CLSB

PRACTISING FEE APPLICATION FOR APPROVAL BY THE LSB UNDER SECTION 51 OF THE LEGAL SERVICES ACT 2007

9 September 2020

I. Summary and overview

- Please briefly summarise the proposal and state whether the proposal is for an increase, decrease or no change to the PCF relative to the previous year.

1. The PCF for Costs Lawyers was static at £250 from 2011 to 2019. In 2020, it was increased to £275. We propose to retain the PCF at £275 for 2021.

- Please state how the current application addresses the matters (if applicable) raised in the LSB's decision letter approving the previous year's PCF application.

2. The LSB's decision letter, dated 23 October 2019, set expectations for this year's application in three areas, which have been addressed as follows:

The CLSB should take steps to update its reserves policy to reflect the fact it has altered its approach to building its reserves (Paragraph 25)

An updated Reserves Policy was approved by the CLSB board in January 2020. The new policy removes references to the amount of the PCF (given that the PCF varies year to year), reflects our current approach to building reserves, and updates the indicative list of events that might necessitate the use of reserve funds. The new Reserves Policy is at Annex 5 to this application.

The CLSB to consider asking additional questions through PCF consultations in the future in the interest of receiving a greater amount of feedback on its fee proposals. (Paragraph 28)

We asked a series of targeted questions as part of this year's consultation process. These can be seen on pages 6 to 7 of the consultation document, which is at Annex 4 to this application.

We chose to frame these as "other questions you might like to consider", in addition to the primary question about the level of the PCF. This approach was aimed at ensuring that respondents who did not wish to address all of the consultation questions were not deterred from offering their views generally. Equally, we wanted to make clear that we welcomed views on any issues arising from the consultation, even if those were not covered by a specific question.

A summary of the consultation process is provided in section III below.

The CLSB to provide either full impact assessments or an explanation of why such assessments were not considered appropriate (Paragraph 41)

This explanation is provided in section VI.C below.

- If any pre-application discussion was held with the LSB prior to the submission of this application, please set out what (if any) issues were identified by the LSB and how this application addresses them.

3. Before publishing our PCF consultation, we conferred with the LSB in detail around our revised approach to setting our budget and priorities for 2021. This included demonstrating to the LSB how the proposed PCF for 2021 had been determined and seeking early views on the process and the resulting fee level. The LSB's feedback from those conversations informed development of the consultation document as well as this application.

4. A draft of this application was shared with the LSB for preliminary feedback prior to formal submission. Comments on the formatting of the application and on inclusion of the confidential annex have been actioned in this version.

5. In preparing this application, we have also taken into account the LSB's "Feedback to approved regulators and regulatory bodies on the PCF applications in 2019" document, issued in June, and have sought to learn from the experience of other applicants.

II. Developing the overall budget and application

A. The budget statements and figures and a description of how the overall budget was developed and settled, in particular

6. Our budget for 2021 is provided at Annex 3. We also shared a full breakdown of our costed 2021 budget with the LSB prior to making this application (Annex 6).

- a breakdown and clear description of the budget setting process and how the budget was arrived at, including consultation with the regulatory and representative arms

7. Historically, the CLSB has set its budgets based on previous years' expenditure as a predictor of outgoings. This year, we have taken a more forward-looking approach, starting with a comprehensive examination of our expenditure.

8. In H1 2020, we carried out an expenditure review. We considered how expenditure on each budget line item had changed from last year and how we expected it to evolve over the coming years – with many items falling away and new ones emerging due to the organisational improvements we are making. We also reconfigured the budget to more accurately reflect our current systems and processes. The full process for developing the 2021 budget can be summarised as follows:

- We started by ascertaining our fixed/committed expenditure and our variable core expenditure. Some assumptions have been made (for example, whether meetings will continue to be held via videocall, inflationary impact on suppliers' prices and wages, where our new Chair will be based etc). These assumptions have been made intelligently, looking forward to next year rather than back at what we spent last year. We also challenged each of these costs to test whether they could be reduced or eliminated, or whether we could improve performance or efficiency by increasing them.

- We then costed: (i) the portion of our ongoing IT development projects that will be delivered in 2021; and (ii) the priorities in our 2021 business plan (see Annex 1). The budget costings are based on discussions with our consultants or suppliers around the scope of each initiative and the expected time commitment and fees.

- We estimated the number of Costs Lawyers at 665, down from 682 this year. This is a conservative estimate, informed primarily by: (i) the anticipated number of new qualifiers; (ii) typical net annual attrition; and (iii) data from our recent coronavirus impact survey in relation to the proportion of Costs Lawyers who are concerned about being able to carry on as a regulated practitioner.

- We secured agility of permanent staff resource by making a "flexible staff provision", which will allow us to take stock of our staffing early next year after the practising certificate renewal process is complete and we have more certainty around regulated numbers. We felt this provision was uniquely necessary this year, when we had to set a budget 6 to 18 months in advance against the backdrop of a global health crisis and general economic uncertainty.

- We retained a contingency of £5,000 to reflect the elements of expenditure that are not entirely predictable from year to year; particularly in relation to our enforcement functions. Disciplinary investigations and hearings can be resource intensive, but given the size of our regulated community and the small number of investigations that we carry out, resource must be sourced on an "as needed" basis. The risk of above-average spend in areas such as enforcement is mitigated by the contingency line item.

- With a transfer to reserves of £10,000 (as planned and in line with our Reserves Policy), we arrived at budgeted expenditure of £182,352. A PCF at £275 provides income of £182,875 on our projected numbers. On this basis, we proposed to hold the PCF at £275 for 2021.

9. We believe our 2021 budget (and thus the proposed PCF) gives us the resource we need, on a costed basis, to deliver our priorities and continue to make substantial improvements to our organisation's performance. At the same time, a static PCF will provide consistency for the profession in uncertain times, ensuring that the financial burden of regulation does not increase in a year when job security and income stability have been undermined by COVID-19 in unprecedented ways.

10. In relation to consultation with the profession's representative arm, the CLSB's income and expenditure are entirely discrete from the income and expenditure of the Association of Costs Lawyers (ACL), and thus our budget is established independently of ACL. ACL, both as an association and via its individual members, is invited to provide feedback on the budget via the PCF consultation. This is in line with the MOU and OP between the organisations, in compliance with the Internal Governance Rules 2019.

11. In terms of our governance process for approving the budget, the budget is prepared by the CLSB executive and then scrutinised and approved by the CLSB's board each July. The budget for 2021 was considered by the board at its meeting on 21 July 2020, draft minutes of which are available on our website.

