

Name of Body	TLS & SRA
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	Date	Type of format received	Confirmation of receipt sent?	Document link
Receipt of full application	19/07/2010	Email	Yes	http://www.legalservicesboard.org.uk/Projects/independant_regulation/index.htm

Initial pre-application process including draft documents or correspondence received for assessment against the final application

	Yes or No	Description	Document link	Date received
Was there any correspondence received from the AR prior to the submission of the final application?	Yes	The TLS/SRA have been proactive informing the LSB of changes to their practising fee structure. Correspondence in the form of their consultation (of which there have been three in the past 18 months) have been provided to the LSB during that time with engagement established since 18 August 2009.	n/a	The LSB and TLS/SRA engagement since 18 August 2009
Were any documents received from the AR prior to the submission of the final application?	Yes	We received the rule change application to change their fee structure on 05 July 2010 and the draft practising fee application was received on 06 July 2010.	n/a	Draft practising fee application received 06 July 2010 - in advance of the full application to be received soon after 16 July 2010
To what section of the final criteria do these documents relate?		The draft practising fee application related to each section of the criteria.	n/a	As above
Do we have any concerns arising from the documentation?	Yes	We requested additional information on practising fee monies spent only on purposes which are permitted purposes under s.51 of the Act.	n/a	n/a
How and what have we communicated back to the AR?		We held a meeting with TLS/SRA working heads on 01 June 2010 to discuss their rule change application and criteria for practising fee applications. An additional meeting was held on 12 July 2010 to discuss an issues from the draft practising application. We established in the meeting held on 01 June 2010 that the draft practising fee application would be received and reviewed and any issues arising to be discussed in a further meeting. The LSB received the final application for practising fees on 19 July, after it was approved at the TLS Council meeting. The LSB agreed with TLS/SRA a short timeframe to approve the full application by 27 July, but emphasised that this will only be possible if the criteria we have set out has been met.	n/a	Meeting held on 01 June 2010. Follow up meeting held on 12 July 2010

What was the outcome of the exchange for correspondence?		Agreed dates for the receipt of the full application.	n/a	n/a
Do we have any concerns arising from this exchange?	Yes	Clarity that practising fee monies are spent only on purposes which are permitted purposes under s.51 of the Act.	n/a	n/a
Have these concerns been resolved?	Yes	A letter from TLS has reassured us that the value allocated to non-permitted purposes is off-set by the contribution made from Law Society commercial revenue total value of revenue / reserves to permitted purposes.	n/a	Letter received 21 July 2010

Summary

The SRA/TLS have engaged with the LSB early in the process of settling their practising fee arrangements. They have provided the necessary information to meet the criteria for approving practising fee levels set out by the LSB.

Overall level of concern **No concern**

Section 1: Developing the application and setting the budget

This section of the criteria refers to D10a & D11a /D11d of the Practising fee Rules 2009.

Criteria - application	Yes or No	LSB Assessment
Is there a description of how the application was developed and settled?	Yes	The draft application documents gave a detailed description of the rationale behind the shift from the previous system of which most of the cost of regulation has been met through practising fees imposed on individual practising solicitors (and equivalent fee for Registered European Lawyers and Registered Foreign Lawyers) to a new structure which 40% of the cost will be met through individual PCF and the balance will be met through a new firm based fee charged to recognised bodies and recognised sole practitioners. The draft application also set out that the shift to the new fee structure will better reflect that at least 60% of regulatory effort relates to firms and no more than 40% relates to individuals. It also sets out that new structure indicates that it is fairer, simpler and reduces the risks of anomalies; in the previous system firms paid for regulation on the basis of the number of practising solicitors they employ and the new system is based on banded turnover.

Criteria - budget	Yes or No	LSB Assessment
Is there a description of how the budget was developed and settled?	Yes	Similar to the process followed in settling the application, the application gives detail on the process that was followed in ensuring 'reasonable care was taken' when setting the budget. In terms of the budget setting process, the application sets out the budgetary planning cycle which notes the key activities and decisions required in settling the budget.

