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

7 September 2022

I. Summary and overview

This section asks for background information relating to the proposed PCF.

- Briefly summarise the proposed fee structure and levels and state whether the proposal is for an increase, decrease or no change to the PCF relative to the previous year. Include an explanation of why the fee level has changed (if applicable).

1. The PCF for Costs Lawyers was static at £250 from 2011 to 2019. In 2020, it was increased to £275 and retained at that level in 2021. In 2022, it was increased to £281. We propose to keep the PCF at £281 for 2023.

2. In terms of fee structure and levels, the same PCF is charged to all individual Costs Lawyers. Where a practitioner reinstates their practising certificate part way through a practising year, the PCF is pro-rated depending on the month of reinstatement. The CLSB does not regulate entities and, accordingly, there is no fee structure for firms.

An application by the approved regulator must satisfy the LSB of all the matters in Rule 29 for the LSB to approve the PCF. Rule 30 provides that if the approved regulator fails to satisfy the LSB of any of the matters in Rule 29, the LSB may refuse to approve the entire or part of the practising fee and/or require the approved regulator to resubmit the application addressing the matter(s) set out in Rule 30.

- Explain the arrangements in place for the continued operation of the approved regulator in the event that the practising fee is not approved and as a consequence, collection of practising fees is not authorised within the intended timeframe.

3. In the event that the practising fee was not approved, the CLSB would use its uncommitted reserves to meet ongoing operating costs as well as the additional costs created by the refusal to approve the fee. Use of our uncommitted reserves for this purpose is expressly permitted by our Reserves Policy. More information about our Reserves Policy can be found below in section IV.

- Please state how this application addresses concerns raised by the LSB in the previous year's PCF application, or under the regulatory performance assessment framework (if applicable).

4. In relation to the previous year's PCF application, there was one recommendation made by the LSB, as follows:

   > *CLSB to consider alternative routes to obtaining input from the profession beyond its consultation document to seek to further increase engagement.*

   In Q2 of 2022, we constituted an Advisory Panel which we can call upon to provide feedback on our work, to test proposals and to assist with market insight and horizon scanning. This year, we invited members of the Advisory Panel to further explore the costs and benefits of regulation, supplementing our usual consultation and giving us additional information about what influences the profession's views of our work. More information about this initiative can be found below in section V (consultation and engagement).

5. In relation to how this application addresses concerns raised by the LSB under the regulatory performance assessment framework, the CLSB met all the LSB's outcomes under the most recent performance assessment undertaken in December 2021. In developing our proposed Business Plan for 2023, we have been mindful of the need to ensure alignment with, amongst other things: expectations in the LSB's updated performance framework; the LSB's strategy for the sector; and policy statements published by the LSB in 2022 relating to consumer empowerment and ongoing competence.

- If any potential issues were identified in informal engagement with the LSB prior to the submission of an application, please state these, and how they are addressed, in the application.

6. A draft of this application was shared with the LSB for preliminary feedback prior to formal submission. No specific potential issues were identified.

II. Allocation of practising fee to permitted purposes (rules 8, 14 16)

Section 51(2) of the Act makes clear that an approved regulator may only apply amounts raised by practising fees for one or more of the *permitted purposes.* Further, as a regulatory function the level of the PCF must be set and applied for by the approved regulator in accordance with section 28 of the Act.

- Provide an outline and explanation of the programme of activity[1] to be funded by the PCF during the practising fee year and which permitted purpose(s) each activity within the programme of activity is relevant to.

1 'Programme of Activity' is defined in the Rule 1 (Definitions) as the activities which the approved regulator intends to carry out during the practising fee year and will be funded, in whole or in part,by the practising fee.

- For approved regulators with both representative and regulatory functions, set out the amount of the practising fee which will be allocated to the regulatory body and the amount to be retained. Where there are shared services between the approved regulator and the regulatory body, it should be made clear the costs that are shared services and the basis of the apportionment of cost.

- A template for setting out this information is provided below, which is optional to use.

Description of activity	% of total practising fee (and actual figure) allocated to activity	Permitted purpose	Strategic objective it is relevant to/ or expected benefit	Representative or Regulatory activity

7. The requested information is set out in the table below. In relation to that information, please note:

(a) None of the PCF is allocated to representative functions. The representative body for the Costs Lawyer profession – the Association of Costs Lawyers (ACL) – raises its own funds through a separate membership fee. In this way, all funds raised through the PCF are for the CLSB to allocate exclusively to regulatory functions.

(b) The CLSB does not engage in activities that fall outside the definition of permitted purposes. Thus all PCF income is used in pursuit of permitted purposes.

(c) The CLSB does not share any services with ACL. This is documented in the MOU and Operating Protocol between the two organisations, which was last reviewed in July 2022 and is available on our website.

(d) The letters used to denote the permitted purposes in the table below ((a), (b), (c) and so on) are taken from Rule 8 of the LSB's Practising Fee Rules.

(e) The numbers used to denote the regulatory objectives (RO1, RO2, RO3 and so on) are taken from the LSB's paper on the regulatory objectives, dated June 2017.

(f) The letters used to denote our strategic objectives (A, B, C and so on) refer to the objectives in our mid-term organisational strategy as adopted in our 2023 Business Plan (see page 4 of the 2023 Business Plan at Annex 1).

(g) While the table below aims to capture all resources expended on each activity from across all budget line items (i.e. internal person-hours, outsourced person-hours, variable costs and a proportion of overheads), we emphasise that this is an estimated prediction and it will fluctuate from year to year as we respond to external demands on our resources.

(h) The expenditure figures allocated to each of the activities in the table add up to the total projected expenditure in our 2023 budget, namely £197,671. The associated percentages do not total exactly 100%; this is due to rounding.

(i) There is a budget item of £5,000 for contribution to reserves. This is included in the "finance" activity category, as its purpose is financial resilience.

(j) Where one of our Business Plan priorities could also be included in a more general activity area, such as "regulatory policy", we have reduced the anticipated spend in the general activity area by the amount allocated to the specific Business Plan priority. In this way, expenditure on Business Plan priorities is only counted once. For example, the amount allocated to "education and training" is less in 2023 than in 2022 because launch of a new accreditation process for study providers is captured in Business Plan priority 4.

Description of activity	**% of practising fee and actual figure allocated to activity**		**Permitted purpose**	**Strategic objective / expected benefit**	**Regulatory objectives**
Authorisation – PC renewals, reinstatements, new qualifiers, data capture, fee remissions, enquiries	3.9%	7,650	(a)	Core regulatory activity Strategic objective E	RO6, RO8
Supervision – CPD audit, complaints procedures audit, PII monitoring, point of complaint monitoring, feedback to the profession, awareness raising and support	5.9%	11,650	(a)	Core regulatory activity Strategic objectives B, D	RO1, RO4, RO6, RO8
Disciplinary – complaint handling, audit failures, investigations, disciplinary hearings and appeals, publication	1.8%	3,600	(a)	Core regulatory activity Strategic objective D	RO1, RO4, RO8
Regulatory policy – research and evidence gathering, risk and data analysis, developing standards and guidance, consultation and assessment, policy interventions	17.7%	35,035	(a), (c), (g)	Core regulatory activity Strategic objectives A, B, C, D, E	Promotes all ROs
External engagement – sector or subject specific forums (workshops, meetings, networks, boards etc), social media and group communications, key stakeholder engagement (ACL, BEIS, MoJ, LSCP, LeO, LawCare etc), press, inbound enquiries, website, public information provision	9.8%	19,300	(a), (c), (g)	Core regulatory activity Strategic objectives A, B, E	RO4, RO6, RO7
Education and training – liaison with study providers, course audit and monitoring, governance, policy and strategy development and implementation	2.4%	4,650	(a)	Core regulatory activity Strategic objective E	RO6, RO8
Recognition of foreign qualifications – implementation of BEIS policy, legislative requirements and new trade agreements	1.0%	2,000	(a), (c), (f)	Core regulatory activity Strategic objectives A, E	RO6, RO8
Strategy – business plan and budget development, workstream and resource planning, horizon scanning, prioritisation	1.8%	3,650	(a)	Core oversight activity	Facilitates all ROs

				Facilitates all strategic objectives	
Governance – board meetings and liaison, board papers and reporting, Rem Com, transparency and publication, business continuity, risk mitigation, corporate reporting	10.4%	20,500	(a)	Core oversight activity Strategic objectives D, E	Facilitates all ROs
LSB engagement – PCF application, rule change applications, consultation responses, ongoing relationship management, performance reporting, information requests	3.0%	6,000	(a), (c)	Core oversight activity Strategic objective A	Facilitates all ROs
Payment of levies – LSB and Legal Ombudsman	10.5%	20,736	(b)	Required within the regulatory framework	RO1, RO3, RO4
Contribution to **Legal Choices**	2.9%	5,800	(g)	Strategic objectives A, C, E	RO7
2022 Business Plan priority 1	0.8%	1,500	(a)	Facilitates all strategic objectives	Facilitates all ROs
2022 Business Plan priority 2	1.4%	2,800	(a)	Strategic objectives B, C	RO1, RO3, RO4, RO7
2022 Business Plan priority 3	1.1%	2,250	(a)	Strategic objectives A, B, C	RO1, RO3, RO4, RO5
2022 Business Plan priority 4	4.3%	8,500	(a)	Strategic objectives B, E	RO1, RO4, RO6, RO8
2022 Business Plan priority 5	0.8%	1,500	(a)	Strategic objectives A, B, E	RO3, RO4, RO5, RO6
2022 Business Plan priority 6	1.9%	3,800	(a)	Strategic objectives D, E	RO1, RO4, RO5, RO6
2022 Business Plan priority 7	3.0%	6,000	(a)	Strategic objectives C, D, E	RO4, RO5
2022 Business Plan priority 8	0.9%	1,850	(a)	Strategic objectives C, E	RO4, RO6, RO8
2022 Business Plan priority 9	1.1%	2,200	(a)	Facilitates all strategic objectives	Facilitates all ROs

2022 Business Plan priority 10	3.5%	7,000	(a)	Strategic objectives B, D, E	RO4, RO6, RO8
2022 Business Plan priority 11	1.2%	2,300	(a)	Strategic objectives A, B, E	RO6
2022 Business Plan priority 12	2.5%	4,850	(a)	Strategic objective E	Facilitates all ROs
Data and compliance – database development, document destruction and data hygiene, records of processing, data agreements, compliance with LSB requirements, other operational compliance	0.9%	1,700	(a)	Core operational activity Strategic objective D	Facilitates all ROs
Staff and supplier matters – recruitment, appraisals, contracting and commissioning, onboarding, training and resources	1.0%	1,900	(a)	Core operational activity	Facilitates all ROs
Finance – annual accounts, bookkeeping, invoicing, financial reporting, account management, PCF collection, reserves	4.5%	8,950	(a)	Core operational activity	Facilitates all ROs

- Description of how the activities that the fee will be applied to which are regulatory functions are consistent with the regulatory objectives (as far as reasonably practicable).

8. We understand from paragraph 37 of the Guidance that core regulatory, oversight and operational activities are assumed to be consistent with the regulatory objectives. We will therefore not describe this in detail, however we have noted which regulatory objectives are most relevant to each of these activities in the table above.

9. A summary of how our Business Plan priorities are consistent with the regulatory objectives is set out below. We will report on the actual benefits achieved through this work programme at the end of the year, in the same way as we did for our 2020 and 2021 Business Plan priorities (see for example the "Summary of activity funded by the 2021 practising fee" at Annex 3).

2022 Business Plan priority 1	Facilitates all ROs	Creation of our next mid-term organisational strategy will drive our prioritisation for the next four years, ensuring that our focus remains aligned to the regulatory objectives and providing an opportunity to reflect on our work in relation to each of the regulatory objectives over the last four years.