- evidence that the immediate and medium term needs have been taken into account, ensuring it has been developed in accordance with business/strategic plans

12. 2021 represents the second year of the CLSB's mid-term strategy. Our annual priorities for delivery of that strategy are set out in the 2021 business plan (Annex 1).

13. As explained above, the 2021 budget has been developed with both our core operational costs and the additional costs of delivering our business plan in mind. Each business plan priority has been costed and either specifically provisioned by its own line item or accommodated within existing line items (for example, where a project will be delivered in whole or part by salaried staff). These provisions can be seen in the detailed budget breakdown that we shared with the LSB in June (Annex 6).

14. As explained above, we believe our business plan (and associated budget) will allow us to continue making significant improvements to our ways of working as well as our regulatory performance in 2021, however we understand that the LSB has ongoing concerns about the CLSB's resourcing in the longer term. In its latest regulatory assessment, the LSB noted that while our proposed 2021 budget does not provide for increased resources, it does increase resourcing and resilience in practice compared to previous years.

15. The LSB also noted the need to better understand the risk profile of our regulated community and to gather and use meaningful diversity data. It raised concerns that our small resource base may be insufficient to allow the work to be carried out appropriately and timeously. We agree that these are priority areas for us; they are both specifically included in our 2021 business plan (priorities 6 and 9). Accordingly, the work needed in these areas has been accounted for in setting the 2021 budget. Indeed, we have already taken the opportunity to begin work on gathering more meaningful diversity data as part of our new practising certificate renewal process for 2021 and we are working closely with the LSB to ensure that our approach is aligned with expectations.

16. In the context of our application for approval of the 2020 PCF, we made commitments to engage with the LSB as part of our budget setting process and to take account of feedback from regulatory performance assessments in determining future funding requirements. We have met those commitments during 2020. In 2021, we will also meet the actions set for us in the latest regulatory assessment under standard WL2, namely:
    - keeping the LSB informed of significant developments in relation to our resourcing going forward (particularly any increased risks to our ability to deliver improvements);
    - if resources or capacity impact on our longer-term performance outlook, providing the LSB with evidence of CLSB board discussion and agreed plans and mitigation;

- providing ongoing updates as to progress against our business plan priorities relating to modernisation and structure.

17. We hope that our commitment to these actions reassures the LSB that, in the unlikely and unanticipated event that our resources are not sufficient to deliver on our change programme in 2021, any resulting risk to the regulated community or consumers will be mitigated early and in consultation with the LSB. We welcome the ongoing dialogue that we have had – and will continue to have – with the LSB in relation to longer-term resourcing and structure.

A description of contingency/reserves arrangements. This must include:

- assurance that reserves are set at an adequate level for the upcoming budget

18. The proposed £10,000 contribution to reserves is in line with our policy of bringing our reserves up to the level of one year's operating costs, through making a material but not disproportionately burdensome contribution each year. Specifically, our Reserves Policy (Annex 5) provides as follows:

> ***Operating reserves target:*** *The CLSB's reserves target is one year's operating expenditure, which equates roughly to one year's gross income from annual practising certificate fees.*
>
> ***How the CLSB will achieve its reserves target:*** *The CLSB will make provision in its annual budget for a contribution to reserves each practising year until the target is met. In addition, the CLSB will continue to build its financial reserves from any underspend on its annual budget.*

This was explained to our regulated community on page 5 of the PCF consultation (Annex 4) as follows:

> *We hold financial reserves to provide a buffer against unexpected events; the coronavirus crisis is a salutary reminder of the importance of having adequate reserves. 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 one year's operating expenditure, which equates roughly to one year's gross income from annual practising fees. By the end of 2019, our reserves were around 60% of this target. We will continue to gradually increase our reserves until we meet the target level.*

19. As you can see from our 2019 audited accounts, in November 2019 we used some of our reserves to fund an organisational restructure, in line with our Reserves Policy. The restructure was an essential part of the CLSB's transformation into a more efficient, modern and resilient regulator. As anticipated, the restructure has also allowed us to make significant cost savings and we are on track to recoup the entire cost of the restructure through savings by the end of 2021. We will replenish our reserves over time by an annual budget contribution in line with our Reserves Policy.

- assurance that the impact of high level reserves (if appropriate) have been considered when setting the fee levels.

20. As at the end of Q2 2020, our reserves were £110,363.

21. Given the need to ensure we can deliver our full regulatory remit in the face of unforeseen challenges, we consider our targeted level of reserves to be necessary and appropriate, and we do not consider the CLSB to have high level reserves. We appreciate that a full year's operating costs might represent high level reserves for a larger regulator, but our reserves are modest in absolute terms and a minimum level of reserve funding is needed to provide a buffer against unexpected events, many of which create the same liability for a small regulator as they do for a large one (such as litigation). This issue was revisited by the CLSB board earlier this year when adopting the updated Reserves Policy and the board reaffirmed the appropriateness of the approach.

B. A breakdown of the budget for PCF

Total PCF income collected in the current and budget year and a breakdown of how it was allocated or spent:

- by department or expenditure category
- an explanation of any variation in total PCF spending between the current and budget year
- a comparison of PCF for approval in the budget year, with level of PCF in the current year and explanation of why the fee level has changed (if applicable)

22. The final bullet point above is not applicable, given that we do not propose to change the fee level. The remainder of this section addresses the first two bullet points.

23. Total PCF income for the current year (2020) will not be known until year-end, due to reinstatement and new qualifier applications during the year. Budgeted income for 2020 is £181,500 (see Annex 2). Income from the 2020 PCF as at the end of Q2 was £190,934.[1] We are expecting a small number of new qualifiers in September as well as further reinstatements in line with usual trends, projecting our total income from the 2020 PCF at between £191,000 and £196,000 by the end of the year.

24. Anticipated spend for 2020 – as shown in the budget submitted with our 2020 PCF application – was £181,500. Year-to-date expenditure at the end of Q2, broken down by expenditure category, is set out in the table below. Our projections to year-end predict a small underspend against total budget. If this eventuates, the surplus can be added to reserves in line with our Reserves Policy.

[1] Please note that this does not equate to our year-to-date income. The 2020 PCF is collected partly in December 2019 and our financial year ends on 31 December. This figure is therefore calculated separately from our accounting income for reporting purposes.

