

From the Chief Executive

Chris Kenny
Chief Executive
Legal Services Board
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The Law Society

23 November 2011

Dear Chris

Internal Governance Rules

Thank you for your letter of 9 November, setting out what the Legal Services Board wishes to receive in order to compete this year's IGR process.

As you know, the Council approved the arrangement as set out in the papers we sent to you on 4 November, with only three minor amendments to the documentation, which we were readily able to agree with SRA. I enclose a copy of the final version. For ease of reference, the amendments made were to the second bullet point in paragraph 2 of the introductory document, to the sixth limb of the Terms of Reference of BOB, and a few words at the end of paragraph seven of the oversight protocol.

I must reiterate that the Law Society is satisfied that the existing arrangements not only deliver independent regulation, but are compliant with the Internal Governance Rules, subject to the point about composition of the SRA Board on which we agreed a way forward last year. We are committed to introducing the new arrangements, because we think it a matter of considerable importance to establish arrangements in which SRA have greater confidence. But that does not mean that we consider there to be anything improper either in principle or in practical application with our current arrangements.

Our intention is that the General Regulations to give effect to the new arrangements will be considered (and, we hope, adopted) by the Council at its meeting on 14 December. We will of course be consulting SRA closely about those amendments to the General Regulations, because it is important that the changes accurately incorporate the agreement between us. We will naturally be happy to let the Legal Services Board see the proposals which are going to the Council.

However, I am afraid we do not agree that there is any need for intensive monitoring of the arrangements by the Legal Services Board. Such monitoring might be appropriate if there were reason to fear that the SRA Board was not genuinely independent of the Council, so that it was in some way in our pocket. I am sure there are many criticism which may rightly or wrongly have been made of the SRA Board, but subservience to the Law Society Council is certainly not one of them.

The Legal Services Board can be absolutely confident that if the SRA Board thought the arrangements were operating so as to interfere with the independence, or to undermine the effectiveness of SRA, the matter would be reported to the Legal Services Board.

In these circumstances, we believe that the Legal Services Board should adopt a more proportionate approach. We are happy to let you have a timetable for implementation, and we will be happy to commit to letting you know if any significant delays should arise. I enclose the current timetable. We will be happy also to have periodic meetings involving the three of us, and the new post holder (now called Director of Organisational Services) subject to anything new the new Director may themselves say about that. But we are not persuaded that regular reports are necessary, as they might be for a delinquent body. Nor do we think it appropriate to give the Legal Services Board copies of BOB papers, except to the extent if any that they are in the public domain.

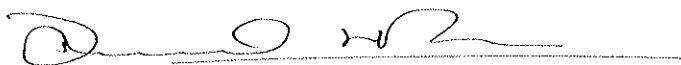
We note you have framed the request under section 55 of the LSA 2007. In making that request we cannot see that you have properly had regard, pursuant to section 3(3), to the principles that the Board's regulatory activities should be proportionate and targeted only at cases where action is needed. Accordingly, we would ask you to reconsider that request.

The final section of your letter raised some additional points. Our response to those is as follows:

- SRA will respond to your questions about how the new arrangements deal with the issues they raised in May. We have seen that response but since we did not consider the concerns they raised to have been well-founded, we do not consider we should ourselves comment on this aspect.
- I responded to your letter of 14 October on 8 November. I enclose now the final agreement between the Society and SRA, together with an exchange of correspondence between myself and Antony. This is the whole agreement between the Society and SRA. The Council also received an analysis of the proposals, but since that includes a legal assessment of the Society's position, I do not think it appropriate to share it with the LSB.
- I respond to the points raised in the appendix to your letter in the annex to this. Antony will reply separately on those points.
- I enclose the signed certificate.

I am copying this to Antony Townsend.

Yours sincerely



Desmond Hudson
Chief Executive

Encs.