

CLSB responses (in bold) to LSB queries about CLSB 2013 PCF – email 30/09/12

Budget – we weren't clear from the application what the total anticipated income from the PCF will be for 2013. The anticipated number of costs lawyers (565) multiplied by the fee (£250) is £141,250, which is more than the £132,806 budget spend. Is this correct? If so is there a reason why the amount being raised exceeds the budget? We note that while the total figures are the same as those for 2012, the increase in reserves by £20k in 2012 suggests that income may have exceeded spend for 2012 – again, have we understood this correctly?

We have worked on £200.00 for CLSB (565 x £200.00 = £113k) with the £50.00 per head set aside for the levy (we do not know what that will be, but anything left over will then top up the £113k). There are many factors that we cannot budget for in reality for example we do not know what the impact will be of our separating the representative fee from the regulatory fee. We also need monies for projects identified during the year as well as those planned e.g. feasibility of entity regulation. We do not feel it unreasonable to charge the same fee this year as we did for last year. Each year, if CLSB manages to save any monies through sound financial management then it will transfer those monies into its reserve fund for unforeseen circumstances e.g. litigation, major projects etc. As the consultation reveals, no one has objected to the fee of £250.00 remaining the same, which we feel is fair and reasonable. As for our budget, it is at the end of the day an estimate. As a business model it is foolhardy to have revenue below or just at the level of a projected budget.

We could not see any analysis in the application of the 2012 budget and the actual figures (this may help us with the point above). While we note that the 2013 budget shows that the total spend will remain the same as last year, the 2013 budget breakdown does appear to suggest that there will be some changes in specific expenditure in 2013 brought about by, for example, increases in insurance and banking charges and we assume there will also be decreases to counter. It would therefore be helpful to have the information for 2012 for comparison.

Figures for 2012 appear in the accounts which accompanied the application. Our book keeping records for 2011/12 are broken down into the following expenditure headings salaries/tax & NI/travel & subsistence/rent/phone/admin/equipment/services/misc. Was it really the intention of the government when it drafted the Legal Services Act 2007 to create a role for the LSB whereby it went into such detail as £10.00 per month bank charges?

Bank charges: Started April 2012 and average at £10.00 per month (60p per transaction).

Insurance, through sound financial management we negotiated the same rate for 2011/12 as for 2010/11, in the current climate I doubt we would achieve this two years on the run:

PI 12/11/10 to 12/11/10: £1,200.00

D&O: 12/11/10 to 12/11/10: £430.00

Entity 12/11/10 to 12/11/10: £120.00

EL 12/11/10 to 12/11/10: £363.90

Plus insurance premium tax

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It would be helpful if you could confirm what CLSB's reserves policy is – we would particularly like to understand how CLSB reached the view that the current level of reserves is adequate and that the projected level is appropriate in light of CLSB's assessment of possible risks.

As a result of risk assessment at the board meeting on 4 July following receipt of JR proceedings in which CLSB was named as an interested party, the board concluded “the reserve policy was reconsidered and it was agreed the reserve fund would be increased, based on potential exposure rather than annual income. It was therefore agreed to transfer, with immediate effect, £10k from the main account to the reserve account”. CLSB was initially basing its reserves on between 30-50% annual income rather than financial risks faced.

We wondered why only 25% of spend in 2012 was related to Rule 6 (a) of the PCF Rules (the regulation, accreditation, education and training of applicable persons) compared to 55% for 2011? Given that CLSB will be collecting and spending all of the PCF, we were surprised that the figure had decreased. Would you be able to clarify what was behind the decrease on the regulatory permitted purposes in 2012? Do you have an estimate of the likely figure for 2013?

Because we are so small it is difficult to attribute actual spend in such areas, suffice it to say, CLSB does not involve itself in activities which are not permitted purposes.

We would usually seek further information on the detailed breakdown of spend on regulatory permitted purposes and non-regulatory permitted purposes by expenditure category for both the current year and budget year, but given the likely size of the figures involved do not think this necessary.

A sensible and proportionate response for which we thank you. We don't have “departments” for example which would make providing these figures in larger organisations more realistic.

Consultation – thank you for providing the summary of consultation responses. It would be helpful if you could confirm the method of consultation – was it an email to all those regulated by CLSB and publication on the website?

Yes, by email to all those with a 2012 Costs Lawyer practising certificate and publication on the CLSB website.

We noted that the time between the consultation closing and submission of the application was short and would therefore find it helpful to understand how feedback received from the consultation has been reflected in application and what the process for signing off the application post-consultation was, in particular the governance arrangements: was sign off delegated to you? Was there any Board review?

Unfortunately our timetable was put behind because of difficulties outside of our control. As CLSB is not proposing to increase its fee for regulation the consultation provoked little response (7 replies). There was nothing in my view that required board consideration, the 7 who responded all said yes, they agreed the fee for regulation in the sum of £250.00 for 2013 (please see consultation response sheet).

We were also unclear about whether ACL responded to the consultation.

The ACL Council did not respond collectively on this consultation and no current serving ACL Council member responded individually either, but then (i) ACL had consented to separate fees before the consultation paper was issued, and (ii) our proposed fee is the same for 2013 as it was for 2012.