman.

Action: Publish updated Guidance Notes subject to the agreed amendment.

7.3 Technology and AI workplan

The board was provided with a proposed workplan on technology and AI based on the recommended activities in the CLSB's recent report "Costs Lawyers, technology and regulation". The board was also provided with a cover paper explaining the approach the executive had taken to turning the recommendations into actionable outputs.

The board considered and agreed the workplan.

Action: Executive to commence activities in the workplan in H1 2025.

7.4 Disciplinary investigation update

The board was provided with an update on two open disciplinary matters that could raise issues of policy which the board would need to consider. The detail of the discussion is not included in these minutes on the grounds that publication would:

- (i) disclose legal advice obtained in relation to confidential matters (ground E under the CLSB's publication policy); and
- (ii) amount to processing personal data in a way that is not permitted by data protection laws or is contrary to best practice (ground A).

More information about grounds for non-publication can be found on the [What we publish](#) page of the CLSB's website.

7.5 Client care letters thematic review

The board was provided with a report setting out the findings of a thematic review of client care letters. The board discussed the next steps, timings and costings in the report and approved the next steps for action in 2025.

The board also discussed a presentation given by the Legal Ombudsman at the ACL conference on good practice around client care letters. Jacqui confirmed that she was speaking to ACL about potentially hosting a joint event with the Legal Ombudsman on this topic.

Action: Carry out next steps on client care letters in 2025.

7.6 Updated guidance note on retention of client files

Kate introduced this item and noted that the CLSB had received several enquiries from Costs Lawyers in 2024 relating to the ownership of client files. Uncertainty appeared to arise particularly where a Costs Lawyer held a solicitor's file in order to carry out costs-related work on a matter, and a dispute then arose between the solicitor, the client and/or a second solicitor about ownership of the file in the possession of the Costs Lawyer. There was also uncertainty around a Costs Lawyer's right to exercise a lien over the client file for unpaid professional fees.

To address this, new guidance had been developed to augment the existing Guidance Note on Retention of Client Data and Files. The board considered and approved the new guidance for publication.

Action: Publish updated Guidance Note.

8. LEGAL SERVICES BOARD (LSB)

8.1 Work updates

The board received updates in relation to:

- engagement with the LSB's consultation on its 2025 Business Plan and budget;
- participation in the new Technology and Innovation Forum;
- the LSB's consultation on proposed guidance for the new economic crime regulatory objective.

Board members discussed the LSB's proposed budget and agreed the intended increase warranted a formal response this year. This would be prepared after David and Lori attended the stakeholder event in the new year.

Action: Prepare response to budget consultation in early 2025.

8.2 Regulatory performance assessment submission

The board was provided with the CLSB's response to the LSB's request for information to inform the 2024 regulatory performance assessment. The board discussed the volume of information that was requested and the resource implications of this, and otherwise noted the content of the submission.

8.3 Axiom Ince report

The board was provided with a letter from the LSB to the legal regulators, encouraging them to consider whether they needed to take action in response to the recommendations in the LSB's recent report setting out the findings of an "Independent review of the regulatory events leading up to the SRA's intervention into Axiom Ince Ltd". The board was also provided with a discussion paper exploring how the findings of the review might apply to the CLSB's regulated community.

The board discussed the issues raised in the paper, including anecdotal reports of challenges within acquisitive costs firms, which could potentially impact clients. The board considered the risks from acquisitive firms and steps that could be taken despite the CLSB not regulating entities. The board agreed to record those risks in the risk register, and to pursue the issues outlined in the discussion paper.

Actions: Update risk register; Pursue issues in discussion paper.

9 STAKEHOLDER UPDATES

9.1 ACL Council meeting minutes

The board noted the minutes of ACL Council meetings held in September and October. Jacqui fed back ACL's decision not to share unredacted minutes.

9.2 Work updates

The board received an update on the OLC's consultation on the proposed 2025/26 business plan and budget for the Legal Ombudsman.

10 OPERATIONS

10.1 Practising certificate renewals feedback

Jacqui provided the board with an update on practising certificate renewals for 2025. The application window closed on 30 November. Jacqui reported near-budget levels of renewals, several reinstatements, and a higher number of terminations than last year. Early indications were that several terminating practitioners were now dual qualified. Full statistics, including the results of this year's exit survey, would be compiled for the March board meeting.

The board also discussed a suggestion made by two practitioners to create a non-practising status for Costs Lawyers, similar to that available for solicitors. Board members discussed the potential risks and benefits of this option, and considered which regulatory arrangements would apply to this category of practitioners. Overall, the board agreed this option was worth pursuing further and the executive agreed to look into it in 2025.

Action: Look into non-practising status and bring proposal back to the board.

10.2 Amendment to supervision framework

The board was provided with a paper setting out a proposal to expand the supervision framework for complaints procedures to cover procedures used by Costs Lawyers in SRA-regulated firms. The board considered and approved the proposed amendment to the supervision framework for implementation as part of the 2025 audit.

Action: Publish updated supervision framework for complaints procedures.

10.3 Project scoping: Log-in area for the CLSB website

Kate introduced this item. She summarised previous discussions of the board about potentially creating a log-in area for the CLSB website to host “value add” material. The board was provided with a paper setting out the IT development work needed for the project, including costings and timescales.

The board approved the first stage of work outlined in the paper, relating to a software upgrade for the website. The board discussed what kind of functionality would be desirable for a log-in system. The board agreed that completing stage 2.1 in the paper would be relatively risk free and would allow an incremental approach to ensure no unintended barriers were put up on the site. Further stages could be considered once these initial actions were complete.

Action: Proceed with stages 1 and 2.1 in the paper.

11 PUBLICATION

11.1 Confirmation that papers can be published

The board agreed that all board papers for the meeting should be published, other than those noted on the agenda for the reasons stated.

Action: Publish board papers on website in accordance with agenda notations.

12 AOB

There was no other business.

13 NEXT SCHEDULED QUARTERLY MEETING

The next meeting was scheduled for Wednesday 26 March and would be held remotely via videocall.

There being no further business, the Chair declared the meeting closed at 13:10.

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Chair

Related documents

| Item | Document | Publication location (CLSB website) |
|------|--------------------|-------------------------------------|
| 2.1 | Board minutes | About ⇒ Our board |
| 3.1 | 2024 Business Plan | About ⇒ Strategy and governance |

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| 4.3 | Remuneration Committee minutes | About ⇒ Our board |
| 6.1 | Risk register | About ⇒ Strategy and governance |
| 7.2 + 7.6 | Guidance Notes | For Costs Lawyers ⇒ Costs Lawyer Handbook |
| 7.3 | Costs Lawyers, technology and regulation project page | Regulatory ⇒ Reports and research |
| 10.2 | Supervision framework for complaints procedures | Regulatory ⇒ Supervision |
| 11.1 | Board papers | About ⇒ Our board |
| Item | Document | Publication location (other) |
| 8.1 | LSB consultation on business plan and budget | LSB website here |
| 8.1 | LSB consultation on economic crime | LSB website here |
| 8.3 | LSB's Axiom Ince report | LSB website here |
| 9.2 | OLC consultation on business plan and budget | LeO website here |