Expenditure item	**Budget (£)**	**Actual at end Q2 (£)**
Staff costs (including directors)	104,500	34,670
Travel and subsistence	5,000	1,619
Rent	2,500	943
Phone	600	877
Admin	4,900	2,753
Equipment	500	619
Services	23,000	8,082
LSB Levy	14,000	14,538
LeO Levy	5,000	5,000
Legal Choices website	5,000	5,000
Miscellaneous	2,000	100
Development Projects		8,398
Contingency	5,000	0
Total expenditure	**171,500**	**82,599**
Transfer to reserves	10,000	0
Total debits	**181,500**	**82,599**

25. Anticipated PCF income for the budget year (2021) is £182,875 based on 665 regulated Costs Lawyers. As explained above, we consider that to be a conservative estimate based on various factors that are relevant in the current climate. Anticipated expenditure by category is set out in the 2021 budget. The budget at Annex 3 was shared with our regulated community as part of the PCF consultation and is published on our website.

26. Total anticipated expenditure is broadly the same in the current and budget years, at £181,500 and £182,352 respectively. Differences in the composition of that expenditure can be seen from the budgets. These differences are attributable to our ongoing programme of improvement, including our restructure at the end of 2019 (which took place after the 2020 budget was settled). We have not sought to directly compare each category of expenditure across the two years in this application; our ways of working, structure, systems and processes, priorities and development projects have fundamentally changed since the current year budget was drafted in May 2019, as has our approach to budgeting and business planning. Any attempt at a line by line comparison would be artificial and is likely to be of limited use in considering our proposed PCF for 2021.

27. For completeness, we note that our income is generated almost exclusively from the PCF and thus all budget items are met with PCF funds. We generate a de minimis amount of income from accrediting Costs Lawyers to provide CPD activities. Given the small size and unpredictable nature of that income, it is not allocated to any particular item of expenditure and we do not include it in budgeted income.

In addition, if the proposal is to **increase the PCF relative to the current year,**

- include a forecast budget for the current application and for the next three years (where available)

- an estimate of the PCF for the next three years (where available)
- anticipated income from all sources (including non-PCF income) and its allocation to permitted purposes for the current application and where available, for the next three years (see section IV, below)
- explain the reserves policy and rationale/requirement for any high level reserves

28. Not applicable.

C. Regulatory activities

- Assurance that the regulatory arm has been given sufficient resources to carry out their functions in compliance with section 30 of the Act and the supporting Internal Governance Rules.

29. The CLSB is a separate legal entity to the representative body and has autonomy over its finances, including the PCF and its annual budget. For the reasons set out in this application, the CLSB board considers that it will have sufficient resources to carry out its regulatory functions in 2021 and continue to make significant improvements in line with its ongoing programme of change.

III. Consultation on PCF

A. Description of the consultation process conducted with fee paying members

- including length of time the published consultation was open

30. The consultation was issued on 22 July 2020 and closed on 6 September 2020 (open for just over six weeks).

- summary of consultation responses

31. The consultation was posted on the CLSB's website and was proactively promoted to the regulated community via email, with reminders via a web news item and newsletter article. 17 responses were received, which was less than in 2019 (when 30 responses were received), however the proposal in 2019 was to increase the fee which might have attracted more participation.

32. The consultation asked five questions, posed in the following way:

Main question

Question 1: Do you agree with the proposed practising fee of £275 for 2021? 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 2021? If not, what aspects would you suggest we change and why?

Question 3: 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 race) or due to your individual practising arrangements? If so, please tell us why and how we could meet your needs.

Question 4: What do you perceive to be the main benefits of regulation? Do you think we place sufficient focus on those benefits?

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

33. All respondents answered question 1. 15 respondents supported the proposed PCF, with one expressing the view that the fee was good value for money and could in fact be higher. Two respondents did not support the proposed fee. Both of those respondents felt that the fee should be reduced in light of COVID-19, with one suggesting a more appropriate level as being £200.

34. Two respondents answered question 2, both of whom agreed with the proposed business plan and budget. One noted that the budget seemed fair and clear, and helped practitioners understand the suggested fee.

35. Each of questions 3 to 5 were answered by one respondent:
    - One person answered question 3 to state that they were not adversely affected by the level of the practising fee due to a protected characteristic or practising arrangement.
    - One person answered question 4 to emphasise that one of the main benefits of regulation was recognition by the courts and other practitioners of a Costs Lawyer's regulated status, but that this benefit was often not borne out in practice.
    - One person answered question 5 to confirm that there was nothing further they needed to know about the practising fee in next year's consultation.

- changes to the PCF proposals as a consequence of consultation responses

36. We considered the consultation responses and remain of the view that a PCF of £275 is appropriate.

37. 88% of respondents supported a fee at this level. Those who did not support the fee felt that it should be lower due to coronavirus, although did not provide details of how the proposed fee level would adversely impact upon them or other Costs Lawyers. We took this feedback into account in considering the impact of the fee on different types of practitioners, as described in section VI.C below.

38. In relation to the responses to questions 2 to 5, to the extent they are relevant to the level of the PCF they are supportive of our proposals. The issue raised by one respondent regarding recognition by the courts is known to us and is something we are looking to address through our project work in conjunction with ACL.

- details of consultation with non-commercial bodies (e.g. Law centres federation, Citizens Advice etc.) or an explanation of why their views had not been sought.

39. While our consultation was open to the public at large, we did not proactively consult with public interest bodies since the activities of such organisations do not generally intersect with the Costs Lawyer market.

40. Based on the data we hold from the annual regulatory return, we do not believe any regulated Costs Lawyers are employed by non-commercial bodies of the kind described above and we have no reason to consider that the proposed fee would impact upon consumers who access the services of those bodies.

IV. Permitted Purposes

This section requires information for both the current and budget year

A. Description of total income (PCF and non-PCF) allocated to permitted purpose including

- Non-PCF income allocated or spent on permitted purposes, broken down by department/expenditure category
- Commercial income arising from PCF funded permitted purposes (and explanation if this income is to be used for non-permitted purposes)

41. The CLSB's budgeted income is generated exclusively from the PCF (as explained above) and is used solely to fund permitted purposes. As such, we have no non-PCF income to allocate to permitted purposes nor commercial income arising from permitted purposes. This will remain the case in 2021.

