

Approval of 2026/27 practising fees application made by the Costs Lawyer Standards Board (CLSB) to the Legal Services Board (LSB) under section 51 of the Legal Services Act 2007 (the Act)

1. The LSB has approved an application made by the CLSB to the LSB under section 51 of the Act. Section 51 of the Act relates to the control of practising fees charged by approved regulators.
2. Practising Fees are payable by a person under an approved regulator's regulatory arrangements, in circumstances where the payment of the fee is a condition which must be satisfied, for that person to be authorised by the approved regulator to carry out one or more activities which are reserved legal activities. An approved regulator may only apply amounts raised by practising fees for one or more of the permitted purposes which are set out in section 51(4) of the Act and the Practising Fee Rules 2021 (the "Rules")¹.
3. Practising fees are payable under the regulatory arrangements of an approved regulator only if the LSB has approved the level of the fee as required by section 51 of the Act. The Association of Costs Lawyers (ACL) is an approved regulator, and the CLSB is the regulatory body to which ACL has delegated its regulatory functions.
4. In making an application, an approved regulator must comply with the provisions of the Rules. The Rules provide a framework for the practising fee application and approval process. An approved regulator must also have regard to the LSB's Guidance on the Practising Fee Rules 2021 (Guidance)² which provides guidance on each of the Rules.
5. This notice sets out the decision taken, including an assessment of the practising fees application.

Summary and overview of practising fees application and decision

6. The application submitted by the CLSB³ proposes that the practising fees will be charged to costs lawyers as set out in the table below and at page 2 of the application. The CLSB's projected total income from practising fees for 2026/27 is £268,963 which is based on the assumption that 781 costs lawyers will pay a practising fee⁴. This is an increase on the budgeted practicing fee income of £238,440 in 2026, which was based on 730 cost lawyers paying a practising fee.

¹ [PCF Final Rules 2021](#)

² <https://legalservicesboard.org.uk/wp-content/uploads/2021/01/PCF-Final-Guidance-for-publication-accessible.pdf>

³ [CLSB PCF 2027 application September 2026](#)

⁴ Not all fee payers will pay the full fee as some will be subject to discounts and others will pay a pro-rated fee as they join the profession during the practising year.

Individual fee	2025/26	Proposed 2026/2027
All costs lawyers	£312	£325

7. Of the total amount of practising fees to be collected (£268,963), £237,214 (88%) will be retained by the CLSB, while the remaining funds (12%) will be split between the levies to fund the work of the Legal Ombudsman (£5,000), the LSB (£20,960) and a contribution to Legal Choices (£5,800). The CLSB expects to incur permitted purposes expenditure of £269,455 which will create a £492 shortfall. The CLSB is confident that it can cover this small overspend by reducing discretionary activity.
8. The funds from the practising fees raised by the CLSB are solely for its regulatory functions. The representative body (and approved regulator) - the ACL, raises its own funds through a separate membership fee.
9. Based on our assessment of the information provided to us, we are satisfied that the CLSB's activities for the 2026/27 practising year⁵ which will be funded by the practising fees, fall within the permitted purposes as set out in rule 16 of the Rules. The CLSB has provided a table at page 7 of its application which explains that it intends to attribute fee income as follows⁶:
 - Business Plan priorities: 28.4%.
 - Strategy and Regulatory policy: 17.45%.
 - Supervision and disciplinary: 12.3%.
 - Governance, finance, staffing & supplier matters and data & compliance: 14.77%.
 - Payment of levies (Legal Ombudsman and LSB) and contribution towards Legal Choices: 11.79%.
 - External engagement including LSB engagement: 9.51%.
 - Authorisation, foreign qualification recognition, training and education: 5.78%.
10. We are satisfied that the CLSB has set its budget independently from the ACL and intends to discharge its regulatory functions in a way that is compatible with the regulatory objectives in accordance with the duties in section 28 of the Act.
11. The application demonstrates that the CLSB has a planned financial position for the 2026/27 practising year.
12. The summary table at pages 7-9 of the application, sets out the allocation of practising fees to the CLSB activities, the associated permitted purposes, expected benefit arising from the activity and the link (if applicable) to the regulatory objectives. This provides transparency and accountability to the regulated community and the LSB.

LSB assessment

13. For this round of practising fee assessments, the LSB is applying a stronger focus on assessing how effectively regulatory activities, funded by Practising Fee income further the interests of consumers and the public. In reviewing this year's application, we have sought to apply the Rules and the Guidance in a proportionate way, focusing

⁵ CLSB Practising year runs from November to October

⁶ CLSB confirm allocations at a per-lawyer level are estimates presented at the time of consultation and therefore vary slightly from the aggregate percentage

on consumer outcomes and other essential considerations such as regulators' financial resilience. We have also applied this approach when reviewing how regulators have met any expectations in previous Practising Fee decision notices.

Ensuring the CLSB is appropriately funded to deliver regulatory functions

14. The table at page 22 of the application shows that the CLSB is expecting to incur a deficit of £7,812 in 2026. This is in addition to a small deficit of £492 for 2027 (see para 7 above). We sought further information from the CLSB to understand how these deficits would be managed with the intention of making sure they would be adequately funded to deliver regulatory functions for the benefit of consumers.
15. The CLSB explained that it holds a 'special projects budget' funded by retained earnings from earlier years which is separate from the 'annual operating budget' and which it uses to fund significant projects of a non-recurring nature. At the end of December 2025, the CLSB special projects budget held £128,685 and page 3 of the application states that it expects an underspend on special projects related to cyber resilience for the forecast 2026 accounts. In response to questions we asked, the CLSB explained that forecasts indicate the underspend will be sufficient to fund the 2026 operating deficit. We note from paragraph 7 above that CLSB expects to cover the 2027 deficit by reducing discretionary activity.