2022 Business Plan priority 2	RO1 (public interest), RO3 (access to justice), RO4 (consumers), RO7 (public understanding)	Delivery of our consumer engagement strategy is a key channel for ensuring we promote the interests of consumers through our work. We made a commitment to focusing on good consumer outcomes in 2021 which shaped the activities in year 2 of our consumer engagement strategy, and findings from our innovation project (funded by the Regulators' Pioneer Fund) have further honed the activities scheduled for year 3. This includes initiatives to better understand the needs of business consumers of Costs Lawyers' services through a new user panel, and to consider how Costs Lawyers could contribute to the market for legal services in innovative ways to bring societal benefits.
2022 Business Plan priority 3	RO1 (public interest), RO3 (access to justice), RO4 (consumers), RO5 (competition)	We will consider creative ways to promote access to costs advice through different channels and to enhance consumer understanding of the options available to them, through the lens of the findings from our innovation project. This means being mindful of the structure of the market – including the primarily B2B nature of services and the quasi-voluntary nature of regulation of costs advice – to identify meaningful opportunities to promote competition and transparency.
2022 Business Plan priority 4	RO1 (public interest), RO4 (consumers), RO6 (independent, strong, diverse, effective), RO8 (professional principles)	Our work on a point-of-entry competency framework in 2021 and 2022 suggested that the Costs Lawyer Qualification is not currently instilling all the skills and attributes that a student needs to be a successful practitioner. A greater focus on skills such as effective communication, self management and agile thinking will contribute to the development of an independent, strong and effective profession and a focus on professional ethics will promote adherence to the professional principles. As well as assuring consistent high standards for the benefits of consumers and the public, regulatory changes will also ensure the course can be delivered flexibly, making it accessible to a more diverse range of students. All these improvements will be implemented together in a single package of reforms, facilitating the launch of a fresh Costs Lawyer Qualification in September 2023.
2022 Business Plan priority 5	RO3 (access to justice), RO4 (consumers), RO5 (competition), RO6 (independent, strong, diverse, effective)	Findings from our innovation project suggested that Costs Lawyers have unique insights which can be harnessed to stimulate discussion across the legal regulators about how legal costs can be better controlled, independent of the procedural reforms that regularly fail to deliver as expected. Steps that help to control legal costs have multifarious potential advantages for: consumers (by ensuring costs are fair and transparent); access to justice (by making dispute resolution processes more affordable); competition (by promoting price competition and deterring poor billing practices); and the independence and strength of the profession (by exploring the role of Costs Lawyers as independent costs arbiters).
2022 Business Plan priority 6	RO1 (public interest), RO4 (consumers), RO5 (competition), RO6 (independent,	Linked to priority 5, this priority also builds on the findings of our innovation project by examining whether there are sufficient benefits to clients, the public and the profession of the CLSB offering a version of entity regulation to costs firms. Our project findings suggested that non-statutory entity regulation could help to improve competition for costs services, including between the regulated and unregulated parts of the market, and improve client understanding of and confidence in the regulatory status of Costs Lawyers.

	strong, diverse, effective)	
2022 Business Plan priority 7	RO4 (consumers), RO5 (competition)	This priority is directly aimed at using the findings of our innovation project to further the regulatory objectives of promoting competition in the market for legal services and protecting the interests of consumers by considering the way regulation of Costs Lawyers (including the CLSB "badge") is perceived by market participants, and how our regulatory interventions can encourage positive outcomes and good value for clients.
2022 Business Plan priority 8	RO4 (consumers), RO6 (independent, strong, diverse, effective), RO8 (professional principles)	This priority seeks to identify measures to more strongly distinguish between the interests of intermediaries (i.e. professionals who instruct Costs Lawyers on a client's behalf) and the interests of Costs Lawyers' ultimate clients in our regulatory arrangements. Our innovation project identified a potential structural conflict within the profession caused by the B2B nature of instructions. This priority goes directly to protecting and promoting the interests of end users of Costs Lawyers' services.
2022 Business Plan priority 9	Facilitates all ROs	This work programme will take a holistic look at the findings of our innovation project along with other emerging risks and opportunities in legal services regulation to consider how the regulation of Costs Lawyers should evolve into the future, allowing us to best promote all the regulatory objectives.
2022 Business Plan priority 10	RO4 (consumers), RO6 (independent, strong, diverse, effective), RO8 (professional principles)	We will build on the point-of-entry competency framework we adopted in 2022 to develop a new framework for ongoing competency, focusing on identifying and addressing key risk junctures during a practitioner's career. Our aim is to align our approach to ongoing competency with the Legal Services Board's policy statement by the end of the year, strengthening the effectiveness of the profession, protecting consumers and promoting adherence to the professional principles.
2022 Business Plan priority 11	RO6 (independent, strong, diverse, effective)	Priority 11 is specifically aimed at encouraging a strong and diverse profession through the delivery of our equality, diversity and inclusion agenda.
2022 Business Plan priority 12	Facilitates all ROs	Our digital work programme involves making ongoing operational improvements, designed to make us a well-run organisation so we can pursue all the regulatory objectives.

III. Financial information (rule 17)

This information must be prepared on the basis of accruals rather than cash, if reasonably practicable.

- **Income and expenditure forecasts**, including practising fee income, for the year in which the PCF will be levied. Where the approved regulator expects a material change in circumstances the income and expenditure forecast will need to cover three years from and including the year in which the PCF will be levied. The income and expenditure forecast should incorporate:
    - total income from all sources (PCF income and other sources), including any commercial income arising from PCF funded permitted purposes.
    - anticipated expenditure, including the payment of levies imposed on the approved regulator and expenditure on non-permitted purpose activities.
    - summary of how the budget was arrived at, including any consultation between the regulatory and representative arms.
- **Financial information for the previous year and actual expenditure**, including a comparison of actual and budgeted income and expenditure. Financial information provided for the previous year should include:
    - forecasted budget and actual expenditure and income
    - PCF income collected and a breakdown of how it was allocated or spent by activity.
    - an explanation of any variation in total PCF spending.

Income and expenditure forecasts

10. Income and expenditure forecasts for 2023 can be found in our budget at Annex 2. We do not anticipate any material change in circumstances, so we have not included forecasts for 2024 and 2025 in line with paragraph 61 of the Guidance. In relation to paragraph 62 of the Guidance, figures are calculated inclusive of VAT as VAT is not recoverable by the CLSB.

11. 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 training activities to peers. Given the small 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. We received one-off grant funding from the Regulators' Pioneer Fund in 2021/22 to complete a discrete project. All grant funding was allocated to that project, such that it had no impact on PCF income or expenditure.

12. As noted above, there is no planned expenditure on non-permitted purpose activities.

13. In terms of how the budget was arrived at, the process is summarised below. We repeated the process that we used for the previous two practising years, which we have found very effective for our needs. We used our new accounting package to automate aspects of this work for the first time, further increasing the accuracy and efficiency of the process.

- We started by ascertaining our fixed/committed expenditure and our variable core expenditure. Some assumptions have been made (for example, the number of meetings that will continue to be held via videocall, inflationary impact on suppliers' prices and wages, etc). We also considered whether any costs could be reduced or whether we could improve performance or efficiency by increasing them. This led us to change suppliers for some services; for example, we have moved away from using a virtual office to using an online PO Box, which is more efficient, secure and cost effective.

- Inflation-linked assumptions were based on CPI forecasts for the year, in line with the Guidance. At the time the budget was developed, prior to consultation, inflation was forecast at 9% for the period. We are mindful that inflation projections for England and Wales continue to rise, met by monetary policy measures designed to dampen inflation, which makes it difficult to predict what the actual rate will be in 2023. If the rate does exceed 9%, we are confident that we can accommodate this within our budget parameters for three reasons:

  (i) Some suppliers have already raised prices to reflect prevailing inflation. Those higher prices are reflected in the budget, but are then also subject to the blanket 9% inflationary assumption, allowing a greater margin for error.

  (ii) For services that are price sensitive, suppliers are unlikely to raise prices to the full extent of inflation or may delay increasing prices until 2024.

  (iii) Historically, the CLSB has offered all staff an inflation-linked annual wage rise to account for changes to the cost of living. This was typically around 1-3%. We have assumed a 9% increase in wages (including for non-executive directors, panel members and so on) in the 2023 budget. However, in line with our Remuneration Policy, any wage rise is at the discretion of the Remuneration Committee of the CLSB board. The Committee can offer a less-than-9% wage rise in 2023, or delay its decision to late in the year, to mitigate other budgetary impacts of higher than expected inflation if need be.

- We costed the priorities in our 2023 Business Plan, including the portion of our ongoing IT development projects that will be delivered during the year. These costings were based on discussions with our consultants or suppliers around the scope of each initiative and the expected time commitment and fees. (Note that this costing is lower than the figures stated against each Business Plan priority in the table at paragraph 7 above. This is because the figures in the table include an estimated allocation of internal resources, including staff time, for each priority.)

- We estimated the number of full-year practising certificate renewals at 677 Costs Lawyers, up from 674 this year (actual, not predicted). This was informed primarily by the anticipated number of new qualifiers in the second half of 2022 and typical net annual attrition. Based on our data and feedback from the profession, we are not expecting known risks – such as covid-19, the expansion of fixed costs in civil claims from April 2023, or legal aid cuts – to impact renewals for 2023.

- We feel our core staff resource must remain at the same level as in 2022 in order to deliver our full work programme. This is three days a week for the CEO and two days a week for the Operations Director. Our Policy Director, who worked with us on a contract basis in 2021 and 2022, has delivered considerable value for the CLSB over the last 18 months and has established a framework for our policy thinking that will stand us in good stead going forward. She will be stepping back in the second half of 2022 to focus on more discrete policy initiatives for us, and we are currently looking to bring in new, flexible policy resource to complement this. Provision has been made for such arrangements in the budget.

- In previous years, we included a contingency of £5,000 in our budgets to reflect the elements of expenditure that are not entirely predictable from year to year, particularly in relation to our enforcement functions. However, an analysis of previous budgeted vs actual expenditure revealed that we have never in fact needed the contingency for its intended purpose. On reflection, we believe that any material costs that would be met through the contingency could equally be met from uncommitted reserves, as permitted by our Reserves Policy. We believe that using reserves in this way is preferable, as we would recoup the actual overspend from the profession after the event (to replenish the reserves) rather than in advance through a precautionary contingency, thereby improving transparency and accountability around each year's PCF.

- As for last year, we included a £5,000 contribution to reserves, in line with our Reserves Policy (see further section IV below).

- Through the process described above, we arrived at budgeted expenditure of £197,671. A PCF at £281 provides income of £197,612 on our projected numbers (this accounts for anticipated full-year renewals as well as estimated income from mid-year applications, including reinstatements and new qualifiers in 2023). On this basis, we propose to retain the PCF at £281.

- We were conscious that this level of PCF will leave us with a marginal delta between budgeted income and budgeted expenditure; specifically, a £59 shortfall. For logistical reasons, as well as ease of communication, we felt it was preferable to round the PCF to the nearest whole pound. An alternative option would be to levy a PCF of £282 – such that our budgeted income fully covered budgeted expenditure – however this would generate a projected surplus of over £600, which we felt was unjustified. We therefore decided that the best course was to budget for a de minimis shortfall which, if the budget plays out exactly as predicted, we can cover by reducing our 2023 contribution to reserves by £59 if necessary.

14. In relation to consultation with the profession's representative arm, the CLSB's income and expenditure are 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 through the PCF consultation. This is in line with the MOU and OP between the organisations, in compliance with the Internal Governance Rules 2019.

Financial information for the previous year and actual expenditure

15. The LSB has advised that, in this context, "previous year" means the year prior to the year in which the PCF will be collected and, accordingly, we should provide information for 2022 with projections/forecasts for the remainder of the year. Annex 4 is therefore a comparison of our budgeted income and expenditure for 2022, actual expenditure and income to date (as at 1 September 2022), and forecasts to the end of this year.