B. Description of total PCF income allocated solely to one or more permitted purposes including a breakdown of

- PCF income allocation to each regulatory permitted purpose

42. Using the numbering in section 51 of the LSA, we allocate income as follows:

Permitted purpose	Current year	Budget year
(a) – Regulation, accreditation, training etc	£147,500 (or £162,500 including reserve contribution and contingency)	£147,450 (or £162,450 including reserve contribution and contingency)
(b) – Levies	£19,538	£19,875
(c) to (f)	None specifically attributable	None specifically attributable

- PCF income allocation to each non-regulatory (representative) permitted purpose

43. None – PCF income is used exclusively for regulatory permitted purposes.

- PCF income allocated to shared/ central services between the regulatory and representative arm (broken down by department/ expenditure category).

44. None – there are no shared or central services between the CLSB and ACL.

C. A description of permitted purposes activities which were/will be undertaken and if possible, an estimate of the proportion of permitted purpose activities undertaken relative to non-permitted purposes activities.

45. 100% of the CLSB's current activities are regulatory permitted purpose activities that fall within purpose (a) under the Act (other than payment of the LSB and OLC levies). The 2020 and 2021 budgets show how expenditure is allocated across the various budget categories.

46. Below is a high-level breakdown of our permitted purposes activities (other than levy payments) and the estimated proportion of our expenditure allocated to each activity (that expenditure being as set out under the first bullet point at B above). While this analysis aims to capture all resources expended on each activity across the budget line items (i.e. internal man-hours, outsourced man-hours, variable costs and a proportion of overheads), we would emphasise that this is an estimate only and it will inevitably fluctuate year on year as we respond to external demands on our resources.

Activity under permitted purpose (a)	Estimated proportion of PCF income in 2020	Estimated proportion of PCF income in 2021
Regulatory policy (e.g. developing standards, guidance, evidence gathering, risk analysis)	45%	50%
Sector engagement (e.g. ACL, enquiries, advice, comms, press)	15%	17%
Supervision	5%	10%
Disciplinary	15%	7%
Education and training	10%	6%
Governance	10%	10%

47. Differences between 2020 and 2021 are attributable to factors such as: (i) specific development projects in each year's business plan; (ii) resources expended on working with ACLT to reopen and then audit the Costs Lawyer Qualification in 2020; (iii) reviewing particular regulatory arrangements in a given year; (iv) efficiency

benefits expected to be gained from process reforms; (v) the emerging need to communicate in new areas, such as COVID and changes to regulatory arrangements.

V. Transparency of PCF information to fee-paying members

A description or copy of the information that will be provided to fee paying members, which is clear and accessible and includes

- The level of the PCF
- How the PCF has been set
- A breakdown of how the PCF income will be allocated to non-regulatory/regulatory and shared services
- An explanation of why commercial income arising from PCF funded permitted purposes is to be used for non-permitted purposes.
- An accurate presentation and representation of the LSB and Office for Legal Complaints (OLC) levies so the regulated community is clear about the proportion of PCF attributable to the levies

48. The third and fourth bullet points above are not applicable to us, for the reasons explained in section IV.

49. In relation to the first bullet point, a fee note is provided to practitioners as part of their practising certificate application form. This clearly shows the level of the PCF and explains when and how payment may be made. The level of the PCF is also communicated to Costs Lawyers prior to the application window opening, by way of a news item and newsletter post following approval of the fee by the LSB, and by email when application forms are distributed. Since the PCF is the same for all Costs Lawyers, this information can be communicated clearly without difficulty.

50. In relation to the second and fifth bullet points, this information is made available as part of the online PC application process. The information mirrors that provided in the consultation document (under the heading "How we set the practising fee" on page 2, which includes a section on levies). For the exact text used, see the FAQs on the Practising Certificates page of our website, particularly the questions "How is the cost of a practising certificate set each year?" and "What proportion of the practising fee goes to other organisations as levies?".

VI. Regulatory and Equality Impact assessment

A. A description of how the proposed PCF may potentially impact on various groups, in particular those with protected characteristics, within the approved regulator's membership (whether the proposal is for the PCF to be static, increased or decreased).

51. Details of our assessment of the potential impact of the PCF on various groups are provided in section VI.C below.

B. A description of how the PCF has been developed in light of the Regulatory objectives set out in the Act and Better Regulation principles.

52. The PCF will support the CLSB's work in promoting the regulatory objectives, within the better regulation framework, by allowing us to implement the second year of our mid-term strategy through delivery of our annual business plan (the priorities in which are directly linked to our strategic goals). For example, it will give us the necessary resources to achieve the strategic goals below (taken from our strategy) in furtherance of the stated regulatory objectives and better regulation principles:

Strategic goal	Most relevant regulatory objective(s)	Most relevant principle(s)
We will have collaborative working relationships with key stakeholders ... Through these relationships, we will identify best practice, harness evidence and data, and draw from the learnings of others, to deliver a rigorous approach at proportionate cost.	(a) – protecting and promoting the public interest	Consistency, Proportionality
We will consider and act upon evidence in a consistent, structured and documented way, furthering our ability to implement highly tailored regulatory arrangements.	(h) – promoting and maintaining adherence to the professional principles	Consistency, Transparency
We will have an advanced understanding of the consumer dimension of the market we regulate, and we will regularly revisit and update our perception of the risks posed by the profession to the public.	(c) – improving access to justice (d) – protecting and promoting the interests of consumers	Targeting
We will have a deep comprehension of the risk framework within which we operate, and our stakeholders will be confident that we are delivering robust risk-based regulation that is bespoke to Costs Lawyers.	(a) – protecting and promoting the public interest	Proportionality, Targeting

Costs Lawyers will view the CLSB as facilitating a trusted and evolving profession, responding proactively to new challenges and needs.	(e) – promoting competition (f) – encouraging an independent, strong, diverse and effective legal profession	Proportionality, Accountability

53. Making provision in the 2021 budget for contingency and reserves is key to ensuring that we can continue to perform the duties of an approved regulator – in line with the Act and the better regulation framework – in times of uncertainty.

C. A Regulatory and/or Equality Impact assessment (optional)

54. We do not consider a formal impact assessment to be necessary or proportionate for the following reasons:

- We sought evidence of any differential impact through our consultation process. No evidence was provided to suggest that an adverse differential impact was possible or likely.
- From our monitoring of the impact of last year's fee increase, there is no evidence that the current fee level (which will be retained in 2021) is causing a differential impact.
- We considered the potential for a differential impact to be caused by factors relating to COVID-19. While there is some evidence that a differential impact could potentially occur based on a Costs Lawyer's practising arrangements or specialism, we do not believe this justifies the imposition of different or lesser fees at this time.
- There is no proposed change to the fee for 2021 and, in any event, it does not meet the better regulation thresholds above which a full impact assessment should be undertaken.

