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6 September 2012

Dear Diane,

**Application by ILEX Professional Standards (IPS) and the Chartered Institute of Legal Executives (CILEx) under section 51 of the Legal Services Act 2007 for the approval of the level of the practising fee 2013**

Thank you for submitting an application on behalf of IPS and CILEx under section 51 of the Legal Services Act 2007 (the Act) and the Legal Services Board's (LSB) Practising Fee Rules 2009 (the Rules) on 1 August 2012 and for submitting additional information in response to our queries on 31 August 2012. We intend to publish this information alongside your application.

I am pleased to inform you that the 2013 practising fee has been approved. This decision has been made under the authority delegated to me as Chief Executive by the LSB.

In reaching our decision, we had several observations, which I set out below and which you may wish to consider for future applications.

*Budget*

The LSB's guidance on practising fee applications states that all budget figures should be shown with current year figures, including the figures for PCF income and expenditure, permitted purposes and regulatory functions. We were therefore grateful to receive this additional information on 31 August and will publish it alongside the application. It would be helpful if this information could be provided with future applications.

We note that the PCF rate will not cover regulatory costs entirely and that £145,000 of these costs will be met by non-PCF sources. This is clearly a matter for your judgement. However, we consider it important that your membership and stakeholders are aware of

the full cost of regulation and the sources from which that cost is met. We therefore welcome the fact that your submission was explicit on this point.

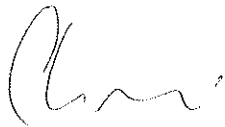
### *Reserves*

From the application we were unclear about the basis of IPS' approach to reserves. It was therefore helpful to receive confirmation that the reserves policy states that reserves should be maintained at a level which is at least equivalent to 12 month's budgeted PCF and membership subscription income, which for 2013 is £3.3m. This was against a group reserves total of £8.6m (as of end of 2011). Given that the policy stipulates a minimum level, we note that there is no requirement to reduce the group reserves to that minimum. However, should the reserves total continue to rise, future applications should demonstrate how the impact of a high level of reserves has been considered when setting the fee levels.

We will be publishing a copy of this letter on our website in the next few working days. Please contact Karen Marchant, Regulatory Associate, ([karen.marchant@legalservicesboard.org.uk](mailto:karen.marchant@legalservicesboard.org.uk) or 020 7271 0054) if you have any questions.

I have written in identical terms to Ian Watson, Chief Executive, IPS.

Yours sincerely,



**Chris Kenny**  
Chief Executive