Financial resilience and reserves

16. The Rules require an approved regulator to satisfy the LSB that its target level of practising fee and accumulated practising fee reserves are sufficient to ensure reasonable financial resilience even in adverse circumstances based on a proper risk estimate, and to justify if the target level is significantly more or less than 3 to 6 months of expenditure.
17. The CLSB's target for reserves is to hold practising fee reserves of six months' operating expenditure plus a 10% contingency to account for annual fluctuations in expenditure (page 17 of the application). Its Reserves Policy sets the target at £148,200 but the CLSB's uncommitted reserves (£116,107) are currently £32,093 below that. Page 58 of the application shows that the forecast for 2026 includes a £2,500 transfer to reserves and page 3 explains that an underspend on special projects in 2026 will be used to meet reserve targets in full (**see further para x above**)
18. The CLSB confirmed that it has ringfenced £36,000 to transfer to reserves to meet the reserves target and that it will make the transfer to the reserves once the accounts for the 2026 operating year have been finalised. The CLSB provided a full overview of its expected levels of reserves including how its special project budget in 2026 will be split between transfers to reserves, funding the 2026 deficit and delivering non-recurring projects on cyber security, communications on the benefits of regulation, guidance to the profession on regulatory and ethical expectations and a transition in the CLSB's approach to equality, diversity and inclusion.
19. The CLSB set out its forecast reserves for December 2026 and December 2027 as follows:
 - a) Committed reserves - £36,500

- b) Uncommitted reserves - £148,200 (target calculated using the 2027 budget)
- c) Share capital - £15,000.

20. We note that the CLSB had uncommitted reserves of £116,107 as of August 2026, which equates to 5.4 months of the forecast operational expenditure of £257,277 for 2026. It expects its uncommitted reserves for December 2026 and 2027 to be £148,200 (from a total 2027 budget of £269,455) which equates to 6.6 months of budgeted expenditure for 2027. We note that the CLSB's reserves for 2026 are within the LSB's expectation of 3-6 months which provides financial resilience to mitigate its small budgeted underspend. This is consistent with the LSB Guidance.
21. We note that once the CLSB's reserves have reached its intended level of £148,200 it will be slightly above the LSB's expectation and in line with the CLSB's own policy. We expect the CLSB to take account of its level of reserves when setting practising fees for 2027/28. As set out in paragraph 87 of the guidance any accrued practising fee reserves in excess of the target level ought to be returned to the regulated community by a corresponding reduction in the practising fee for the following year or the approved regulator should explain why this would not be appropriate.

Evaluating benefit and value for money

20. Practising fees are paid by the profession and some of this cost may be passed on to consumers of legal services. As such it is important that the fees deliver benefits for consumers. The Guidance⁷ explains that Practising Fee applications should include an explanation as to how regulators will measure the benefits of their activities (paragraphs 36-39) and address any issues raised in either the previous application or through the LSB's assessment of a regulator's performance (paragraph 42).
21. The CLSB's annual report for 2025⁸ includes an overview of performance against the CLSB's Business Plan Priorities which considers the outcome delivered against each business plan priority. In addition, page 44 of the application includes an overview of how the CLSB seeks to protect consumers and the public via regulation of costs lawyers. We welcome this inclusion, which increases transparency around the benefits paid for by practising fees.
22. We asked for further information on how the CLSB evaluates the effectiveness and impact of its regulatory functions, including the framework, indicators and metrics used, and how success is defined and measured.
23. The CLSB provided a full response to our query setting out that it has a proportionate, risk-based framework which brings together its statutory regulatory objectives, strategic objectives, defined consumer outcomes, intelligence and risk assessment, supervision, authorisation, complaints and enforcement data, stakeholder feedback, and annual business planning and performance reporting. Its framework is designed to answer 3 related questions:

⁷ See paragraphs 36-39 and 42 of [LSB Guidance on Practising Fee Rules 2021](#)

⁸ [clsb.info/download/annual-report-2025/?wpdmdl=79090&refresh=6aad20995837d1789730969](#)

- a) Is the CLSB doing the right things?
- b) Is the CLSB doing them well?
- c) Are they making a difference?

Its framework defines success at several levels as set out below each of which comes with descriptions and indicators:

- a) Strategic
- b) Regulatory
- c) Behavioural
- d) Consumer / Public
- e) Confidence
- f) Efficiency.

24. The CLSB explained that no single metric is treated as determinative. It uses performance indicators⁹ and an annual performance dataset¹⁰ to analyse benefits delivered against their regulatory purpose. The CLSB's approach is based on triangulation of evidence. It gathers evidence through supervision, complaints, enforcement, regulatory returns, research, stakeholder engagement and external developments to monitor outcomes delivered for practising fees.

25. We welcome this approach to evaluating impact which includes evaluation of regulatory effectiveness based on a risk-based, outcomes-focused and evidence-led framework, as opposed to simply measuring the delivery of activities.

Decision

22. The LSB has approved the practising fee application submitted by the CLSB for 2026/27 under section 51 of the Act.

Summary of expectations for next application

The LSB expects the CLSB to: -

- 1) take account of its level of reserves when setting practicing fees for 2027/28.

Richard Orpin, Chief Executive

Acting under delegated authority granted by the Board of the Legal Services Board
09 October 2026

⁹ [Strategy and governance – CLSB](#)

¹⁰ clsb.info/download/annual-performance-datasets/?wpdmdl=79187&refresh=6aad208a241af1789730954