16. A breakdown of the anticipated spend on each activity in our 2022 work programme is set out in the table below. This reflects our financial projections at this stage of the year. The elements of the budget relating to contingency and reserves are captured within the "finance" activity, as they go to financial resilience. The Business Plan priorities refer to the workstreams in our 2022 Business Plan, which is provided at Annex 5 for reference.

17. As noted above, we received a grant from the Regulators' Pioneer Fund that fully covered priority 10 in our 2022 Business Plan. When we set the budget for 2022, our funding application was still pending. We did not allocate any PCF income to this item in our budget and, since the application was successful, we did not spend any PCF income on this work (the funding covered all resource dedicated to the project). We have discounted this grant from the income and expenditure set out in this application since it was for a discrete purpose and was kept distinct from our PCF income and expenditure, managed in a separate bank account. We were accountable to BEIS for the grant funding and funds were advanced only in arrears upon presentation of invoices relating directly to the project. If the LSB would like to see any of the paperwork provided to BEIS we would be happy to share this.

18. Forecast total PCF income for the year is £8,980 (4.7%) higher than budgeted. This is due to a slightly higher than expected number of practitioners renewing their practising certificates for 2022. Our predictions for renewals at the start of the year were slightly low – with 670 renewals predicted vs 674 actual – mainly due to there being a higher than expected number of practitioners on the Register by the end of 2021. Natural attrition was in line with expectations at 31 practitioners (compared to 32 in the previous year). There have also been more new qualifiers this year than expected, due to some exams being postponed from 2021 into 2022 due to covid-19. The additional income has been used to fund: (i) a slightly

higher than normal cost-of-living wage rise (at 3%) due to current inflationary pressures; (ii) IT development to bring our Register into line with expectations in the LSB's policy statement on consumer empowerment; (iii) engagement with a higher number of LSB initiatives than anticipated when the budget was developed in May 2021; (iv) additional costs on Business Plan priorities 2 and 4; and (v) implementation of new governance processes, including reinstatement of a Remuneration Committee. We expect to deliver all of our Business Plan priorities by the end of the year as planned.

19. We are projecting a small underspend against projected income by the end of the year, of £1,456. This provides a buffer against price increases by our suppliers in the second half of 2022 in the face of rising inflation.

Description of activity	**% of practising fee and actual figure allocated to activity (£)**	
Authorisation – PC renewals, reinstatements, new qualifiers, data capture, fee remissions, enquiries	3.9%	7,650
Supervision – CPD audit, complaints procedures audit, PII monitoring, point of complaint monitoring, feedback to the profession, awareness raising and support	5.9%	11,650
Disciplinary – complaint handling, audit failures, investigations, disciplinary hearings and appeals, publication	1.3%	2,500
Regulatory policy – research and evidence gathering, risk and data analysis, developing standards and guidance, consultation and assessment, policy interventions	15.6%	30,985
External engagement – sector or subject specific forums (workshops, meetings, networks, boards etc), social media and group communications, key stakeholder engagement (ACL, BEIS, MoJ, LSCP, LeO, LawCare etc), press, inbound enquiries, website, public information provision	9.7%	19,300
Education and training – liaison with ACL Training, course audit and monitoring, governance, policy and strategy development and implementation	2.8%	5,650
Recognition of foreign qualifications post-Brexit	0.7%	1,300
Strategy – business plan and budget development, workstream and resource planning, horizon scanning, prioritisation	1.8%	3,650
Governance – board meetings and liaison, board papers and reporting, transparency and publication, business continuity, risk mitigation, corporate reporting and co sec	10.1%	20,080
LSB engagement – PCF applications, rule change applications, consultation responses, ongoing relationship management, performance reporting, information requests	3.5%	7,000

Payment of levies – LSB and Legal Ombudsman	10.1%	20,056
Contribution to **Legal Choices**	2.9%	5,800
2022 Business Plan priority 1	0.7%	1,300
2022 Business Plan priority 2	3.9%	7,653
2022 Business Plan priority 3	0.3%	550
2022 Business Plan priority 4	0.5%	1000
2022 Business Plan priority 5	1.3%	2,500
2022 Business Plan priority 6	6.3%	12,500
2022 Business Plan priority 7	0.6%	1,100
2022 Business Plan priority 8	0.7%	1,400
2022 Business Plan priority 9	1.6%	3,200
2022 Business Plan priority 10	0.0%	0
2022 Business Plan priority 11	0.6%	1,250
2022 Business Plan priority 12	0.5%	900
2022 Business Plan priority 13	1.1%	2,150
2022 Business Plan priority 14	0.2%	400
2022 Business Plan priority 15	3.4%	6,800
2022 Business Plan priority 16	0.8%	1,680
2022 Business Plan priority 17	0.2%	400
Data and compliance – database development, document destruction and data hygiene, records of processing, data agreements, compliance with LSB requirements, other operational compliance	1.2%	2,300
Staff and supplier matters – recruitment, appraisals, contracting and commissioning, onboarding	1.0%	1,900
Finance – annual accounts, bookkeeping, invoicing, financial reporting, account management, PCF collection, contingency and reserves	7.0%	13,950

IV. Reserves (rules 18 22)

An approved regulator must hold any reserves generated from surpluses of the practising fee separately from any other funds.

- Explain the reserves policy. In particular, this should address:
  - how the target for the level of reserves is set and managed
  - the different types of reserves held, which must clearly distinguish practising fee reserves from other reserves
  - the target level for committed and uncommitted reserves
  - how the approved regulator will manage any accumulated reserves to date.
- If there was any variance at the end of the previous year between the target level of reserves and accumulated reserves, please provide an explanation of how this has been taken into account as part of this application.

20. Our Reserves Policy is provided at Annex 6. The Policy sets out the information requested above and meets the requirements of the Rules and Guidance.

21. The CLSB's board considered the Reserves Policy at its meetings in April and July 2021. A risk costing exercise was commissioned to ensure the target level of reserves remains appropriate. Changes to the Policy were adopted at the July meeting, as reflected in the published minutes, which amended the target level of uncommitted reserves (from 12 to 6 months of operating expenditure) and ensured compliance with the new Guidance.

22. The changes in our approach to accumulating reserves was explained to our regulated community in last year's PCF consultation as follows:

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 proposed £5,000 contribution to reserves in 2023 is in line with the Reserves Policy and the above explanation. We have reached our target level of uncommitted reserves and this contribution will therefore be made to our committed reserves only. No further amendments to the Reserves Policy were deemed necessary in developing the budget for 2023.

23. The exact value of our reserves at the date of this application (i.e. prior to the 2022 contribution) is:

- Share capital reserves: £15,000 (target reached)
- Uncommitted reserves: £110,000 (target reached)
- Committed reserves: £10,637 (35% of £30,000 target, remainder to be reached through £5,000 annual contributions)

V. Consultation and engagement on PCF (rules 23 24)

This section requires information in respect of Rules 23 and 24 which requires approved regulators to consult with relevant authorised persons about the programme of activity to which the practising fee will be applied and the level of the practising fee, and engage effectively with as many relevant authorised persons as reasonably practicable.

- Description of the consultation process conducted with relevant authorised persons on the programme of activity and the level of PCF[2]. To include:
  - length of time the published consultation was open
  - the level of engagement and responses from relevant authorised persons
  - summary of consultation responses
  - summary of how consultation responses have been taken into account, including changes to the PCF proposals as a result of consultation responses
  - 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.

24. We consulted on the PCF between 21 July and 5 September 2022 (seven weeks). The consultation paper is included at Annex 7.

25. The following documents were provided with the consultation:

- Proposed 2023 Business Plan (Annex 1 to this application)
- Summary of benefits from the PCF in 2021 (Annex 3 to this application)
- Proposed 2023 budget (Annex 2 to this application)
- 2021 financial accounts (available on our website here)
- Initial equality impact assessment (Annex 8 to this application)

The consultation Annexes are collated on the consultation page of our website for reference.

26. The consultation was posted on the CLSB's website and was proactively promoted to the regulated community via email, with reminders by news items, social media posts and follow-up email. 17 responses were received, compared to 21 last year (when we proposed increasing the fee by £6) and 17 the year before (when the fee was unchanged).

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

Main question

Question 1: Do you agree with our proposal to keep the practising fee static at £281 for 2023? 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 2023? 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:

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.

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?

28. 17 respondents answered question 1, and all agreed with the proposed level of the PCF.

29. Two respondents answered the remaining consultation questions. Both of these respondents agreed with the proposed Business Plan and budget for 2023 (question 2) and with the initial EIA, stating that they were not adversely impacted by the PCF due to a protected characteristic under the Equality Act 2010 or their individual practising arrangements (question 4). Neither felt there was additional information that should be included with the following year's consultation (question 5).

30. The same two respondents answered question 3, which asked about the perceived benefits of regulation and the CLSB's delivery of those benefits. The first respondent felt that the main benefits of regulation were: a recognition of professional standing; requirements with

regard to behaviour and integrity in the approach to one's work; and an expectation of a minimum standard of knowledge and understanding relating to costs and the law generally, which facilitates discussion and negotiation. The second respondent felt that the main benefit of regulation was the provision by the CLSB of a proportionate framework for the regulation of a small and specialist legal community. This respondent felt that the CLSB provides equality of standing and 'punches above its weight in comparison with the other larger regulators'. While these views are anecdotal, they do reflect the themes raised by our Advisory Panel members in relation to the benefits of regulation – see further paragraphs 33 and 34 below.

31. We also received enquiries about the constitution of our financial reserves from a Costs Lawyer who had reviewed our 2021 accounts (as published with the consultation paper). We provided the Costs Lawyer with a copy of our Reserves Policy and responses to her specific questions. We very much welcome this level of detailed financial scrutiny and engagement as part of the consultation process; it will help us tailor our communications in future years.

32. In light of these consultation responses, we remain of the view that a PCF of £281 is appropriate. All respondents supported a fee at this level. Our evidence does not suggest that the fee will have an adverse impact either on practitioners generally or on any particular group (see also section VI below). No respondents suggested that any proposed workstreams should be excluded from or added to our Business Plan or budget.

33. Alongside the public consultation, we also invited our Advisory Panel to consider some key issues raised by the consultation in more detail. We constituted an Advisory Panel in Q2 of this year as a mechanism for gathering feedback on our work, testing proposals and assisting with market insights and horizon scanning. The Panel is made up of Costs Lawyers from different practice types (small firms, large firms, sole practitioners etc) and practice areas (legal aid, PI, commercial costs etc). This year, we asked members of the Advisory Panel to help us further explore the costs and benefits of regulation, providing us with additional information about what influences the profession's views of our work.

34. Our learnings can be summarised as follows:

- Based on a poll run with the group, asking about what practitioners considered to be the most important individual benefits of regulation, we could see that value was placed on the following benefits (in descending order):

  respect from other legal practitioners;
  respect from the judiciary;
  higher hourly rates;
  authorisation to do types of work they could not otherwise do;
  ability to market themselves to clients as regulated professionals;
  personal pride in their regulatory status;

eligibility for ACL membership;
ability to use the Mark of Regulation;
access to LawCare support.

- From a further poll, asking about the broader societal benefits of regulating the Costs Lawyer profession, we found that value was placed on the following benefits (again in descending order):

  improving standards of conduct and service in the costs advice sector;
  ensuring Costs Lawyers keep their knowledge and skills up to date;
  improving standards of advocacy and professionalism before the courts;
  ensuring Costs Lawyers have a minimum level of relevant knowledge and skills;
  ensuring clients can complain and get redress when something goes wrong;
  giving the profession credibility, which gives clients confidence;
  ensuring Costs Lawyers who break the rules can be publicly named and sanctioned;
  educating the public about what Costs Lawyers do;
  encouraging new and innovative services to benefit clients.

- These polls suggest that practitioners value most highly the reputational and societal benefits derived from the maintenance of high standards within the profession. In particular, participants noted the need for us to maintain high standards when improving the regulatory arrangements for the Costs Lawyer Qualification. It will be important for the CLSB to keep this in mind, and to carefully manage stakeholder perceptions, when accrediting a new course under our 2023 Business Plan priority 4. It was also clear that participants viewed standards as being closely linked to competency, so engagement with practitioners as we deliver Business Plan priority 10 (around ongoing competence) will be crucial.