Is there sufficient detail to make an assessment of 'reasonable care' when settling the application?	Yes	The application gives a description that 'reasonable care was taken' when the application was developed and settled.
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Is there evidence that the budget was settled in light of immediate and medium term budgetary needs?	Yes	The application includes the budgetary planning cycle which sets out the key activities and decisions required in settling the budget.
Is there a description of contingency arrangements?	Yes	The application sets out contingency arrangements noting that TLS has sufficient reserves to accommodate for additional funds.
Does this include a section on the consultation undertaken with practitioners?	Yes	There were three separate consultations conducted on the new fee structure between June 2009 and April 2010 in addition to meetings and workshops with key equality stakeholders and members of the professions.
Is there a description of the revenue raised broken down between functional department and expenditure head for:	Yes	n/a
Previous year?	Yes	n/a
Forecast year?	Yes	n/a
Is there a description of a significant variance from the previous year in terms of:	Yes	n/a
Total revenue?	Yes	n/a
Split between functional departments and expenditure heads?	Yes	n/a

Overall comments

n/a

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n/a

Evaluation

The application meets Section 1 in the criteria for practising fee applications issued by the LSB.

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The application meets Section 1 in the criteria for practising fee applications issued by the LSB.

Level of concern No concern

Level of concern No concern

Section 2: Permitted purposes

This section of the criteria refers to D10b & D11e/D11b of the Practising fee Rules 2009.

Criteria	Yes or No	LSB Assessment
Is there evidence that the revenue raised through practising fee charge are applied solely to the permitted purposes?	Yes	There are some concerns, see overall comments below.
Previous year?	Yes	n/a
Forecast year?	Yes	n/a
Does it include a budget that shows:		
Anticipated income from practising fees	Yes	n/a

All other expected income to be applied to permitted purposes	Yes	n/a
Planned expenditure of income against permitted purposes	Yes	n/a
Does it include an analysis of spend against the permitted purposes?	Yes	n/a
Is this broken down by functional department / expenditure head?	Yes	n/a

Overall comments

At the meeting held with the TLS/SRA on the 12th July, the LSB raised an issue of concern regarding the application in that it did not include a breakdown of costs by each of the permitted purposes; this was a requirement that was set out in the criteria for approving each practising fee applications. TLS informed the LSB that the breakdown was not possible this year as their systems are not set up to carry out this function. The LSB intends to arrange discussions with TLS about the type of information to be provided for next year's application. The LSB also questioned some of the central costs allocated to permitted purposes in the PCF information provided by TLS, for example all central costs and the running costs of the CEO office. TLS clarified that not all the costs will be associated or incidental to functions that are permitted purposes. TLS explained the reasoning for continuing to allocate the non-permitted costs to PCF revenue was that there would not be any savings if they did not have them. Their interpretation of the Act is that S51 is that non permitted purposes may be charged to PCFs provided that the PCF level required could not be reduced if the activity is not being undertaken.

Evaluation

Overall, the application broadly meets Section 2 in the criteria for practising fee applications issued by the LSB. On receipt of the final application, the LSB still held a concern over the issues raised in the meeting on the 12 July with TLS/SRA representatives. These concerns have now been resolved through correspondence in the form of a letter received by the LSB from TLS clarifying the issues raised.

Level of concern Some concern

Section 3: Regulatory functions

This section of the criteria refers to D10c D10d & D11c of the Practising fee Rules 2009.

Criteria	Yes or No	LSB Assessment
Is there an explanation of how the revenue raised by practising fees is applied to - i.e.		n/a
Permitted purposes which are regulatory functions (not representative)	Yes	n/a
Permitted purposes which are not regulatory functions	Yes	n/a
Is there clarity and transparency of how the revenue raised is to be applied to - i.e.		n/a
Permitted purposes which are regulatory functions (not representative)	Yes	n/a
Permitted purposes which are not regulatory functions	Yes	n/a

Overall comments

n/a

Evaluation

The application meets Section 3 in the criteria for practising fee applications issued by the LSB.