Further information in relation to these reasons is set out below.

<u>Consultation outcome</u>

55. For the first time this year, we specifically asked consultation respondents whether they would be adversely impacted by the level of the practising fee due to a protected characteristic under the Equality Act 2010 or due to their individual practising arrangements. For any positive responses, we asked the individual to tell us why and how we could meet their needs – see question 3 on page 7 of the consultation document (Annex 4).

56. As can be seen from section III above, the consultation responses did not suggest that any group(s) of practitioners would be unfairly or disproportionately burdened by the proposed PCF level. Similarly, no Costs

Lawyers cited an objection to (or support for) the PCF on the basis that it would impact a person or group with protected characteristics.

Impact of last year's fee increase

57. In our 2019 application for approval of our 2020 PCF, we noted that no consultation respondents had objected to the proposed fee increase for that year on the basis that it would adversely impact practitioners with protected characteristics (or, indeed, on the basis that it would have any kind of differential impact). However, we stated that we would monitor the impact of the fee increase by analysing the reasons given by Costs Lawyers who chose not to renew their PC for 2020.

58. Amongst the reasons given were maternity leave, retirement and unemployment; no Costs Lawyer who was removed from the register in 2020 cited cost (including differential impact) as a reason. While not in itself conclusive, this exercise revealed no evidence of any particular adverse impact of the current £275 fee on a particular group.

Consideration of differential impact caused by COVID-19

59. The coronavirus pandemic has undoubtedly had a widespread impact on economic conditions (both generally and in relation to professional practice), although the ultimate impact on Costs Lawyers' ability to pay their practising fee is unknown at this stage. We have considered the prospect that the prevailing economic climate could result in the 2021 PCF having a differential impact for certain groups. We found no evidence to suggest that this would be linked to a protected characteristic under the Equality Act 2010, but evidence from our coronavirus impact survey suggests that coronavirus might impact certain types of Costs Lawyers more than others in terms of employment viability.

60. For example, in relation to practising arrangements, at the time of the survey 10% of Costs Lawyers working in costs law firms were very concerned about their firm ceasing to trade, while this number was only 4% for sole practitioners and those working in solicitors' firms. Similarly, in terms of work areas, 4% of legal aid Costs Lawyers were quite concerned or very concerned about being unable to carry on practising as a Costs Lawyer, compared to 10% of those specialising in PI/CN costs and 24% of those specialising in commercial litigation costs.

61. In this context, we considered whether it was appropriate to either lower the practising fee for everyone or stipulate a different PCF for different groups. Our budget setting process suggested that a PCF of £275 was needed to achieve our strategic priorities, and the vast majority of consultees supported the proposed fee, so reducing the PCF across the board was not deemed appropriate. In relation to setting a different PCF for different groups, we considered the following factors:

- 2The results of the impact survey date from May 2020; the state of the market is in flux and is likely to remain that way into 2021 (particularly for costs work, on which there is an impact lag). The long-term impact of coronavirus on different types of Costs Lawyers will not be known for some time.

- We anticipated that, if there was any need to set a different PCF for certain groups of practitioners, this would be raised by respondents to the PCF consultation – particularly in response to question 3, as explained above. No concerns were raised in this regard.

- There will be cross-impact as between practising arrangement (i.e. sole practice, costs firm, in-house, etc) and practice specialism (i.e. legal aid, commercial, PI/CN, etc). Finding a universal method for assessing the likely financial impact of COVID on any individual Costs Lawyer is impracticable. We are conscious that, in attempting to address perceived differential impact for one group by assigning it a lower PCF, there would be a real risk of creating an unfairly detrimental impact for other groups, whose PCF would increase. This risk is amplified if clear groupings with common impact profiles cannot be identified.

62. Against this background, we do not feel there is sufficient evidence of any differential impact resulting from coronavirus to influence the level of our PCF (universally or for any particular group) at this stage. We will be running our impact survey again toward the end of the year and will keep this under review for 2022.

VII. Other supporting information

Annex 1: 2021 business plan

Annex 2: 2020 budget

Annex 3: 2021 budget

Annex 4: 2021 PCF consultation

Annex 5: Reserves Policy

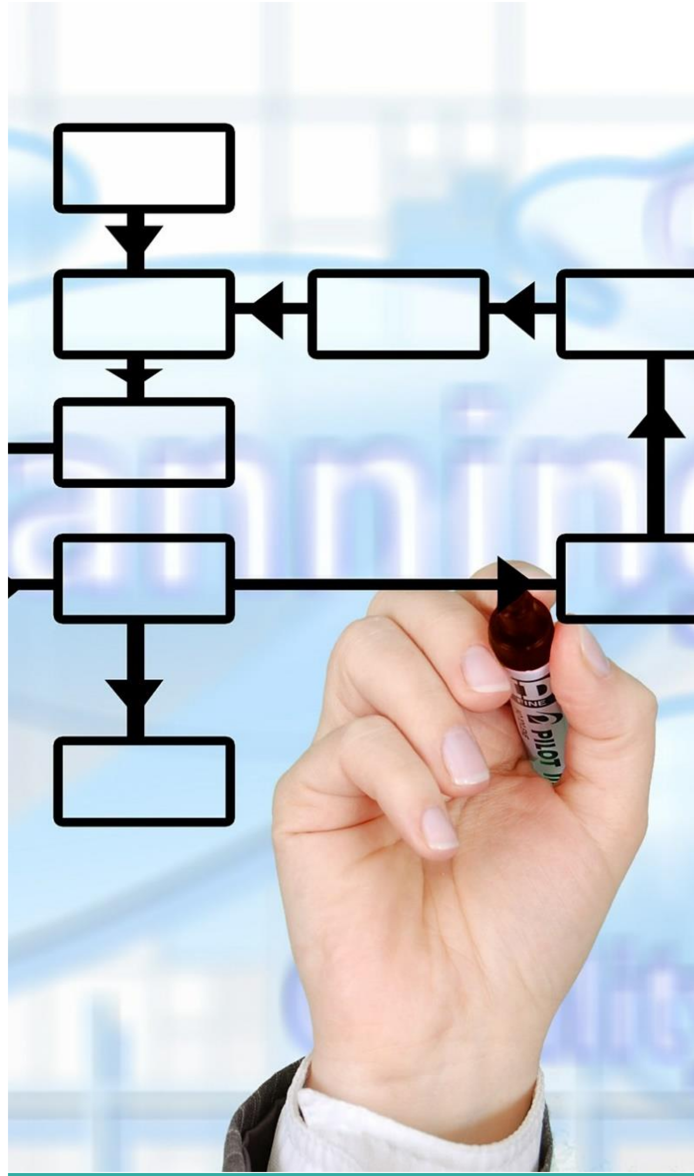
Confidential Annex 6: 2021 budget breakdown (this Annex is provided in confidence because it contains commercially sensitive information and personal data as defined in the Data Protection Act 2018)