- In terms of practitioners' perceptions of the extent to which the CLSB promotes each of the regulatory objectives, there was a strong consensus that the CLSB was doing well at promoting adherence to the professional principles and access to justice. There was less awareness (i.e. some, but not universal, awareness) about our work on promoting competition and encouraging a strong, diverse and effective legal profession, suggesting that we could do more to engage the regulated community and communicate benefits in these areas.

- The group also considered what the impact might be of a material change in the practising fee – say 10% – in future years. The majority of participants (around 80%) reported that there would be no personal impact of such an increase, as their organisation pays the PCF on their behalf. Interestingly, this included participants working in small to medium sized costs firms. A sole practitioner member of the

Panel reported that such an increase would have some impact on their personal finances, although not a significant impact.

- Panel members made various other suggestions for increasing the impact of regulation, such as raising the profile of the Mark of Regulation, working further to improve diversity within the profession, promoting the value of regulated (as opposed to unregulated) costs advisers, and understanding and addressing gaps in access to justice. We agree with these suggestions, all of which align with the regulatory objectives, and will use this feedback to inform our planning and communications in 2023.

35. Finally, 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. Based on the data we hold, 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.

1 Approved regulators should consult annually on their programme of activity irrespective of whetherif they are proposing a fee increase, if the fee has been static or has fallen.

VI. Impact assessments (rules 25 28)

This section requires information in respect of Rules 25 28 which collectively, stipulate that initial equality assessments must be carried out and set out in the circumstances in which full impact assessment must be conducted. These provisions also require that approved regulators consider the impact of the level of the fee on the conduct of legal services.

- Summarise the initial and (where applicable), full equality impact assessment carried out and the findings. In particular, this summary should cover how the proposed PCF may potentially impact on various groups, especially those with protected characteristics underthe Equality Act 2010 within the approved regulator's membership.
- Summarise the consideration – proportionate to the harm as determined by the approvedregulator - given to the impact of the level of the fee on the provision of legal services by authorised persons, and any significant circumstance or event impacting on that.
- Provide details of any action taken as a result of findings, or an explanation as to why this was not necessary or practicable.

36. A summary of the initial EIA carried out in relation to the proposed PCF is in the table below, using the LSB's template format. Given the findings of the initial assessment, we concluded that a full EIA was not warranted, in line with Rule 26 and the associated Guidance.

37. The initial EIA was included as part of the consultation on the PCF and, as explained in section V above, respondents were asked whether they would be adversely impacted by the level of the practising fee and, if so, how we could meet their needs. We also asked whether respondents agreed with the initial EIA. 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.

Protected characteristic group	Is there a potential for positive or negative impact?	Please explain and give examples of any evidence / consultation / data used	Actions to address negative impact
Disability	No	7% of Costs Lawyers report having a disability, which is higher than in other parts of the sector (for example, 3% of solicitors). Our data suggests that Costs Lawyers can sometimes experience differential impacts due to disability, such as problems accessing court buildings. However there is no data to suggest that practising fees affect this group disproportionately and questions in practising fee consultations (current and previous) revealed no evidence of differential impact.	Not applicable
Gender reassignment	No	Our latest survey did include a question on gender identity, but the percentage of "prefer not to say" answers compared to the percentage of respondents who we might expect to answer "no" to the question (is your gender identity the same as that which you were assigned at birth?) means the data may be unreliable. Nevertheless, we expect that the percentage of our regulated community with a different gender identity to that assigned at birth is likely to be very small or zero.	Not applicable

Marriage or civil partnership	No	We do not collect data on the marital status of practitioners, however as our fee is set at the same level for all practitioners and marital status does not impact ability to practise, we have not identified any risk of differential impact based on this characteristic.	Not applicable
Pregnancy and maternity	Yes	In 2020 we identified that, due to the way we calculate practising fees for Costs Lawyers who reinstate their authorisation part way through the year, practitioners who took parental leave were incurring different practising fees depending on the time of year that their leave commenced. After consulting, we implemented a remissions policy that ensures practitioners can seek a reduction in their fee for the whole period they are on parental leave, regardless of the start date.	We will apply our remissions policy again in 2022 (and going forward). More information is available in the parental leave section of our practising FAQs.
Race	No	7% of Costs Lawyers identify as Black, Asian or Minority Ethnic, compared to 21% of lawyers in SRA regulated law firms. As part of our EDI work programme, we are investigating whether there are barriers to entry for these groups which are driving the above statistic. However, none of our research to date suggests that the practising fee presents such a barrier and questions in practising fee consultations (current and previous) revealed no evidence of differential impact.	Not applicable
Religion or belief	No	44% of Costs Lawyers report having no religion or being atheist and a further 42% identify as Christian. The proportion of practitioners from other faith groups is small – around 1% or less per group – although a relatively high number of practitioners preferred not to report their religion so these groups might be larger than recorded. While we are working to reduce the number of practitioners who prefer not to report their religion, our data does not suggest any differential impact of the practising fee on smaller faith groups. Questions in practising fee consultations also revealed no evidence of this.	Not applicable

Sexual orientation	No	6% of Costs Lawyers identify as lesbian, gay or bisexual compared to 2.7% of the population. While we have strong LGB representation within the profession, there is no evidence that a practising fee which is the same for all practitioners has any differential impact on this group. Questions in practising fee consultations also revealed no evidence of this.	Not applicable
Sex (gender)	Yes	There is potential for women to be disproportionately impacted by incurring practising fees whilst on parental leave. Our data shows that, to date, all Costs Lawyers who have been reinstated to the register part way through a practising year due to taking parental leave have been women.	This is addressed through our remissions policy – see above under "pregnancy and maternity".
Age	No	Due to the profile of qualifying Costs Lawyers, only a small proportion (4%) are under the age of 30, and 9% are above 60. The vast majority of Costs Lawyers fall in the middle age ranges. There is no evidence to suggest that a practising fee which is the same for all practitioners has any differential impact on the younger or older groups. Questions in practising fee consultations also revealed no evidence of this.	Not applicable

Question	**Explanation / justification**
Is it possible that the proposed level of PCF could discriminate or unfairly disadvantage members of the regulated community?	No. There is no evidence – including from the consultation responses – to suggest that the proposed level of PCF could unfairly disadvantage members of the regulated community other than in two areas (pregnancy and maternity and gender), and policies have been put in place to mitigate that potential impact fully.

Final Decision	**Tick the relevant box**	**Include any explanation / justification**
No barriers identified	✓	
Bias towards one ormore groups		
Adapted PCF to eliminate bias		
Barriers or impact identified but having considered all options carefully, there appearto be no other proportionate ways to achieve the policy aims in the programme of activity but by charging this level of PCF.		

38. In relation to the impact of the PCF on the provision of legal services by authorised persons, we have been mindful of the wider economic conditions in England and Wales, including inflationary pressures and rising overheads for practitioners, and the potential impact of this on smaller firms and sole practitioners (which make up 12.2% of the regulated community). We have ensured our budget will allow us to deliver our full work programme while not imposing an increased cost of regulation on practitioners.

39. Data from the last two years suggests that there has been no longer-term financial impact from the covid-19 pandemic on the profession. The results of our last coronavirus impact survey showed that the impact of the pandemic on Costs Lawyers was less severe than anticipated (and in some areas the impact has been positive). Ongoing concerns about the viability of legal aid work have not caused any practitioners to leave the profession in the last two years, according to data from our exit surveys. We have no reason to believe that the PCF is putting differential pressure on the cost base of any particular group(s) of practitioners. We therefore do not consider the proposed PCF for 2023 will have any material negative impact on the provision of legal services by authorised Costs Lawyers.

40. One Costs Lawyer who left the profession in 2022 did cite cost as one factor in their decision, stating that their level of earnings meant they could not afford to meet CPD requirements. We will look again in 2023 at assisting practitioners to find free relevant CPD opportunities, as we did during the height of the covid pandemic.

VII. Transparency of PCF information to relevant authorised persons

- Description or a copy of the information that will be provided to those who will pay thefee. This should be clear and accessible and include the following:
  - the level of the PCF
  - how the PCF has been set
  - a breakdown of how the PCF income will be allocated to non-regulatory/regulatoryand 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 ofPCF attributable to the levies

1. The third and fourth bullet points above are not applicable to us, as we do not allocate PCF income to non-regulatory or shared services and we do not spend funds on non-permitted purposes.

2. In relation to the first bullet point, an invoice is provided to practitioners as part of their practising certificate application. 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 following approval of the fee by the LSB, by way of news items and social media posts, 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.

3. In relation to the second and fifth bullet points, this information is made available as part of the online practising certificate application process. The information mirrors that provided in the consultation document (under the heading "How we set the practising fee" on page 3, 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?".

VIII. Checklist	Enclosures
Income and expenditure forecasts, including practising fee income, for three years from and including the year for which the practising fee is to be levied.	✓ Enclosed
Financial information for the previous year, including a comparison of actual and budgeted income and expenditure.	✓ Enclosed
Copy of the information that will be provided to fee paying members (if description is not provided in section VII).	N/A Enclosed

Details of any other supporting documents provided with the PCF application (optional):

Annex 1: 2023 Business Plan

Annex 2: 2023 budget

Annex 3: Summary of activity funded by the 2021 practising fee

Annex 4: 2022 budget, actual expenditure to date and projections to year end

Annex 5: 2022 Business Plan

Annex 6: Reserves Policy

Annex 7: Consultation paper

Annex 8: Initial equality impact assessment – consultation version

IX. Compliance Statement

Applications must include the following compliance statement and be dated and signed by a representative of the approved regulator:

- ✓ I certify that the information provided in this application is accurate and complete to the best of my knowledge and I have taken reasonable steps to ensure that the application complies with the Rules.

Please include contact name(s) for the application.

