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Chief Executive
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**LEGAL SERVICES
BOARD**

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28 September 2012

Dear Des,

Provision of Information to the Legal Services Board (“LSB”)

I write to formally confirm the LSB’s decision to:

- terminate the requirements set out in the notice first issued, in accordance with section 55 of the Legal Services Act 2007 (the “Act”), to the Law Society on 19 December 2011 and then subsequently amended on 16 February and 26 April 2012 (“the first section 55 notice”); and
- issue to the Law Society a further section 55 notice as per the requirements set out at Annex A.

The provisions in the first section 55 notice required you, the Law Society, to provide us, the LSB, with a monthly update report and copies of all documentation provided to the Business and Oversight Board (BOB). We used this statutory mechanism as we considered that the arrangements to ensure the independence of regulatory functions from representative functions were not necessarily compliant with the LSB’s Internal Governance Rules (IGRs). Notably, we took account of the serious concerns about the independence of regulation expressed during that year’s IGR exercise. We also considered at that stage that there had been a failure to meet all commitments from the previous year, along with a reticence to provide Board and Council papers to assist the LSB to reach a conclusion regarding the new proposed arrangements.

Although the new arrangements appear to be beginning to evolve into an effective tool for delivering oversight, the LSB has some concerns about how they are working in practice:

- we are concerned that BOB has, in addition to providing oversight of SRA Board and Corporate Shared Services, acted as a decision-making body on what seem to be appropriately SRA executive decisions;

- we are concerned that the requirement on the Law Society "to take such steps as are reasonably practicable to ensure that it provides such resources as are reasonably required by the SRA" appears, in respect of the Enabling Programme, to have been managed through BoB making recommendations to the Law Society representative side's Management Board, rather than directly or to the Council;
- we are concerned, more generally, that capital expenditure may be being managed in a way that is inconsistent with the IGR requirements that the SRA Board is accountable for defining its resource requirements because of pressure to refer detailed decisions to the Group Projects Board and/or for decisions to be informed by the advice of the Management Board.

In addition to these specific concerns, the LSB considers that further monitoring is a proportionate way to seek ongoing assurance that the design and practical operation of the current arrangements do not pose a more general risk to the ability of the Law Society group to act in a manner compatible with the regulatory objectives and to have due regard to the better regulation principles. We consider that such concern arises because the design and role allocation of BOB, in practice, appears more complex than was originally set out. This is evidenced by a lack of clarity about to whom individuals are accountable, how separate parts of the Group are held to account and the apparent blurring of executive and oversight functions.

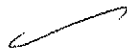
In the light of the progress made, the LSB therefore no longer requires the Law Society to provide a formal written report, but, given the specific ongoing concerns set out in this letter, we require you to continue to provide the Board with all papers provided to members of BOB. This requirement will continue until we can be satisfied that the concerns outlined above have been addressed. This information is required pursuant to section 55 of the Act and a notice specifying our exact requirements is at Annex A.

I am also sending this letter and its enclosure to Antony Townsend and to Alan Vallance, with the request that you and they copy to the President, SRA Chairman and others as appropriate. As before, we will publish a copy of this letter and the notice.

Yours sincerely



Chris Kenny
Chief Executive



Annex A: Requirement to provide information: Section 55 Legal Services Act 2007

1. This notice is served upon the Law Society ("the Society") by the Legal Services Board ("LSB") in accordance with section 55 of the Legal Services Act 2007. This notice requires the Society to provide the information set out below.
2. The Society is hereby required to produce the following documentation to the Chief Executive of the LSB:
 - Complete copies of the Business and Oversight Board meeting minutes, agenda and papers as supplied to members of that Board, within 24 hours of the start of the Board meeting at which these papers are tabled;
 - All additional papers, presentations or other documents provided to the Business and Oversight Board during Board meetings, within 24 hours of the start of the meeting at which they are tabled; and
 - All further papers provided to the Business and Oversight Board outside the planned schedule of Board meetings, within 24 hours of the start of the next Board meeting that follows the provision of such papers.
3. Copies of all the documents set out at 2 above must be sent to the Chief Executive of the LSB by email in PDF or Word format.
4. The requirements set out at 2 and 3 above will continue until such time as the LSB amends or revokes this notice.
5. The LSB reserves the right to amend or revoke this notice.

Legal Services Board

28 September 2012