VIII. Contact details

Kate Wellington, CEO, ceokw@clsb.info

Annex 1

Business Plan 2021



September 2020

Costs Lawyer Standards Board

CLSB

Foreword

Steve Winfield, Chair

Around the world, 2020 was marked by one theme: a coronavirus pandemic that has changed the way we work and live, perhaps forever. As a virtual organisation, the CLSB was well-placed to respond quickly to the crisis, adopting new technologies and ensuring business continuity. We implemented support measures to help practitioners continue to meet their professional obligations during turbulent times, and have taken the profession's temperature through impact surveys aimed at assessing the immediate and longer-term effects of the crisis on practice viability, working arrangements, regulatory barriers and risk.

Responding to the crisis inevitably required flexibility and diversion of our limited resources, but we did not let this eclipse our core regulatory work or progress against our strategic aims. Despite the pandemic, we achieved significant organisational improvements against a variety of measures, as planned. From a governance perspective, we have continued to enhance our oversight processes, through better use of KPIs and strategic reporting, and have further improved transparency by publishing more board documents at an earlier stage.

We were also joined in 2020 by two new Non-Executive Directors – Andrew Harvey and Andrew McAulay – who bring a wealth of valuable insights and experience to our board. My thanks go to our outgoing directors, Gill Milburn and Tracyanne Ayliffe, for their dedication, contribution and support over many years.

In January 2021, the CLSB will also welcome a new Chair, at the conclusion of my seven-year term. While the events of 2020 remind us that our lives, our businesses and our economic systems can change overnight in unexpected ways, I will leave the CLSB secure in the knowledge that it has the right processes and personnel in place to weather such storms. I feel privileged to have been part of the organisation's journey and I am confident that I leave a legacy that sees a bright future ahead.

Introduction

Kate Wellington, CEO

When the calendar turns to 2021, I will have been at the CLSB for a little over 18 months. The organisational change we have achieved in that period has been genuinely transformational. I am enormously proud of the efforts of my colleagues, our board and our external stakeholders in providing the support, open-mindedness and hard graft required to make such meaningful progress.

As anticipated, 2020 was a year of rapid evolution for the CLSB. We overhauled our IT functions, resulting in a new website, new communications systems and better document storage solutions. We built a bespoke database to power the Register of Costs Lawyers, improving data security and regulatory supervision. And we implemented an online process for practising certificate renewals, saving considerable time and cost while also reducing risk. As a result we have become a truly digital organisation, allowing us to respond nimbly and efficiently to an ever-changing marketplace.

We also focused on enhancing our regulatory performance in 2020. We delivered a comprehensive regulatory action plan, aimed at securing immediate and much needed improvements to our regulatory approach. We adopted a new Consumer Engagement Strategy for 2020 to 2023. We modernised our CPD Rules, Practising Rules and Disciplinary Rules and Procedures, as well as introducing new guidance to help Costs Lawyers and consumers navigate the regulatory environment. And we collaborated with other organisations to seek out best practice. Through these initiatives, we have organically developed a more holistic, risk-based, creative and proactive approach to regulating the Costs Lawyer community, for everyone's benefit.

While 2021 will inevitably involve some consolidation and reflection, we have no intention of taking our proverbial foot off the pedal. Our key annual priorities are set out in this Business Plan. As in 2020, we will prioritise initiatives that help us achieve the vision and objectives in our mid-term strategy. We have created a strong foundation for another successful year. I look forward to leading the CLSB into 2021.

Strategic objectives

Pursuing our strategy

Below are the CLSB's strategic objectives for 2020 to 2023, as set out in our mid-term strategy. Each objective is assigned a letter, A through E. These letters are used in the remainder of this Business Plan to demonstrate how our annual priorities for 2021 are linked to achievement of our wider strategic goals.

A. *We will have collaborative working relationships with key stakeholders in the costs law market and across the wider legal services landscape, including the Association of Costs Lawyers, the Legal Services Board and other Approved Regulators. Through these relationships, we will identify best practice, harness evidence and data, and draw from the learnings of others, to deliver a rigorous approach at proportionate cost.*

B. *We will consider and act upon evidence in a consistent, structured and documented way, furthering our ability to implement highly tailored regulatory arrangements.*

C. *We will have an advanced understanding of the consumer dimension of the market we regulate, and we will regularly revisit and update our perception of the risks posed by the profession to the public.*

D. *We will have a deep comprehension of the risk framework within which we operate, and our stakeholders will be confident that we are delivering robust risk-based regulation that is bespoke to Costs Lawyers.*

E. *Costs Lawyers will view the CLSB as facilitating a trusted and evolving profession, responding proactively to new challenges and needs.*

Annual priorities

Improving our regulatory arrangements

	Initiative	Link to strategy
1.	Work with ACL Training to consider whether improvements are required to the Training Rules, informed by learnings from the first year of the refreshed Costs Lawyer Qualification.	A, B, E
2.	Update the Guidance Notes in the Costs Lawyer Handbook that were not subject to review following the 2019 Handbook Audit.	B
3.	Develop new guidance that draws together themes identified across various aspects of our work, such as: • guidance for unregulated employers of Costs Lawyers; • guidance on closing down a practice.	B, D
4.	Carry out an initial evaluation of our revised approach to Continuing Professional Development (CPD) – informed by feedback and enquiries from the profession and other stakeholders – and produce targeted additional support materials where a need is identified.	B, E
5.	Review the regime for accrediting Costs Lawyers to provide CPD training, to assess whether the accreditation criteria and the approach to implementation remain fit for purpose.	B, E
6.	Consider our diversity and inclusion initiatives against the Legal Services Board's characteristics of a well-performing regulator to identify and address any gaps in our approach.	B, E

Protecting the interests of consumers and promoting professional standards

	Initiative	Link to strategy
7.	Deliver the first year of priority activities in our Consumer Engagement Strategy.	C