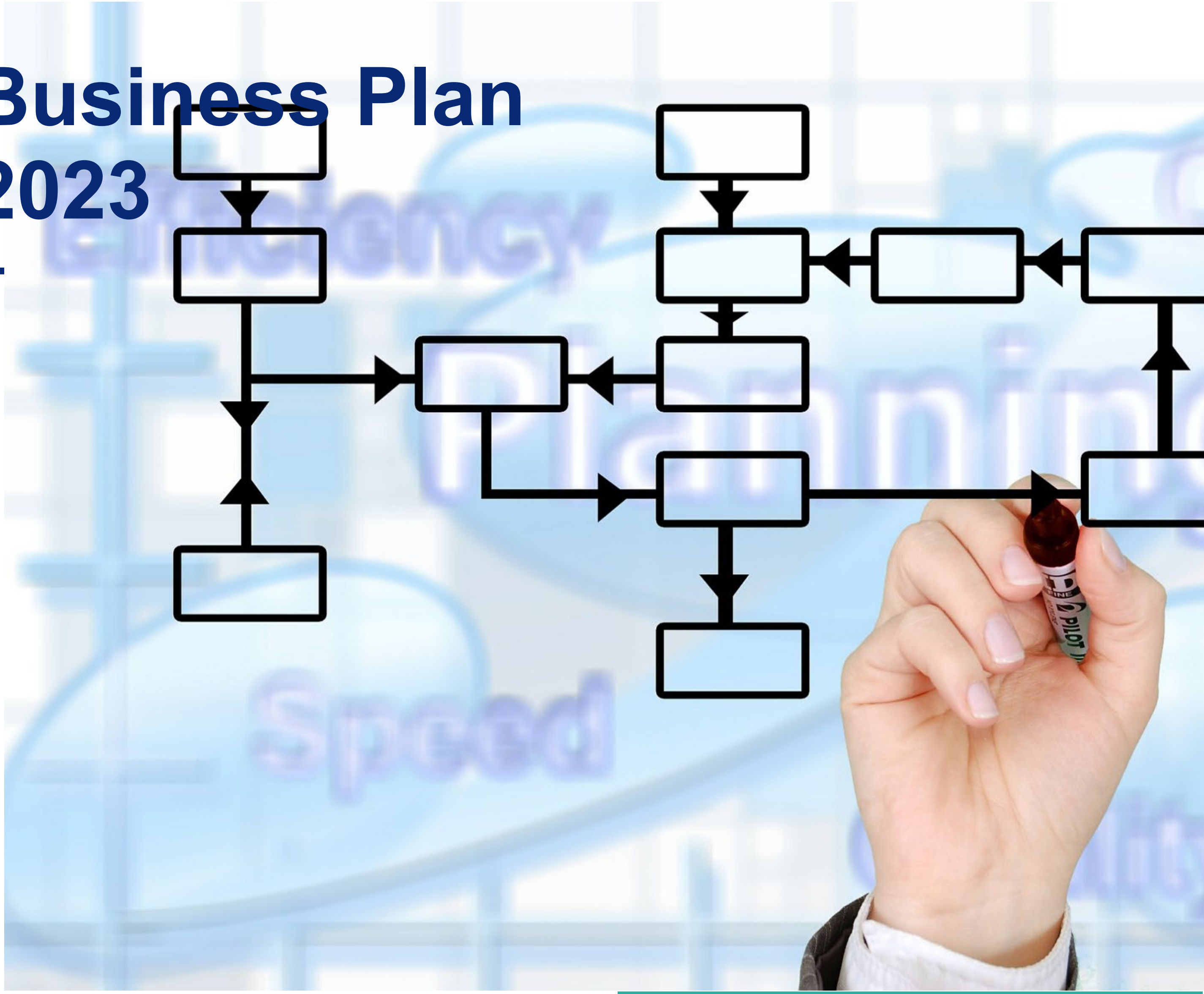
Contact: Kate Wellington, CEO

Date: 7 September 2022

Signed: Kate Wellington

Annex 1

Business Plan 2023



September 2022

Costs Lawyer Standards Board

CLSB

Foreword

Rt Hon David Heath CBE, Chair

2023 holds exciting prospects for the Costs Lawyer profession. While the covid-19 pandemic brought personal hardships for many, it also opened legal professionals' eyes to the potential benefits to be gained by adopting more flexible and efficient working practices. Many Costs Lawyers are now employed remotely by firms and are servicing clients in a range of locations, allowing wider public access to the talent within our regulated community. Training and development resources have also moved online, increasing the relevance and variety of the CPD activities that Costs Lawyers can access.

But it is not all plain sailing. Reforms to legal aid, the expansion of fixed recoverable costs in civil cases, and other policy shifts have created uncertainty in the market. Despite its many benefits, remote working can also put pressure on families, teams and individuals, threatening important aspects of professional life such as wellbeing and on-the-job training. And more broadly, research consistently shows that citizens and small businesses in England and Wales still have significant legal needs that are not being met by the sector. Our regulatory approach must respond to all these factors, and many more.

In 2022 we were able to invest heavily in research, thanks in large part to the Regulators' Pioneer Fund (an initiative of the Department for Business, Enterprise and Industrial Strategy), which supported our project that asked: How could Costs Lawyers reduce the cost of legal services? Through the project, we have developed a much clearer picture of the barriers and contributors to innovation in the market for costs services, the untapped benefits that Costs Lawyers could bring to the sector, and how our regulatory framework could promote better outcomes.

In 2023, we will apply this evidence to our thinking around a number of risks, challenges and difficult questions, with the aim of making Costs Lawyers' specialist expertise more widely understood and available to those who need it most.

Introduction

Kate Wellington, Chief Executive

How time flies. 2023 marks the final year of our mid-term organisational strategy and my fourth year at the CLSB.

The first two years of delivering our strategy involved a whirlwind of change and modernisation, as we upgraded every aspect of our operations and improved our regulatory framework. In 2022 we took stock and consolidated our progress, by evaluating the success of earlier initiatives and making adjustments to ensure they remain relevant and impactful. We also launched a series of new projects, digging deeper into important areas that we see as critical to the success of the strategy. This involved, for example, developing a modern regulatory framework for the Costs Lawyer Qualification, re-evaluating our approach to risk, and expanding our evidence base through research and engagement.

When we developed our mid-term strategy, our focus was on building the necessary foundations for the CLSB to regulate Costs Lawyers effectively into the future. By the end of 2022, we wanted to be “nearly there” in terms of achieving that strategy, and our 2022 Business Plan was designed with that in mind. The foundations are now in place. So what’s next?

A key priority for 2023 will be developing a successor mid-term strategy, setting new ambitions and updating our vision for the coming four years. Through our 2023 Business Plan priorities, we will explore important questions about what kind of regulator is really needed for the Costs Lawyer profession, how we can address structural issues in the market, and how we (and the profession) could add value to the legal sector as a whole.

This represents the next phase in securing the CLSB’s future as a stable, efficient and thoughtful regulatory body.

Our objectives

Pursuing our strategy

Below are the CLSB's strategic objectives for 2020 to 2023, as set out in our mid-term strategy. Each strategic 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 2023 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.*

The regulatory objectives

All of our activities must be compatible with, and promote, the regulatory objectives set out in section 1 of the Legal Services Act 2007. The regulatory objectives are reproduced below, and each is assigned a number, 1 through 7. These numbers are used in the remainder of this Business Plan to demonstrate how our annual priorities for 2023 are linked to promotion of the regulatory objectives.

The regulatory objectives are:

1. *protecting and promoting the public interest;*
2. *supporting the constitutional principle of the rule of law;*
3. *improving access to justice;*
4. *protecting and promoting the interests of consumers;*
5. *promoting competition in the provision of legal services;*
6. *encouraging an independent, strong, diverse and effective legal profession;*
7. *increasing public understanding of the citizen's legal rights and duties;*
8. *promoting and maintaining adherence to the professional principles.*

The professional principles referred to at 8 above are:

- that authorised persons should act with independence and integrity;
- that authorised persons should maintain proper standards of work;
- that authorised persons should act in the best interests of their clients;
- that persons who exercise before any court a right of audience, or conduct litigation in relation to proceedings in any court, by virtue of being authorised persons should comply with their duty to the court to act with independence in the interests of justice; and
- that the affairs of clients should be kept confidential.

Promoting consumer outcomes

In line with our commitment to consider consumer outcomes in all of our regulatory work, we have also indicated in this Business Plan how each initiative is linked to the promotion of one or more of the consumer outcomes that we are interest in, namely: price; quality; access; innovation; privacy; fairness; and/or diversity.

Annual priorities

	Initiative	Link to objectives	Fit with consumer outcomes
1.	Work with internal and external stakeholders to develop a new mid-term strategy for the CLSB, building on the learnings and successes from our first strategy covering the period 2020 to 2023.	**Strategic** Supports all **Regulatory** Supports all	Supports all
2.	Deliver the priority activities for the final year of our Consumer Engagement Strategy, and consider what successor initiatives should be put in place going forward.	**Strategic** B, C **Regulatory** 1, 3, 4, 7	Supports all
3.	Develop a programme of work to promote the outcomes in the Legal Services Board's policy statement on empowering consumers in a way that takes into account the unique nature of the market for costs services.	**Strategic** A, B, C **Regulatory** 1, 3, 4, 5	Price Access Innovation Fairness
4.	Using our new regulatory framework for the Costs Lawyer Qualification, work with ACL Training to accredit a new course that meets the standards for delivery and competency assurance set by the CLSB.	**Strategic** B, E **Regulatory** 1, 4, 6, 8	Quality Access Diversity
5.	Deliver a programme of work aimed at harnessing the unique insights that Costs Lawyers can bring, to stimulate discussion across all the legal regulators about how legal costs can be better controlled.	**Strategic** A, B, E **Regulatory** 3, 4, 5, 6	Price Access Fairness
6.	Investigate the risks and benefits of entity regulation amongst costs firms, including whether there is a cost effective version of entity regulation that may be practical for the CLSB to implement.	**Strategic** D, E **Regulatory** 1, 4, 5, 6	Innovation

7.	Explore ways of encouraging competition in the market for legal services and promoting the interests of consumers through considering: • how the CLSB's branding is used by the sector; • how our competency frameworks can ensure the profession provides the best value to end users; and • how our overall framework of regulation could best support the positive role that Costs Lawyers can play.	**Strategic** C, D, E **Regulatory** 4, 5	Quality Access Innovation
8.	Consider whether and how to implement measures to more strongly distinguish between the interests of intermediaries (professionals who instruct Costs Lawyers on a client's behalf) and the interests of the Costs Lawyer's ultimate client in our regulatory arrangements.	**Strategic** C, E **Regulatory** 4, 6, 8	Quality Access Innovation Fairness
9.	Design a project that looks at how the regulation of Costs Lawyers should evolve into the future, taking into account how the profile of our regulated community may change.	**Strategic** Supports all **Regulatory** Supports all	Supports all
10.	Develop a programme of work to align the CLSB's approach to ensuring continued competency with the Legal Services Board's policy statement on ongoing competence.	**Strategic** B, D, E **Regulatory** 4, 6, 8	Quality
11.	Continue to improve our diversity data collection and, specifically for this year, look at how working cultures and professional environments for Costs Lawyers impact on good equality, diversity and inclusion (EDI) outcomes.	**Strategic** A, B, E **Regulatory** 6	Diversity

12.	Deliver the next phase of our digital workplan, including by: • improving the visibility of supervision issues in the database; • creating a single repository for complaints data in the database; • adding action prompts to functionality; • revising application forms and adding database functionality resulting from enhancements to the Register of Costs Lawyers made in 2022; • capturing regulatory history of individual Costs Lawyers in the database to consolidate and safeguard all available information.	**Strategic** E **Regulatory** Supports all	Supports all

Our budget for 2023, which will facilitate delivery of this Business Plan, can be found on our website.

Annex 2

2023 Budget

September 2022

Costs Lawyer Standards Board

CLSB

Budget for the 2023 practising year

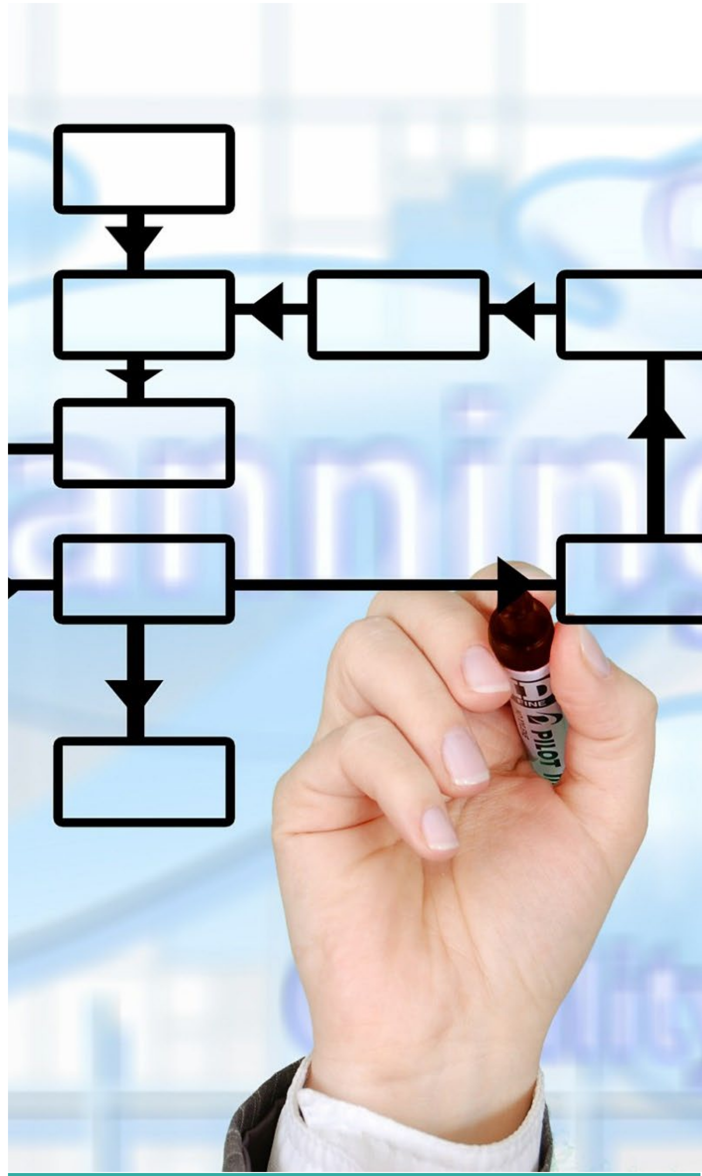
Category	Budget provision (£)
Staff costs	112,545
Travel and subsistence	5,000
Rent and room hire	1,984
Telephone	642
Printing, postage and stationery	353
Equipment	1,200
Levies and contributions (LSB, LeO, Legal Choices)	26,536
Licences, subscriptions and fees	3,613
Office services	2,826
Consultancy services	18,000
IT services	3,322
Business Plan priorities	16,150
Miscellaneous	500
TOTAL EXPENDITURE	**192,671**
Transfer to reserves	5,000
TOTAL DEBITS	**197,671**
Practising fee	281
Estimated number of renewals	677
Renewal income	190,237
Other practising fee income (reinstatements, new qualifiers and late payment fees)	7,375
ESTIMATED INCOME	**197,612**

