

## The Approval Mechanism:

Practising Fee Rule – criteria	Practising Fee Rule – evidence	Further detail on criteria and evidence – required	Further information – required	LSB Assessment [office use only]
<b>Section 1: Developing the application / Setting the Budget</b>				
D.10 (a) - (e) Insofar as the criteria mentioned in Rule 9 (c) are concerned, the Board and Approved Regulator should have regard to factors including the following:	D.11 (a) - (f) Insofar as the evidence mentioned in Rule 9 (d) are concerned, the Board and Approved Regulator should have regard to factors including the following:	<p>The LSB has a copy of ILEX's 3 year business plan and budget.</p> <p>A number of assumptions were made in developing the budget. These include growth in turnover and profit by ITC; increase in assessment fees as the new professional qualification beds in and the number of subjects available for examination after 2010 increases; and that the number of Legal Executives and other members remains steady throughout the 3 year period. The LSB set-up and operating costs, over the three year plan period, are being funded from reserves and greater than inflationary increases in Practising Certificate (PC) fees (see comments below). This gives rise to a deficit balance in the budget which is expected to be reduced progressively to nil by end 2012. Inflation of 3% is assumed throughout the period.</p>		

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		<p>The 2010 budget was originally approved by the Council of ILEX in November 2009. The direct budget for IPS had been developed by the IPS (ILEX Professional Standards) Board and included within the overall ILEX budget. There was no consultation with members or other stakeholders.</p> <p>The Council agreed a PC fee rise for 2011 at their meeting in May 2010 after considering the business plan and forward budget. A 10% increase across all grades of membership had been recommended. Council decided to raise the PC fee for Fellows by 13%, and not to increase fees for the student membership. Membership fees for all other categories of membership will be increased by 10%. Council concluded that as Fellows are the main beneficiaries of statutory regulation with its associated increases in costs of £500,000 per year, they should bear the brunt of meeting those costs.</p>		

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	D.11 d) an explanation of contingency arrangements where unexpected regulatory needs arises in-year;	<p>ILEX has considerable cash reserves which it has carefully accumulated in accordance with its Reserves Policy and which are designed to meet unexpected need including unexpected regulatory need.</p> <p>Costs of developing and implementing extended rights for Legal Executives were not fully reflected in the 3 year budget. They will be met from reserves during 2011 and budgets will be agreed for that work during the year.</p> <p>2011 budgets are being prepared by ILEX on a range of assumptions about income from practice fees, membership fees, examinations and commercial activities.</p>		
D 10. b) evidence which demonstrates that the revenue raised through the practising fee charge will be applied solely to purposes which are	D.11 e) evidence of how the previous year’s practising fee income was allocated only to permitted purposes;	As this is year 1, this information is not available.		

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permitted purposes;	D.11 b) a budget showing anticipated income from practising fees, all other expected income to be applied to permitted purposes and planned expenditure of income against the permitted purposes;	Budget herewith. Please note that permitted purposes expenditure is heavily supported across the whole membership.		
<b>Section 3: Regulatory functions</b>				
D.10 c) clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are regulatory functions;  D.10 d) clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are not regulatory functions; and	D.11 c) an explanation of how the cost to each regulated person is to be broken down as between income to be allocated to the discharge of regulatory functions and income allocated to any other functions;	Please see the budget, and the Internal Governance self certification documents that we have already submitted for our IGR. The budgets distinguish between regulatory and permitted purpose costs. We have assumed that all of IPS activities are regulatory expenditure, as is the costs to ILEX of the LSB and OLC.		
<b>Section 4: Clarity and transparency</b>				
D.10 e) evidence that persons		As noted above, ILEX has not consulted the		

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<p>paying practising fees will have explained to them how revenue raised through the charging of practising fees will be applied as between the Approved Regulator’s performance of regulatory functions and any other functions also carried on by the Approved Regulator.</p>		<p>membership this year for the 2011 PC fee increases. Legal Executives are the members of ILEX as the company limited by guarantee and as such are the only voting members of the company. They receive the ILEX annual report including audited accounts in time to attend the AGM and raise issues there, or indeed in advance. The Annual report and Accounts is placed on the ILEX website also. Additionally, although after the event, all Legal Executives this year will receive a letter with further detail from the Chief Executive. The Business Plan and Budget, together with the Certificate of Regulatory independence will also be placed on the ILEX website. ILEX is now planning its consultation for 2011 regarding the 2012 practice fee.</p> <p>Section 51(6) (b) of the Act explicitly requires our rules to specify consultation requirements.</p>		

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		<p>We will require the Approved Regulator to be fully accountable to their members who are mandated to pay practising fees.</p> <p>We expect to see evidence that the Approve Regulator has been proactive in ensuring transparency and clarity of understanding about how the level of the fee has been settled and how the collected money is being used.</p> <p>We would encourage the analogy of the Council Tax leaflets distributed alongside the forward council tax bill each year, but with no requirement for a paper based exercise. For example, this information could be web-based with a link sent to members who are mandated to pay practising fees.</p>		
<b>Section 5: Regulatory and diversity impact assessment</b>				
	D.11 f) a regulatory and diversity impact assessment.	ILEX has a developed Equality and Diversity Policy. It has a developed action plan designed to improve continuously its approach to E&D. All policy decisions taken by the Council have regard to Equality and Diversity issues and the		

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**Approval Mechanism:** additional criteria around consultation

Practising Fee Rule	Detailed criteria	Further information	LSB Assessment [office use only]
<b>Section 6: Consultation with non-commercial bodies and the Consumer Panel</b>			
Section 51 (7) (a) of the Act provides that our rules must contain “provision requiring the Board, before it determines an application for approval of the level of a fee, to consult such persons as it considers appropriate about the impact of the proposed fee on persons providing non-commercial legal services”.	ILEX has taken no action in this regard. Legal Executives are regulated and pay practice certificate fees as individuals. There is no direct or substantive impact on non-commercial legal services providers.		

Rule D (12) provides that we may consult any person we consider appropriate and in particular the Consumer Panel.	Information regarding our proposals will be available via the ILEX website and will be brought to the attention of the bodies referred to.		
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