

BY EMAIL

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Dear Paul and Catherine,

**Approval of application made by The Law Society and Solicitors Regulation Authority (SRA) to Legal Services Board (LSB) under section 51 of the Legal Services Act 2007 (the Act) for the level of practising fees for 2016/17**

I am pleased to confirm that the levels of the 2016/17 fee determinations for practising certificates, recognised sole practices, recognised bodies and licensed bodies, as set out in your joint application and supporting documents of 18 July 2016 have been approved by LSB. We are content that the information provided by The Law Society (TLS) Group met the criteria of LSB's Practising Fee Rules 2016. This decision has been made under the authority delegated to me as the Chief Executive.

We welcome the reduction in the level of PCF for both individuals and firms. As you know the cost of regulation is a key focus for us, and our expectation is that approved regulators should be taking steps to deliver reductions in fees.

There are two aspects of the application I would like to comment on.

We note the Law Society Group capital IT investment plans and as part of the assessment process asked how you intended to manage the risk of overspend on the investment and potential consequent calls on reserves. It has been confirmed that the cost estimates for the IT transformation programmes are based on detailed analysis and planning and include amounts for contingency. It was also confirmed that at this stage a conservative approach has been taken in modelling the potential financial benefits.

Given the way in which the programmes have been planned and costed, and the way in which they will be delivered, you have said you do not expect cost overruns. We are reassured by your confirmation that if you see early indications of a funding problem

arising later in the programmes, you would revisit issues such as scope, timing and delivery approach, rather than automatically accepting an increased cost of delivery. If such an event arises please would you advise us.

The second matter I would like to comment on is the reference in the application to advice from Counsel and an accountancy firm to the Law Society in 2015, in relation to commercial income. On the basis of that advice, it is asserted in the application that income that is generated from permitted purposes is free from the ambit of section 51 even if the activities are funded by practising fees. The application for 2016/17 did not include a proposal for this "commercial income" to be treated as outside the scope of the LSB's approval decision. Therefore this particular issue is not material to your application and has not formed any part of the LSB's consideration in its assessment of the 2016/17 fee level.

However, the LSB would like to make clear that any proposals made in the future in respect of the allocation of financial resources received by an approved regulator from its permitted activities will be taken into consideration in deciding the appropriate level of practising fee to be borne by authorised persons. This is set out in the Practising Fee Rules 2016. When considering all PCF applications, the LSB will also have regard to the compatibility of the proposal with the regulatory objectives and its other statutory duties.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. Buckley', with a long horizontal flourish extending to the right.

Neil Buckley  
Chief Executive

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