Annex 3

Consultation

2023 practising fee:

Summary of activity funded by the 2021 practising fee



21 July 2022

Costs Lawyer Standards Board

CLSB

Purpose

This document is intended to help Costs Lawyers better understand the programme of activity that was funded through their practising fees in 2021, as well as the benefits of that activity, in line with the Legal Services Board's Guidance on its Practising Fee Rules.

In particular, this document:

- describes the annual priorities in the CLSB's 2021 Business Plan;
- explains whether, when and how they were achieved;
- summarises their intended benefits, by reference to our strategic goals and the regulatory objectives in the Legal Services Act 2007; and
- provides examples of indicators that we believe demonstrate they had the benefits we anticipated.

You might like to consider this document alongside the CLSB's consultation on the proposed Costs Lawyer practising fee for 2023, which closes on 5 September 2022.

Regulatory objectives

Below are the regulatory objectives established by the Legal Services Act 2007, which the legal regulators (including the CLSB) must promote through their work. Each regulatory objective is assigned a number, 1 through 8. These numbers are used in the remainder of this document to demonstrate how our annual priorities for 2021 were intended to promote the regulatory objectives.

1. *Protecting and promoting the public interest.*
2. *Supporting the constitutional principle of the rule of law.*
3. *Improving access to justice.*
4. *Protecting and promoting the interests of consumers.*
5. *Promoting competition in the provision of legal services.*
6. *Encouraging an independent, strong, diverse and effective legal profession.*
7. *Increasing public understanding of the citizen's legal rights and duties.*
8. *Promoting and maintaining adherence to the professional principles.*

Strategic objectives

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 document to demonstrate how our annual priorities for 2021 were intended to help us achieve 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	Status (by end of 2021)	Intended benefits	Example indicators of the benefits achieved
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.	**Achieved (Q4)** *A detailed programme of research and engagement was carried out to develop a new competency statement, providing evidence to underpin changes to our Training Rules. A consultation on the competency statement closed in October. The outcome report and final version of the statement were put to the board for approval and then published.* *Work also began on a new regulatory structure for the qualification, with the first draft of a new provider accreditation scheme being put to the board for input. Translation of the competency statement into assessment outcomes will be a priority in 2022.* *This Business Plan priority became a core workstream for us in 2021; the pace and scope of our progress accelerated far beyond what we envisaged when the Business Plan was developed.*	**Strategic objectives:** A, B, E **Regulatory objectives:** 6, 8	• The detailed research behind the competency statement has provided a robust evidence base for building a new framework for the Costs Lawyer Qualification from first principles. • Widespread engagement with the competency statement project allowed us to gather input and evidence from a diverse range of stakeholders. • A collaborative approach with ACL Training allowed us to align timings for our respective work programmes, benefitting current and future students.
2.	Update the Guidance Notes in the Costs Lawyer Handbook that were not subject to review following the 2019 Handbook Audit.	**Achieved (Q3)** *Three updated guidance notes were approved by the board in April, another was approved between meetings in Q2 and two more in October. Implementation of the final guidance notes in Q4 completed this priority.*	**Strategic objectives:** B **Regulatory objectives:** 1, 4, 6, 8	• Practitioners and the public can now be confident that all CLSB guidance is relevant and based on the latest evidence, with each publication having been either developed or reviewed in the last two years.

				• We have been able to draw upon our up-to-date guidance in developing other regulatory processes, such as a new complaints procedure audit (see priority 8).
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.	**Achieved (Q2)** *Themes for the guidance were developed in Q1 and two new guidance notes were approved by the board in July.*	**Strategic objectives:** B, D **Regulatory objectives:** 1, 4, 6, 8	• Having clear guidance on closing down a practice allowed us to respond quickly to the risk of firm insolvency posed by covid-19. • We have been able to point junior practitioners to our guidance for unregulated employers to facilitate open conversations about regulation with their line managers, in response to queries raised.
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.	**Achieved (Q1)** *We captured learnings from the launch of our new CPD regime by tracking email enquiries, feedback and questions raised at our Virtual Q&A session held in February. Those learnings allowed us to supplement our CPD supporting materials (particularly our website FAQs) and informed our approach to developing the new supervision framework for the regime (see priority 8).*	**Strategic objectives:** B, E **Regulatory objectives:** 4, 6, 8	• Our 2022 CPD audit showed a high degree of engagement with the new regime and positive feedback about the impact of the changes, suggesting that the support provided through this priority was valuable for practitioners and helped to promote the objectives of the regime.
5.	Review the regime for accrediting Costs Lawyers to provide CPD training, to	**Achieved (Q2)** *We implemented new Accredited Costs Lawyer Rules, reviewed the accreditation criteria and updated the*	**Strategic objectives:**	• The new forms have allowed us to seek more targeted information and evidence from

	assess whether the accreditation criteria and the approach to implementation remain fit for purpose.	*information we seek from applicants (both when they first apply for accreditation and upon renewal). We developed a new supervision framework for the scheme, as an adjunct to our planned supervision project (see priority 8). New webforms implementing the changes to the application process went live in Q2. We sought feedback from those Costs Lawyers choosing not to renew their accreditation during the year and the follow-up work from that exercise has been completed.*	B, E **Regulatory objectives:** 4, 5, 6	applicants, helping to identify issues early on and work with applicants to make improvements. • The robust requirements for reaccreditation caused some practitioners not to renew where they could not meet the criteria. This has raised standards overall, promoting the value and credibility of accredited status.
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.	**Achieved (Q4)** *Work on this priority was ongoing throughout the year. We launched a new diversity survey alongside the 2021 PC renewal application. We analysed and published data from that survey, including in a comparative report, and made further improvements to align our data with the sector's. We stepped up engagement with the regulators' EDI forum and liaison with the LSB and SRA on diversity. We also compiled a set of actions aimed at further improving our data and exploring particular characteristics. We assessed the merits of different regulatory interventions aimed at promoting EDI and a paper on this was considered by the board in July. We conducted an outreach project with the profession to understand how they feel about the collection of diversity data, to identify the collection method most likely to improve survey response rates, and built a targeted survey on the pay gap between men and women. We reported a summary of our progress to the LSB in November 2021.*	**Strategic objectives:** B, E **Regulatory objectives:** 6	• Improvements to the data we hold on the profession has enabled us to better assess the impact of our decisions on certain groups, for example by preparing an Equality Impact Assessment for the practising fee. • We were able to make use of existing evidence (held by regulators and others) to assess what mechanisms are likely to have the greatest impact in the Costs Lawyer market, allowing us to save resource and be targeted in our approach to promoting diversity and inclusion.

Protecting the interests of consumers and promoting professional standards

	Initiative	Progress status	Intended benefits	Example indicators of the benefits achieved
7.	Deliver the first year of priority activities in our Consumer Engagement Strategy.	**Achieved (Q2)** *We delivered a number of initiatives under the first year of the strategy, such as improving our web content, securing improvements to the costs questions in the LSCP tracker survey, and reviewing our regulatory return questions relating to client profiles. We refreshed our client survey and asked Costs Lawyers who reported having lay clients to send the survey directly to those clients, and we carried out a research project with Community Research and Panelbase. A paper on recommendations for year 2 of the strategy was considered by the board in July and the strategy has been extended accordingly.*	**Strategic objectives:** C **Regulatory objectives:** 1, 3, 4	• Actions from year 1 of the consumer engagement strategy improved our consumer evidence base, enabling us to make a commitment to focusing on consumer outcomes in all our work going forward.
8.	Develop our approach to supervision by: (i) planning an updated CPD audit programme under the new CPD Rules; (ii) implementing a structured audit of complaint procedures; (iii) formalising our "point of complaint" targeted supervision activities; (iv) updating our Supervision Policy to capture the above.	**Achieved (Q3)** *We developed new supervision frameworks, using a consistent approach and format, for supervising compliance with the Accredited Costs Lawyer Rules, our guidance on complaints procedures, and the CPD Rules. These were approved by the board in April and are now operational. An audit of complaints procedures was carried out under the framework in Q2. A framework for point-of-complaint supervision and a new Supervision Policy describing our approach were approved by the board in October and the full suite of documents is now available on the supervision page of our website.*	**Strategic objectives:** B, D, E **Regulatory objectives:** 4, 6, 8	• Implementation of the supervision framework for complaints procedures allowed us to secure substantial improvements to 20 procedures (covering numerous Costs Lawyers) in the first year alone, for the benefit of clients. • Our supervision processes are now consistent and transparent, allowing practitioners and the public to understand and scrutinise our approach.

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.	**Achieved (Q4)** *We completed our review in relation to Costs Lawyers handling client money early in the year and updated our guidance note accordingly, with the decision-making process being recorded in a published Board Decision Note. We looked at how complaints procedures are developed and communicated through the lens of our new audit framework and reported to the board in July. We built a webpage communicating learnings from that audit to mitigate risk across the regulated community. In Q4 we reviewed evidence of risks relating to under-insurance. Recommendations for future work to address discrete issues were adopted by the board.*	**Strategic objectives:** C, D **Regulatory objectives:** 4, 8	• This work has allowed us to tailor our regulatory risk register to focus on specific risks to consumer outcomes, rather than general risks of non-compliance. • Our detailed review of client money issues allowed us to contextualise and address feedback about client money that we received during the research phase of our Regulators' Pioneer Fund project (see priority 10).
10.	Consider how we can improve consumer information in relation to the regulatory status of the organisations in which Costs Lawyers practise.	**Achieved (Q1 2022)** *We wrapped this priority into our successful bid for grant funding from the Regulators' Pioneer Fund, which meant that it was delivered in 2022 rather than 2021. Work on the research programme concluded in March 2022 and a final project report was published in June on our website. We have begun developments to the Register of Costs Lawyers to display the regulatory status of firms, which will go live later in 2022.*	**Strategic objectives:** C, D **Regulatory objectives:** 1, 4, 5	• Understanding the questions we wanted to ask in this area allowed us to integrate the research into a wider project, and then implement our findings alongside other reforms to the Register, helping us use resources efficiently and take a holistic approach.
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.	**Deprioritised / delayed** *No opportunities arose during 2021 to test the ISO power in practice. We will carry out this work when a suitable disciplinary case presents itself in future years. To ensure this workstream is not forgotten, we have embedded consideration of ISOs into a new triage process for handling inbound complaints about Costs Lawyers' conduct.*	**Strategic objectives:** B, D **Regulatory objectives:** 1, 8	Not applicable

Modernising our organisation

	Initiative	Progress status	Intended benefits	Example indicators of the benefits achieved
12.	Measure the success of the electronic practising certificate (PC) 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.	**Achieved (Q1)** *We carried out a comprehensive review of the new electronic PC renewal process against the five metrics. A report was considered by the board in January. A number of improvements to the PC application form and database were identified through that process and a workplan was put in place to deliver those improvements before PC renewals began again in November.*	**Strategic objectives:** B, E **Regulatory objectives:** Facilitates all	• Measuring success against objective metrics allowed us to demonstrate the significant benefits arising from this work, including long term cost savings for practitioners. • The review process helped us make informed choices about which further improvements to prioritise for the greatest impact, taking user feedback into account.
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.	**Achieved (Q3)** *The first version of our new financial management system was built early in the year and has since been used for financial recording and reporting. Development of new online application forms was completed in Q2 – all forms are now available as updated e-forms via the website – and a new client survey e-form was successfully launched. A major upgrade of the Costs Lawyer database, with enhancements informed by learnings from the 2020 PC renewal process, was completed and tested.*	**Strategic objectives:** Facilitates all **Regulatory objectives:** Facilitates all	• The new financial management system has significantly improved efficiency and reduced the risk of human error in reporting management information to the board each quarter. • The development of consistent, comprehensive e-forms for all applications has improved the quality and security of the data we hold about the regulated community.