8.	Develop our approach to supervision by: • planning and documenting an updated CPD audit programme under the new CPD Rules; • implementing a structured audit of complaint procedures; • formalising our "point of complaint" targeted supervision activities, drawing evidence from our new database; • updating our Supervision Policy to capture the above.	B, D, E
9.	Take an in-depth look at three key areas in which we have identified risks of poor consumer outcomes, namely: • under-insurance; • handling of client money; and • communication of complaint procedures, in order to: • improve our understanding of the risk profile across the profession in each area, making use of our new audit and data capture processes; • ensure we accurately record these risks, for transparency and monitoring purposes; • assess whether our current regulatory arrangements in these areas appropriately mitigate the risks, informed by evidence from consumer complaints; • consider whether there are more proportionate, targeted or innovative ways to address the risks, particularly in the context of market developments and technological change.	C, D
10.	Consider how we can improve consumer information in relation to the regulatory status of the organisations in which Costs Lawyers practise.	C, D
11.	Test the efficacy of the new interim suspension order (ISO) powers in our Disciplinary Rules and Procedures, based on our early experience of disciplinary proceedings in which the imposition of an ISO was considered.	B, D

Modernising our organisation

	Initiative	Link to strategy
12.	Measure the success of the electronic practising certificate renewal process implemented in 2020 against five key metrics (cost; resource implications; user feedback; data security; and data quality) and identify any adjustments needed for the 2021 renewal period.	B, E
13.	Deliver the second phase of our digital workplan, including: • reviewing how we use IT for financial management; • creating e-forms for processes other than annual practising certificate renewals; • building add-on functionality for the Costs Lawyer database, informed by learnings from the 2020 practising certificate renewal process.	Facilitates all
14.	Review our governance arrangements, including our suite of governance documents, to ensure they provide a robust framework for oversight and accountability and continue to meet the standards of the Corporate Governance Code 2018.	Facilitates all
15.	Revisit the effectiveness of our new operating structure to identify whether and where further improvements can be made.	Facilitates all

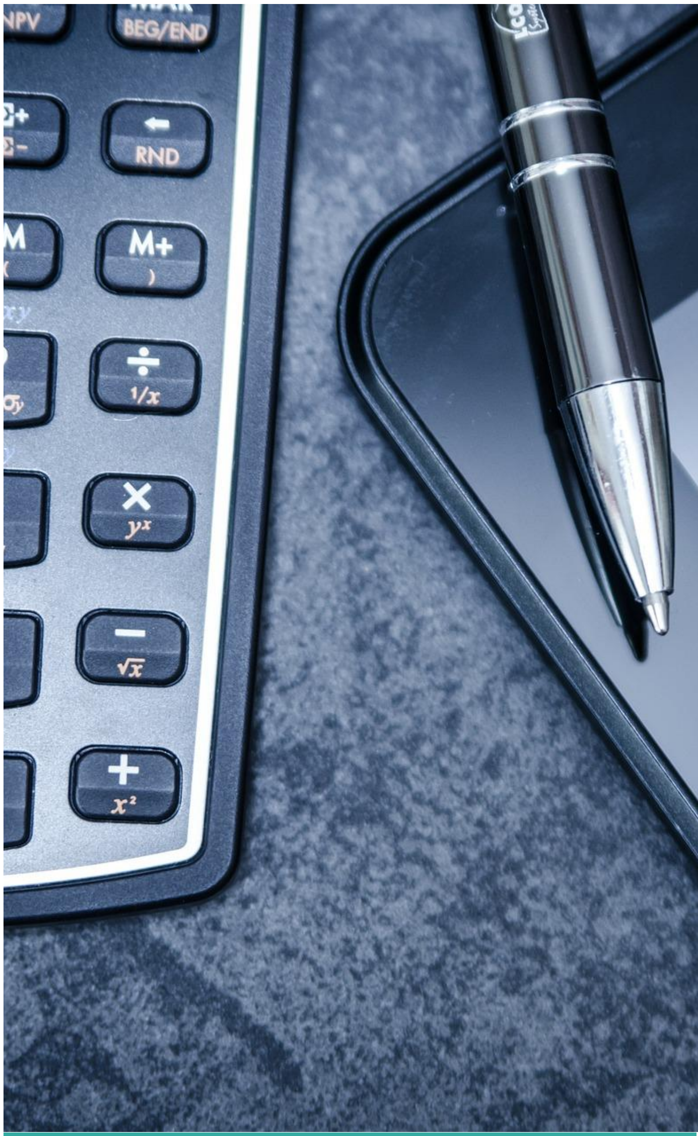
Our budget for 2021, which will allow delivery of this Business Plan, can be found on our website.

Annex 2

CLSB Budget 2020			
Expenditure	**Budget**	**Adjusted**	**Includes**
Salaries	104,000		Salaries of CEO, HoO, Chair, NED's & panel members. Includes tax, NI, employer pension contributions. Also provides for 2020 cost of living rise up to 3.5%
Travel & subsistence	5,000		Travel & subsistence for CEO, HoO, Chair, NED's and panel members.
Rent	2,500		Manchester office rent. Room hire for board meetings, disciplinary hearings, general meeting e.g. ACL, ACLT, LSB, regulators forum (when hosting). Storage facility.
Phone	600		Mobile phone costs/contributions to costs (international blocklifted following MRPQ regs).
Admin	4,900		Postage, printing, stationary, printer cartridges.
Equipment	500		Printers, laptops, desktops, tablet, mobile phone.
Services	23,000		Insurance, accountant, solicitor, barrister, risk specialist, stats analyst, 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, management of NEST pension scheme, recruitment, payroll.
LSB levy	14,000		Annual levy (based on regulated Costs Lawyers at 1 April 2019) payable to the LSB.
Le0 levy	5,000		Annual minimum levy payable to Legal Services Ombudsman.
Legal Choices	5,000		Contribution for 1/11/19 to 31/10/20 to Legal Choices website increased following CMA report from previous contribution of £400.
Misc	2,000		Companies house fees, ICO fee, anti-virus, card cases for new qualifiers, ARDL membership.
Expenditure	**166,500**		
Contingency	5,000		
Contribution to reserves	10,000		
Total debits	**181,500**		
Income	**181,500**		660 x £275 = £181,500

Annex 3

2021 Budget



September 2020

Costs Lawyer Standards Board

CLSB

Budget for the 2021 practising year

Category	Budget provision (£)
Staff costs	92,041
Travel and subsistence	3,590
Rent and room hire	2,100
Telephone	1,673
Printing, postage and stationery	610
Equipment	800
Levies and contributions (LSB, LeO, Legal Choices)	22,775
Licences, subscriptions and fees	1,548
Office services	2,831
Consultancy services	20,400
IT services	2,454
Development projects	16,030
Miscellaneous	500
Contingency	5,000
TOTAL EXPENDITURE	**172,352**
Transfer to reserves	10,000
TOTAL DEBITS	**182,352**
Practising fee	275
Estimated number of Costs Lawyers	665
ESTIMATED INCOME	**182,875**

Annex 4

Consultation
2021 practising fee

22 July 2020

Costs Lawyer Standards Board

Proposed fee

This year, we must determine the practising fee for Costs Lawyers against the backdrop of the coronavirus pandemic. Costs Lawyers, like many other professionals, are embracing new ways of working while also grappling with uncertainty about the future. Our aim during this period is to ensure that our regulatory framework promotes safe innovation, supports business stability and encourages continued high standards of professional service, regardless of the external environment.

