

BY EMAIL

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Dear Paul and Paul,

**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 2018/19**

I am pleased to confirm that the levels of the 2018/19 fee determinations for practising certificates, recognised sole practices, recognised bodies and licensed bodies, as set out in your joint application and supporting documents of 19 July 2018, have been approved by the LSB. This decision has been made under the authority delegated to me as the Chief Executive.

We welcome the stabilisation of PCF levels for both individuals and firms. As always, cost of regulation continues to be a key focus for us, and our expectation is that approved regulators should be taking steps to deliver reductions in fees whilst maintaining high regulatory standards.

There are three matters I wanted to highlight for this year.

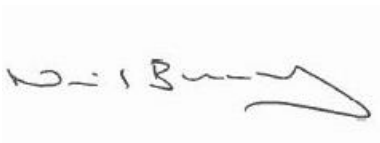
The first is to say that I was very pleased to see that there was a longer consultation period than for the 2017/18 fee proposals. I know that the LSB commented on the short consultation last year and I am grateful to the Law Society Group (the Group) for responding so positively to our request for a longer period. In the future, the LSB will do all it can to provide the SRA with the necessary information on projected levies to enable the Group to consult as early as possible.

I note that it is planned that any IT modernisation programme costs above the level provided in the 2018/19 budget will be met by the use of reserves held by the Group. Furthermore, we note from the application that where Group reserves are used to fund

these IT programmes, it is planned to replace those reserves from future fee collections. While the LSB acknowledges that following completion of the IT programme lifecycle and the repayment of reserves, SRA and TLS expect to reduce the level of funding required for capital investment collected through annual fees, the LSB will expect more detail in the 2019/20 application on the likely impact of IT programme costs on reserves and therefore on the trajectory level of fees.

Finally, in our decision letter for the 2017/18 fee we raised the matter of The Law Society allocation of funds to permitted and non-permitted activity. We had been unable to fully consider this aspect in the period of assessment for that application, and made further subsequent enquiries. As a result of additional information provided by the Law Society we identified that internal legal guidance provided to cost centre managers was central to decision making on the allocation of funds to permitted and non-permitted purposes by the Law Society. I understand that colleagues in our offices are continuing to engage on the guidance and I will write separately once these further enquires and deliberations are complete.

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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