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.	**Achieved (Q4)** *Work on this priority began in Q3 with a governance strategy session at the July board meeting. We appointed an independent consultancy to ensure the outcome of the review reflected current best practice standards. The outcome of the review – a proposed new suite of governance documents and arrangements – was approved by the board at the end of the year and implemented thereafter.*	**Strategic objectives:** Facilitates all **Regulatory objectives:** Facilitates all	• This work gave us a mechanism for responding nimbly to recommendations from the LSB's review of the governance arrangements of two other regulators, and allowed us to provide assurance to the oversight regulator that our governance processes were up-to-date and robust.
15.	Revisit the effectiveness of our new operating structure to identify whether and where further improvements can be made.	**Achieved (Q4)** *Ongoing review of the effectiveness of our operating structure led to the recruitment of additional policy and education resource in early 2021. Our Business Continuity and Disaster Recovery Plan was reviewed to take account of the changes. The constitution and remit of the board were considered as part of the governance review (see priority 14).*	**Strategic objectives:** Facilitates all **Regulatory objectives:** Facilitates all	• This process allowed us to think creatively about how to access desirable skills and expertise within our limited resources, for example by appointing an education expert on an 'on call' basis to advise the board on key strategic decisions.

Annex 4

Budget for the 2022 practising year:

Year to date actuals and projections to year end

Category	Budget provision (£)	Expenditure to 01.09.22	Forecast to year end
Staff costs	106,603	61,543	112,821
Travel and subsistence	5,000	2,090	3,500
Rent and room hire	2,327	637	1,880
Telephone	1,699	240	620
Printing, postage and stationery	310	259	426
Equipment	500	0	500
Levies and contributions (LSB, LeO, Legal Choices)	25,856	20,047	25,856
Licences, subscriptions and fees	3,125	1,027	3,575
Office services	2,861	2,324	2,676
Consultancy services	14,200	5,367	15,000
IT services	2,575	1,194	3,175
Business Plan priorities	15,515	7,925	18,015
Miscellaneous	500	352	500
Contingency	5,000	0	5,000
TOTAL EXPENDITURE	**186,071**	**102,916**	**193,544**
Transfer to reserves	5,000	0	5,000
TOTAL DEBITS	**191,071**	**102,916**	**198,544**
ESTIMATED INCOME	**191,020**	**199,746**	**200,000**

Annex 5

Business Plan 2022

September 2021

Costs Lawyer Standards Board

CLSB

Foreword

Rt Hon David Heath CBE, Chair

2021 has been a year of unprecedented change. As we emerge from the grip of a global pandemic, it is clear that new ways of working, living and interacting are here to stay. Our research suggests that Costs Lawyers have not only risen to the challenges of the past year, but have also embraced opportunities to look at their practice with fresh eyes and help more clients navigate the complex landscape of legal costs.

At a personal level, 2021 has also been a year of change and opportunity for me. I hung up my hat as Senior Independent Director of the Solicitors Regulation Authority and began a new chapter as Chair of the CLSB. I arrived here at an exciting and pivotal moment in the organisation’s history. In mid-2019, a fresh vision for the CLSB was set out by the incoming CEO, supported by a forward-thinking and passionate board. I see that vision coming to fruition in many ways; from our collaborative relationships to our careful use of evidence and data, from our creative application of limited resources to our tailored regulatory interventions. This provides a springboard from which the CLSB can grow, innovate and make meaningful change for years to come.

We now find ourselves better placed than ever before to tackle a number of structural barriers to effective consumer protection in the costs law market. One such barrier is the fact that unauthorised costs advisers are able to use the title of “Costs Lawyer”, making it difficult for consumers to recognise who is regulated and who is not, and thus make informed choices. In 2022, we will deepen our understanding of the unregulated part of the market for costs law services, examining whether clients experience different outcomes depending on the regulatory status of their adviser, and asking what this means for the way we regulate.

Together with my board, and with the CLSB’s outstanding executive team, I look forward to answering these important questions and helping to secure the public’s justified trust in the Costs Lawyer profession into the future.

Introduction

Kate Wellington, CEO

I always enjoy the process of developing a Business Plan for the upcoming year. It is a moment to examine our culture, to check that we are listening and responding, and to imagine what the future might look like. It is also a moment to check-in with Costs Lawyers and the wider community, encouraging an ongoing conversation about the purpose of regulation, what benefits it should bring, and how much it should cost.

Our last two Business Plans – for 2020 and 2021 – were designed to lay the groundwork for achieving the vision and objectives in our mid-term strategy. They ignited a period of genuinely transformational change for our organisation, during which we modernised almost every aspect of what we do. To pick out a few examples, in 2021 we delivered the second year of our digital work program, moving exclusively to web-based forms and developing a bespoke financial management system. We expanded our team, adding resource in the areas of consumer policy and education, to provide deeper expertise and fresh perspectives. We launched a flagship project to map the competencies we expect of newly qualified practitioners. And we enhanced our regulatory approach, through the development of new guidance, a new supervision methodology, and a new consumer outcomes framework that will underpin all our regulatory interventions going forward.

I am buoyed by the positive feedback we have received about these changes and the enthusiasm shown for our initiatives. This feedback comes in many guises, be it statistical (such as a 97% effectiveness rating from our regulated community), anecdotal (like messages of thanks from people using our services) or more formal (such as our oversight regulator's complimentary assessment of our performance).

Our current mid-term strategy takes us through to 2023, which means that by the end of 2022 we want to be "nearly there". Our 2022 Business Plan is therefore designed to help us consolidate our successes so far while also launching new projects that are relevant and impactful. With particular focus on education, consumer outcomes and core standards, we will concentrate our resources on the things that matter most.

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 2022 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.*

Promoting consumer outcomes

In line with our commitment to consider consumer outcomes in all of our regulatory work, we have also indicated in this Business Plan how each initiative is linked to the promotion of one or more of the consumer outcomes that we are interest in, namely: price; quality; access; innovation; privacy; fairness; and/or diversity.

Annual priorities

Improving our regulatory arrangements

	Initiative	Link to strategy	Fit with consumer outcomes
1.	Review the Costs Lawyer Code of Conduct to ensure it aligns with: • our consumer outcomes framework; • our research into the competencies expected of a qualifying Costs Lawyer; • learnings from our risk deep-dive exercise carried out in 2021; • the better regulation principles, and in particular that it does not impose unnecessarily broad regulatory burdens; • recent updates to our other regulatory arrangements; • evidence of good practice across the wider professional services sectors.	B, D	Price Quality Innovation Privacy Fairness
2.	Implement changes to the Training Rules and other regulatory arrangements relating to education – informed by evidence from our competencies project in 2021 – to modernise the requirements for becoming a Costs Lawyer and facilitate a wider range of flexible pathways to qualification.	B, E	Quality Access Diversity
3.	Using our new supervision framework, evaluate the extent to which our revised approach to Continuing Professional Development (CPD) has been understood and adopted by Costs Lawyers, and develop communications to address any areas of difficulty or other themes identified.	B, E	Quality Access

4.	Evaluate the success of our new Disciplinary Rules and Procedures two years after implementation.	B	Quality

Protecting the interests of consumers and promoting professional standards

	Initiative	Link to strategy	Fit with consumer outcomes
5.	Update our Consumer Engagement Strategy to capture learnings from the first year, and deliver the updated priority activities for the second year.	C	Evidence collection to promote all outcomes
6.	Embed a culture of considering consumer outcomes in all of our regulatory work, seeking evidence of effectiveness where possible. In line with this culture: • gather evidence of whether and how consumer outcomes differ when clients use regulated advisers and unregulated advisers, so we can better assess the risks to consumers of under- or over-regulation in the market for costs law services; • based on evidence, evaluate how far we can tackle any issues raised in the areas of price; innovation; access; privacy; and fairness.	A, B, C, D, E	Price Quality Access Innovation Privacy Fairness Diversity
7.	Carry out a research project to better understand the pricing structures used by Costs Lawyers and to benchmark prices for different types of costs services.	B, C	Price
8.	Investigate consumers' expectations in relation to privacy – including by reference to learnings from existing research in related markets – and assess	A, B, C, D, E	Privacy

	whether there is any evidence that expectations are not being met.		
9.	Deliver the next phase of our diversity and inclusion work program in the three broad areas identified in our 2021 comparative report, namely: • further improving our data collection; • enhancing engagement with our regulated community; • assessing the likely effectiveness of potential regulatory interventions to improve diversity and inclusion.	A, B, E	Diversity
10.	Deliver a project to benchmark the level of innovation in the profession and to explore any regulatory or statutory arrangements that might hinder or assist innovation in the market for Costs Lawyers' services.	B, E	Innovation
11.	Engage with the other legal services regulators to identify and act on opportunities for collaboration that have the potential to deliver: • material cost savings; • new evidence or learnings that we could not access on our own; and/or • unique benefits from taking a whole-sector approach.	A	Better regulation to support all outcomes

Modernising our organisation

	Initiative	Link to strategy
12.	Begin to consider a vision for our organisation beyond the current mid-term strategy that ends in 2023, focused around a board strategy day informed by the views of stakeholders.	Facilitates all

13.	Review our methodology for measuring, recording, monitoring and responding to risk in light of changes to our regulatory approach and organisational culture since our existing methodology was introduced.	D
14.	Test the measures in our Business Continuity and Disaster Recovery Plan to ensure they remain fit for purpose following changes to our organisational design.	D
15.	Deliver the next phase of our digital workplan, including: • automating the analysis of routinely captured data; • building add-on functionality for the Costs Lawyer database, such as bespoke report generation.	Facilitates all
16.	Review and modernise our internal staff policies to ensure they are fair, relevant and reflect our current ways of working.	E
17.	Consider whether additional or different advisory appointments are necessary to fill any skill gaps at board or executive level.	Facilitates all

Our budget for 2022, which will facilitate delivery of this Business Plan, can be found on our website.

Annex 6

Reserves Policy

Updated: 21 July 2021 (version 5)

Costs Lawyer Standards Board

Purpose

1. The Costs Lawyer Standards Board (CLSB) holds financial reserves to ensure it has sufficient capital to respond appropriately to risks and maintain business continuity, as well as to fund projects that are planned for the future. This policy sets out the CLSB's current approach to accumulating and managing reserves.

Type of reserves

2. The CLSB primarily holds uncommitted reserves. Uncommitted reserves are not allocated or ring-fenced for a specific purpose, and they are not required to meet "business as usual" annual expenditure. The CLSB may also hold committed reserves from time to time, as set out at paragraph 17 below.