At the same time, the CLSB must continue to deliver its ongoing programme of organisational improvement and regulatory reform. This is essential for ensuring that the Costs Lawyer profession has a modern, effective regulator that can meet the needs of practitioners and their clients. It is also essential that we find cost-effective ways to make these improvements, so that regulation remains affordable and proportionate for all Costs Lawyers, regardless of their practising arrangements. This has been at the forefront of our minds in developing our plans for 2021.

In this context, we propose to retain the practising fee at £275 for the 2021 practising year. This consultation paper provides information about why the fee has been set at that level and how the money raised through practising 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 2020**.

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** expected to be practising during the year. This gives us the proposed practising fee. The proposed 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. This year, for the first time, you will be able to renew your practising certificate using an online form that is unique to you. You will receive an email when your form is available.

2021 Business Plan

Our proposed Business Plan for 2021 is available on our website. Building on our work in 2020, we intend to focus on initiatives in three main areas:

- Improving our regulatory arrangements
- Protecting the interests of consumers and promoting professional standards
- Modernising our organisation

Levies and contributions

Our proposed budget for 2021 is also available on our website.

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 2021, the cost per Costs Lawyer of these contributions will be:

- £21.81 for the Legal Services Board (8% of your practising fee)
- £7.33 for the Legal Ombudsman (3% of your practising fee)
- £4.25 for Legal Choices (1.5% 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 6 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 choose to be a member of ACL, a membership fee is payable separately.

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; the coronavirus crisis is a salutary reminder of the importance of having adequate reserves. 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 one year's operating expenditure, which equates roughly to one year's gross income from annual practising fees. By the end of 2019, our reserves were around 60% of this target. We will continue to gradually increase our reserves until we meet the target level.

As you can see from our 2019 audited accounts, we recently used some of our reserves to fund an organisational restructure, in line with our Reserves Policy. The restructure was an essential part of the CLSB's transformation into a more efficient, modern and resilient regulator. As anticipated, the restructure has also allowed us to make significant cost savings, not only in 2020 but into the foreseeable future. We are on track to recoup the entire cost of the restructure through savings by the end of 2021.

Practising certificates

Practising Rules

The 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. The Practising Rules are due to be updated later this year, but the changes will not affect the practising fee.

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 conduct 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 £275 for 2021? 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 2021? If not, what aspects would you suggest we change and why?

Question 3: 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 race) or due to your individual practising arrangements? If so, please tell us why and how we could meet your needs.

Question 4: What do you perceive to be the main benefits of regulation? Do you think we place sufficient focus on those benefits?

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 2020**.

RESERVES POLICY

Costs Lawyer Standards Board

Effective Date: 22 January 2020

Purpose of this policy
This policy sets out the current financial operating reserve policy of the Costs Lawyer Standards Board (CLSB). It was initially agreed by the CLSB on 21 October 2015 and has been reviewed to ensure it is current and fit for purpose on the effective date above.

Financial position of the CLSB
The CLSB's income is generated through annual Costs Lawyer practising certificate fees. The CLSB may look to the Association of Costs Lawyers (ACL) for financial support as the approved regulator named under the Legal Services Act 2007. However, it is desirable for the CLSB to be financially stable in its own right, in order to promote regulatory independence from the profession's representative body and to ensure business continuity regardless of ACL's financial standing.

Operating reserves
Operating reserves are considered by the CLSB to be monies not required to meet "business as usual" annual expenditure. Reserves do not include the paid-up share capital of £15,000 nor other financial liabilities provisioned for in the annual accounts, even though funds to meet such liabilities may be held in the reserves account for administrative purposes.

The need for operating reserves
Operating reserves are deemed necessary to ensure adequate financial resources at all times, providing a cushion against unexpected events. Unexpected events identified by the CLSB which would affect an annual budget resulting in operating reserves being drawn upon include:

1. An unexpected drop in Costs Lawyer practising certificate fee income (for example, because numbers leaving the profession exceed new entrants by a margin that is greater than anticipated).
2. The CLSB ceasing to exist or being unable to act as an approved regulator under the Legal Services Act for any reason (with potential costs including redundancy, contract terminations, LSB and LeO levies which are paid one year in arrears, accounting and Companies House liabilities).
3. Involvement in litigation (for example, a decision of the CLSB being challenged by way of judicial review, an action for damages being brought by or against the CLSB or injunctive relief being sought for a breach of the Legal Services Act).
4. Increased staffing costs in the event of long term absence.

Reserves may also be used to meet one-off items of expenditure, which are foreseen or planned, but which cannot be met solely by an increase in the practising certificate fee for the relevant year. Such items of expenditure might include, for example, the cost of implementing significant new systems or processes, responding to legislative changes or purchasing substantial assets.

Operating reserves target

The CLSB's reserves target is one year's operating expenditure, which equates roughly to one year's gross income from annual practising certificate fees.

How the CLSB will achieve its reserves target

The CLSB will make provision in its annual budget for a contribution to reserves each practising year until the target is met. In addition, the CLSB will continue to build its financial reserves from any underspend on its annual budget.

Mitigation of potential calls on reserves

The CLSB will consider whether any of the risks identified are insurable. However, the CLSB will balance this against annual insurance costs and the potential risk of an insurer refusing to accept a claim thus leaving the CLSB exposed.

Investment of operating reserves

The CLSB will consider appropriate avenues for investing its reserves. Any investment will be very low risk and will ensure funds are kept sufficiently liquid to be called upon if required.

Review of this policy

This policy will be reviewed by the CLSB board on a needs be basis and when the financial reserves target has been achieved.

END