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Dear Lynn

Internal Governance Rules (IGR) – Dual self certification

You will have seen the letter from David Edmonds to Iain Stark, written following our 30 September Board meeting at which ALCD compliance with the IGRs was discussed. In that letter David said that the Board was pleased that ALCD has recognised the challenge of progressing as a regulator and noted the commitment to achieve full compliance with the IGRs by the end of 2011. I would like to re-emphasise this.

David also highlighted that there was a very long way to go – your appointment as Chief Executive of the Costs Standard Lawyers Board marks an important early milestone. The Board previously considered the ALCD's action plan for developing an independent regulatory function at its June meeting and the initial assessment was provided to you in July. This letter sets out the Board's final assessment following consideration of the 27 August response to that assessment submitted by Guise solicitors on behalf of the ALCD.

Overall conclusion

ALCD is not compliant with the IGRs and is at the start of the process of developing an independent regulatory function through the Costs Lawyer's Standard Board. In June the LSB accepted the proposed action plan as the framework for progressing to full compliance. However, acceptance was subject to certain key concerns raised in our initial assessment being addressed in line with the Board's recommendations.

The 27 August letter confirmed acceptance of these recommendations on the whole.

Initial composition of CLSB

The Board has been clear that the CLSB must have a lay majority from the outset and must not include serving members of the ALCD council. We appreciate that one of your first commitments in post is to appoint a chair, which will happen imminently following the completion of your recent recruitment activity, and an independent Board fully compliant with our internal governance rules. It must be right that the independent regulatory board is in place from the start to oversee the building of the CLSB's regulatory function.

However, we note that the Guise letter of 27 August raised some concerns that time limitations may mean that it may not be possible to appoint a board with a lay majority and exclusive of ALCD members from the start. We would not accept this position. We re-emphasise the point made in the initial assessment that we would accept a longer appointments process to achieve compliance in this area, provided slippage in the wider timetable was avoided. We would be content with a regulatory board, compliant with the IGRs, being in place by Easter 2011.

Looking Forward

We have agreed that there will be a good deal of close working between the LSB and the ALCD (and now the CLSB) to deliver compliance with the Act and rules. This continues the process of informal resolution as set out in the Board's compliance and enforcement statement of policy. You are to keep us informed of your developing plans and outputs. We note the commitment to provide the Board with metrics for measuring progress and that documentation is currently being prepared to this end. As set out in the initial assessment we reserve the right to suggest amendments to developing plans and arrangements.

Of course, complying with the IGRs is but one piece of the jig-saw. It is important that the CLSB develops into a body that is able to deliver regulation that is independent and also capable of meeting the full range of regulatory objectives contained within the Act. And this must be achieved at a cost that does not result in practising fees that present a barrier to entry to existing or potential members. My team have already been in touch with you to discuss our wider requirements and the management of our relationship as you progress. We anticipate receiving your application for approving the level of the practising fees in the near future. We will expect this application to include details of the likely set up and operational costs of the CLSB and how this will impact on the level of the practising fees. The dual self-certification of compliance with the IGRs is an annual process and certificates will be due in April 2011.

I have copied this letter to Iain Stark. It will be published on the LSB web-site early next week.

If you have any further queries please contact James Meyrick on 020 7271 0083, James.Meyrick@legalservicesboard.org.uk or Chris Handford on 020 7271 0074, chris.handford@legalservicesboard.org.uk. I also remain available to discuss these matters with you.

Yours sincerely



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cc. Iain Stark