3. The CLSB's uncommitted reserves are divided into two categories based on the sources from which they are derived, namely practising fee reserves and share capital reserves.

4. Share capital reserves reflect the value of the share capital paid up by the CLSB's parent company and sole shareholder, The Association of Law Costs Draftsmen Limited (trading as the Association of Costs Lawyers (ACL)). The level of share capital reserves is maintained at £15,000.

5. Uncommitted practising fee reserves (as well as any committed reserves held from time to time) are derived from the practising fees paid annually by regulated Costs Lawyers.[1]

6. Reserves derived from practising fees are used only in fulfilment of the CLSB's regulatory functions and for the permitted purposes set out in the Legal Services Board's Practising Fee Rules 2021.

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[1] The CLSB's income is generated almost exclusively from practising fees and therefore all budget items, including transfers to reserves, are met with practising fee funds. The CLSB generates 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 is not included in budgeted income.

Holding reserves

7. The CLSB holds its practising fee reserves, share capital reserves and committed reserves in designated accounts, separate from each other and separate from the CLSB's operating (current account) funds.

8. The CLSB, through its officers and employees, has exclusive management and control of its reserves. All reserve accounts are held in the CLSB's name. ACL may not access the CLSB's reserves nor direct how they are used.

9. Reserves may be invested (for example, in interest bearing accounts) at the discretion of the CLSB's executive. However, any investment will be very low risk and will ensure funds are kept sufficiently liquid to be called upon if required.

Practising fee reserves target

10. Practising fee reserves are accumulated up to a target level, which is set to insure against reasonable risks without unnecessarily inflating costs.

11. The CLSB's target level of practising fee reserves is six months' operating expenditure – which equates to roughly half of one year's gross income from annual practising certificate fees (net of any contribution to reserves) – plus a 10% contingency to account for annual fluctuations in expenditure. When this policy was last reviewed, the reserves target was £100,000 plus a 10% contingency (£110,000 in total).

12. In setting the target, the CLSB has been mindful that it is a small organisation. While the target is at the upper end of the range recommended by the Legal Services Board as a proportion of annual expenditure, it is not high in absolute terms. A minimum level of reserves is needed to ensure financial resilience in the face of major risks, many of which create the same liability for a small regulator as they do for a larger one. The target is set at a level that will ensure the CLSB can deliver its full regulatory remit and/or meet its obligations in the event that a major risk materialises.

13. To achieve the target level of practising fee reserves, the CLSB will make provision in its annual budget for a contribution to reserves each practising year until the target is met. The CLSB may also make contributions to practising fee reserves from any underspend on its annual budget.

14. When this policy was last reviewed, the CLSB had achieved the target level of practising fee reserves and was no longer making annual contributions.

Risks mitigated through practising fee reserves

15. The practising fee reserves target has been set at a level that is adequate to insure against, but is not disproportionate to, the risks recorded in the CLSB's risk register. These include the following major strategic risks:

    (i) An unexpected decrease in practising fee income (because, for example, an economic crisis restricts Costs Lawyers' ability to pay practising fees or the Legal Services Board refuses to approve the annual practising fee).

    (ii) The CLSB ceasing to exist or being unable to act as an approved regulator under the Legal Services Act 2007(with potential costs including redundancy, contract terminations, LSB and Legal Ombudsman levies which are paid one year in arrears, accounting and Companies House liabilities).

    (iii) 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 2007).

    (iv) Duplication of staffing costs in the event of long term absence.

16. The CLSB will consider the extent to which any major strategic risks are insurable and will balance the cost and availability of insurance against the cost to the regulated community of accumulating reserves.

Committed reserves target

17. In addition to insuring against risks, reserves may be used to meet one-off items of expenditure that cannot be met appropriately through an increase in the practising 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. Where plans are made to use reserves in this way, the relevant funds are ring-fenced as committed reserves.

18. The CLSB currently holds committed reserves for planned future IT development work. That work has been costed at approximately £30,000 and, accordingly, our target level of committed reserves is £30,000.

19. To achieve the target level of committed reserves, the CLSB will make provision in its annual budget for a contribution to reserves each practising year until the target is met. The CLSB may also make contributions to committed reserves from any underspend on its annual budget.

Review of this policy

20. This policy will be reviewed by the CLSB's board annually and when all reserves targets have been achieved.

Annex 7

Consultation
2023 practising fee

21 July 2022

Costs Lawyer Standards Board

CLSB

Proposed fee

We propose to keep the practising fee for Costs Lawyers static in 2023, at £281.

Last year, the practising fee rose by approximately 2% (or £6) from £275 to £281. This was driven primarily by a slight reduction in the size of the Costs Lawyer profession over and above the usual level of natural attrition, caused by the Covid-19 pandemic, meaning that the cost of regulation was spread across fewer practitioners. This year, no Costs Lawyers have reported leaving the profession because of factors relating to Covid-19 and the number of practitioners within our community has stabilised at a healthy level.

Like everyone in England and Wales, the CLSB is currently facing increased costs. We have seen year-on-year increases in the levies that we pay on your behalf, particularly a 4.6% increase in the Legal Services Board's budget (to £4.287 million) for the coming year. More generally, inflation is running at a 40 year high. This is impacting the CLSB's running costs, but we are conscious that it will also affect business costs for lawyers, potentially placing a disproportionate burden on sole practitioners. We are mindful that any increase in the cost of regulation could increase that impact further.

Against that background, we have worked hard to offset rising prices in 2022 through our ongoing programme of cost saving initiatives. For example, in a post-covid world we have been able to move on from our virtual office in Manchester to using an online PO Box service, saving hundreds of pounds per year. We have also leveraged thousands of pounds in government funding, and sought out opportunities for collaboration with others, to obtain the data and evidence we need at a lower cost to the profession. We are passing these costs savings on to Costs Lawyers by keeping the practising fee stable.

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 Monday 5 September 2022**.

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's 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.

2023 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;

- 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, to the regulatory objectives in the Legal Services Act 2007, and the improvement of specified consumer outcomes. Our proposed Business Plan for 2023 is available with this consultation. The priorities in the Business Plan, together with the core regulatory work described above, constitute the full programme of activity that is funded through your practising fees.

In 2021, we delivered all of our Business Plan priorities, except for two (one was deprioritised for reasons outside our control, the other was delivered in early 2022). A summary of the anticipated and actual benefits of our 2021 work programme is available with this consultation.

Levies and contributions

Our proposed budget for 2023 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 2023, the cost per Costs Lawyer of these contributions will be approximately:

- £23 for the Legal Services Board (8.2% of your practising fee)
- £7 for the Legal Ombudsman (2.6% of your practising fee)
- £9 for Legal Choices (3.0% 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. Our target is now six months' operating expenditure (or roughly six months' gross income from annual practising fees). 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 35% of this target so far and we will make further contributions over the next five years to reach the target level.

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

Your practising certificate gives you 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

In addition you will:

- Appear on the Register of Costs Lawyers on the CLSB website.
- Be able to use, in line with the terms, the CLSB Mark of Regulation on communications to publicise that you are authorised and regulated by the CLSB.
- Have access to the support of LawCare. This is a confidential service which supports the mental health and wellbeing of legal professionals and their families.
- Receive regular CLSB newsletters with the latest updates for Costs Lawyers.

Having a CLSB practising certificate also evidences to clients, the courts and fellow lawyers that you are qualified, regulated, have professional indemnity insurance in place, follow a complaints handling procedure (including access to the Legal Ombudsman) and undertake continuing professional development. You may also be able claim a better hourly rate than unregulated costs draftsmen and increase potential client instructions.

Consultation questions

Main question

Question 1: Do you agree with our proposal to keep the practising fee static at £281 for 2023? 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 2023? 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 Monday 5 September 2022**.

Annex 8

Consultation

2023 practising fee:

Initial equality impact assessment

21 July 2022

Costs Lawyer Standards Board

Initial Equality Impact Assessment (EIA)

This document supports, and should be read with, the CLSB's consultation on the practising fee for Costs Lawyers in 2023. The consultation closes on 5 September 2022.

The Legal Services Board's Guidance on its Practising Fee Rules states that a regulator must carry out an equality impact assessment (EIA) in relation to its proposed practising fee, and the EIA should be informed by consultation with the regulated community. Below is a preliminary EIA setting out how we anticipate the level of the proposed practising fee for 2023 (£281) will affect practitioners with protected characteristics. We have used the summary format recommended by the Legal Services Board.

We welcome your input, particularly if you have evidence which suggests that the practising fee could create barriers to access or progression for certain groups of Costs Lawyers.

Protected characteristic group	Is there a potential for positive or negative impact?	Please explain and give examples of any evidence / consultation / data used	Actions to address negative impact
Disability	No	7% of Costs Lawyers report having a disability, which is higher than in other parts of the sector (for example, 3% of solicitors). Our data suggests that Costs Lawyers can sometimes experience differential impacts due to disability, such as problems accessing court buildings. However there is no data to suggest that practising fees affect this group disproportionately and questions in previous practising fee consultations revealed no evidence of differential impact.	Not applicable
Gender reassignment	No	Our latest diversity survey included a question on gender identity, but the percentage of "prefer not to say" answers compared to the percentage of respondents who we might expect to answer "no" to the question (is your gender identity the same	Not applicable

		as that which you were assigned at birth?) means the data is unreliable. Nevertheless, we expect that the percentage of our regulated community with a different gender identity to that assigned at birth is likely to be very small or zero.	
Marriage or civil partnership	No	We do not collect data on the marital status of practitioners, however as our fee is set at the same level for all practitioners and marital status does not impact ability to practise, we have not identified any risk of differential impact based on this characteristic.	Not applicable
Pregnancy and maternity	Yes	In 2020 we identified that, due to the way we calculate practising fees for Costs Lawyers who reinstate their authorisation part way through the year, practitioners who took parental leave were incurring different practising fees depending on the time of year that their leave commenced. After consulting, we implemented a remissions policy that ensures practitioners receive a reduction in their fee for the whole period they are on parental leave, regardless of the start date.	We will apply the remissions policy again this year (and going forward). More information is available in the parental leave section of our practising FAQs.
Race	No	7% of Costs Lawyers identify as Black, Asian or Minority Ethnic, compared to 21% of lawyers in SRA regulated law firms. As part of our EDI work programme, we are investigating whether there are barriers to entry for these groups which are driving the above statistic. However, none of our research to date suggests that the practising fee presents such a barrier and questions in previous practising fee consultations revealed no evidence of differential impact.	Not applicable
Religion or belief	No	44% of Costs Lawyers report having no religion or being atheist and a further 42% identify as Christian. The proportion of practitioners from other faith groups is small – around 1% or less per group –although a	Not applicable

		relatively high number of practitioners preferred not to report their religion so these groups might be larger than recorded. While we are working to reduce the number of practitioners who prefer not to report their religion, our data does not suggest any differential impact of the practising fee on smaller faith groups. Questions in previous practising fee consultations also revealed no evidence of this.	
Sexual orientation	No	6% of Costs Lawyers identify as lesbian, gay or bisexual compared to 2.7% of the population. While we have strong LGB representation within the profession, there is no evidence that a practising fee which is the same for all practitioners has any differential impact on this group. Questions in previous practising fee consultations also revealed no evidence of this.	Not applicable
Sex (gender)	Yes	There is potential for women to be disproportionately impacted by incurring practising fees whilst on parental leave. Our data shows that, to date, all Costs Lawyers who have been reinstated to the Register part way through a practising year due to taking parental leave have been women.	This is addressed through our remissions policy – see above under "pregnancy and maternity".
Age	No	Due to the profile of qualifying Costs Lawyers, only a small proportion (4.1%) are under the age of 30, and 7.6% are above 60. The vast majority of Costs Lawyers fall in the middle age ranges. There is no evidence to suggest that a practising fee which is the same for all practitioners has any differential impact on the younger or older groups. Questions in previous practising fee consultations also revealed no evidence of this.	Not applicable