Level of concern: **No concern**

Section 4: Clarity and transparency

This section of the criteria refers to D10e of the Practising fee Rules 2009 & section 51(b) of the Act

Criteria	Yes or No	LSB Assessment
Consultation with members		
Does the application include a description of their consultation undertaken with their members mandated to pay practising fees?	Yes	There were three separate consultations conducted on the new fee structure between June 2009 and April 2010 in addition to meetings and workshops with key equality stakeholders and members of the professions.
If yes, does the description of the consultation process include transparency and clarity of how the fee level has been set and how the money collected will be used?	Yes	The new fee structure has been developed through open consultation and engagement.
If yes, does the application also include a description of how that feedback influenced the decision-making and policy development processes?	Yes	As above.
Is the level of information provided to members similar to what has been provided in the criteria?	Yes	The application emphasised that the old system did not assist in transparency in a number of ways i.e. giving an understanding of the underlying cost of regulation (if fees rose or fell and what was the reason? i.e. has the practising fee reduced or are the number of practitioners paying the fee risen and fell). The application describes the new system as increasing transparency by moving to a situation whereby regulatory activity will be met through practising fees and only the costs directly associated with the Compensation Fund will be raised through compensation fund contributions. The application includes a useful summary in plain English which gives a summary of the new fee policy.
In terms of the level of information provided to members, does the application include the recommended use of the 'Council Tax bill' analogy and/or another form of web-based linked information?	Yes	A set of graphs and tables and other information will be published on the SRA website.

If yes, when was this information issued to the mandated members paying the practice fees i.e. as the fee note issued or shortly afterward?	Yes	Information was posted on the TLS website.
Consultation with representative governing councils or the equivalent		
Alternative to the above, does the application set out that changes to the practising fee arrangements are minimal, and consultation was therefore only involved representative governing councils or the equivalent?		n/a
If yes, is there a description of what consultation that was taken place?		n/a
If yes, does the application also include a description of how that feedback influenced the decision-making and policy development processes?		n/a

Overall comments

n/a

Evaluation

The application meets Section 4 in the criteria for practising fee applications issued by the LSB.

Level of concern: No concern

Section 5: Regulatory and diversity impact assessment

This section of the criteria refers to D11f of the Practising fee Rules 2009

Criteria	Yes or No	LSB Assessment
Does the application include a regulatory or diversity impact assessment?	Yes	A full equality impact assessment was conducted.
If no, does the application include a description of how their proposals were tested against the regulatory principles?		n/a
Does the application include a description of how the proposals have been developed with consideration of any potential impact on diversity issues?	Yes	The full equality impact assessment includes an assessment of potential impact on diversity issues.

Overall comments

n/a

Evaluation

The application meets the requirements for Section 5 in the criteria for practising fee applications issued by the LSB.

Level of concern: No concern

Section 6: Consultation with non-commercial bodies and the Consumer Panel

This section of the criteria refers to D12 of the Practising fee Rules 2009 & Section 51 (7) (a) of the Act

Criteria - non-commercial bodies	Yes or No	LSB Assessment
Does the application include a description of steps the AR has taken to ensure the impacts of the persons providing non-commercial legal services have been considered when setting the fees?	Yes	In terms of engagement with non-commercial bodies, three separate bodies were contacted and the feedback received was supportive of the proposals.
Has the AR shared details of the practising fee level with appropriate bodies such as the Law Centres Federation, Citizens Advice and Advice Service Alliance in advance of the submission of the application?	Yes	As above
Have the non-commercial bodies provided any response to the details shared to them by the AR?	Yes	As above

Overall comments

n/a

Evaluation

Criteria - Consumer Panel/others	Yes or No	LSB Assessment
Have we provided a copy of the application to the Consumer Panel?	Yes	n/a
What are their immediate concerns or issues raised (if applicable)?		n/a
Have we considered if we need to consult with anyone else on this application?	Yes	A clear consultation process conducted by the SRA on fee arrangements.
If yes, what consultation has taken place and with whom?		n/a
What was the outcome of this exchange i.e. Do we have any immediate concerns that has the potential to delay the approval of the application?		n/a

Overall comments

n/a

Evaluation

The application meets Section 6 in the criteria for practising fee applications issued by the LSB.

Level of concern: No concern

General Evaluation

Summary of LSB assessment - i.e. Approval and/or approval with conditions or rejection

The Practising Fee Team recommend approval of the TLS/SRA application.

The application meets Section 6 in the criteria for practising fee applications issued by the LSB.

Level of concern: No concern