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20 October 2016

Dear Linda

**Application by the Chartered Institute of Legal Executives (CILEx) and CILEX Regulation under section 51 of the Legal Services Act 2007 for the approval of the level of the practising fee 2017**

On 28 September 2016, we received your application under Section 51 of the Legal Services Act 2007 seeking approval of the 2017 practising certificate fees.

I am pleased to inform you that the 2017 practising certificate fees have been approved. This decision has been made under the authority delegated to me as Chief Executive by the LSB.

I acknowledge that the 2.5% increase in PCF for CILEx Fellows is in the context of CILEx Regulation working towards a model of full cost recovery, where the costs of regulatory and permitted purposes activities are met from practising certificate fee income.

I understand that there was an underestimate of financial projections for costs and expenditure when developing the 2016 budget. While this was partly offset by transferring income from Fellowship applications, practice rights and accreditation fees, the underestimation and subsequent reassessment also contributed to the need to increase PCF. We note and welcome your reassurance that processes, reviews, and oversight by the current Board and executive team, of financial performance, budgeting and forecasting, are now robust and fit for purpose. In the context of impact on PCF level, we will be seeking an update in next year's PCF application as to the systems CILEx Group has put in place for accounting and management oversight so that we have full confidence in its budgeting arrangements and forecasting.

In our decision letter for the 2016 fee of 7 September 2015, the LSB said it recognised that CILEx and CILEx Regulation are in a transitional period following the designation for additional reserved activities and the commencement of entity regulation and that it will

take time to build the data on the true cost of these new activities. We also said this is something that we would be likely to look at for the 2017 fee application.

I note that as take-up of entity regulation has been lower than envisaged it has not yet been possible to derive unit costs, so it is difficult for you to build data on overall true regulatory costs for entity regulation. This is why you decided to apply inflationary cost increases to entity fees (of 1.5%). With regard to additional reserved legal activities, it was confirmed that there are plans to step up the approach to marketing practice rights which will, it is hoped, increase the uptake and enable CILEx Regulation to become more sophisticated in calculating the true cost of delivering the various practice rights it now regulates. We would be interested to see how that has developed next year.

I was pleased to see that the application complied with the revised LSB PCF Rules 2016 in providing a three-year budget forecast, given that increases in practising fees are sought. I noted the CILEx Group aim of achieving a balance between the cost of regulatory and permitted purposes activity and income by 2019 while maintaining PCFs at the 2017 level over the three-year budget period. I particularly welcome the intention to stabilise and then to reduce PCFs when possible over the next few years.

In respect of the Associate Prosecutor (AP) fee, which is increased by 25%, I am aware that this is paid by the Crown Prosecution Service (CPS) and not APs themselves. While I understand from the application that the CPS requested a different approach to increasing the fee, it accepted in the end that it is for the approved regulator to set the level. While the increase is high in percentage terms, I see that the total cost to CPS is reduced by about £6,000 due to reduced numbers of APs at CPS.

Finally, I note that there was an 8% increase in consultation responses on the PCF which builds on the 78% growth in responses achieved in 2015. This is very encouraging indeed and I am pleased that CILEx and CILEx Regulation have continued to increase response rates by so much.

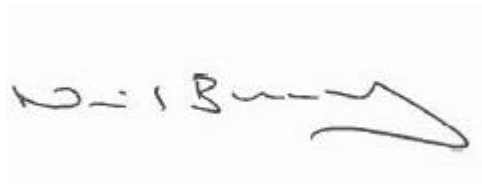
On the Compensation Fund contribution for 2017, this is not within the definition of permitted activities and so does not require approval under section 51. I enclose an Exemption Direction (issued under paragraph 3 of Schedule 4 to the Act) approving this contribution level.

We will be publishing a copy of this letter on our website in the next few working days.

Please contact Paul Greening, ([paul.greening@legalservicesboard.org.uk](mailto:paul.greening@legalservicesboard.org.uk) or 020 7271 0075) if you have any questions.

I have written in similar terms to Helen Whiteman, Chief Executive, CILEx Regulation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Neil Buckley', with a stylized flourish at the end.

Neil Buckley  
Chief Executive

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